



City of Mesquite
Comprehensive Annual Financial Report

For Fiscal Year Ended September 30, 2005



Mesquite Animal Shelter and Adoption Center



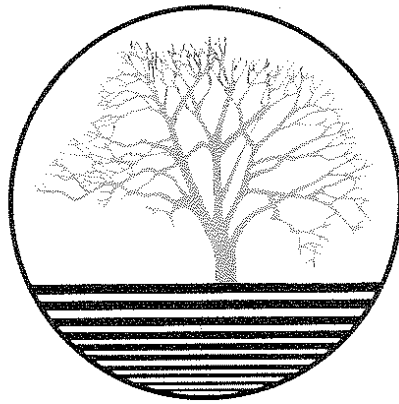
CITY OF MESQUITE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2005

Prepared by:

Finance Department



MESQUITE
T•E•X•A•S

City of Mesquite, Texas

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

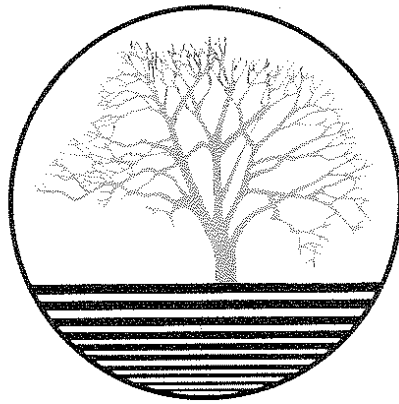
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MESQUITE
T•E•X•A•S

CITY OF MESQUITE, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2005

CITY COUNCIL

Mike Anderson, Mayor

Stan Pickett, Mayor Pro-Tem

John L. Heiman Jr., Deputy Mayor Pro-Tem

John Monaco, Council Member

David L. Paschall, Council Member

Shirley Roberts, Council Member

Dennis Tarpley, Council Member

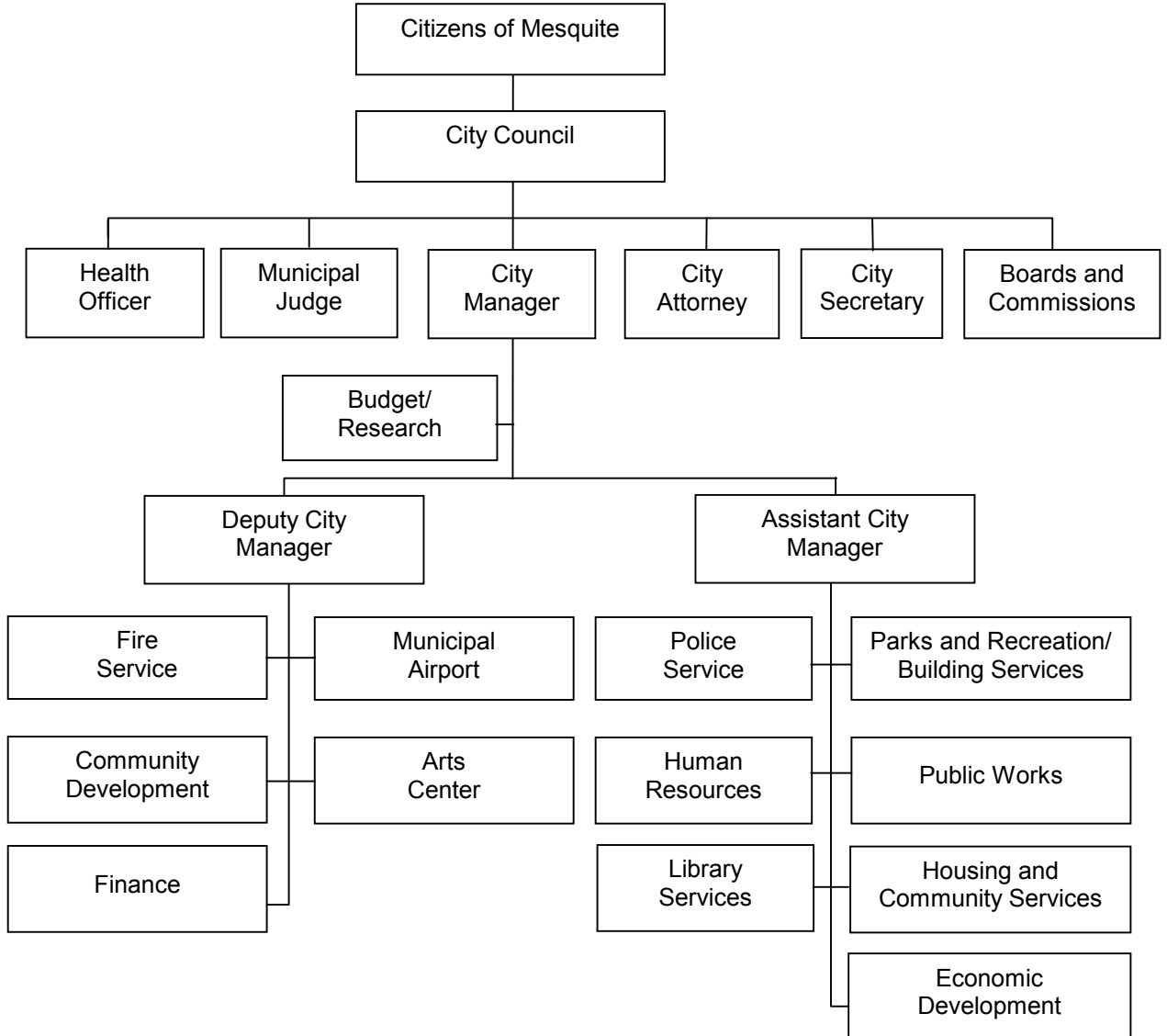
Ted Barron, City Manager

Donald W. Simons, Director of Finance

George G. Vadakin, Accounting Manager

City of Mesquite, Texas

**Organizational Chart
September 30, 2005**





March 29, 2006

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, 2005, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

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

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

The City of Mesquite’s financial statements have been audited by Deloitte & Touche LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Mesquite for the fiscal year ended September 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Mesquite’s basic financial statements for the fiscal year ended September 30, 2005, are fairly presented in conformity with GAAP.

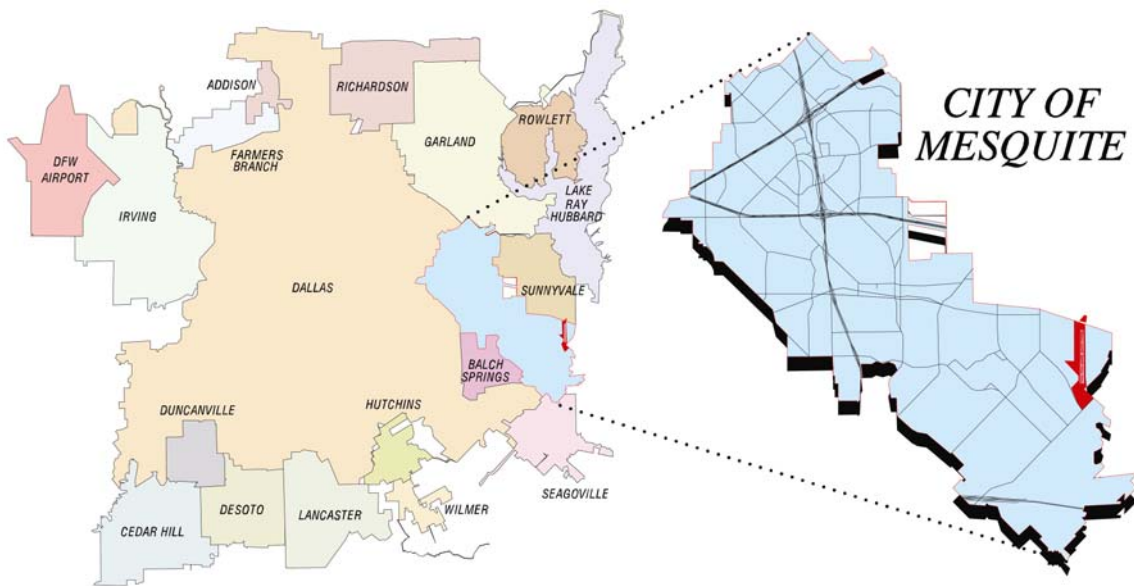
The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation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

General Information - City of Mesquite

The City is located in eastern Dallas County, with its corporate limits adjoining the corporate limits of Dallas for a distance of about eight miles. The old downtown section of Mesquite is approximately 13 miles from downtown Dallas. The incorporated area of Mesquite is presently 43.7 square miles.

Mesquite celebrated its 118th birthday on December 3, 2005. 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 133,605, and Mesquite is now one of the most dynamic growth cities in the Metroplex, served by excellent schools, churches, healthcare institutions, cultural and entertainment facilities, parks, playgrounds and many other amenities.



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

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

Economic Condition and Outlook

Providing quality governmental services to our ever-increasing population has been a continuing challenge, but City management maintains an optimistic outlook. A positive factor has been the strength of the Dallas area economy. The Metroplex ranks high nationally in attracting new businesses and expansion of existing companies. The area remains the distribution and financial center of the Southwest, and the growth of high-tech industries, services industries, trade, and corporate headquarters have provided a strong, stable and diverse local economy. Although the near term economic growth has moderated from historic high levels, the Mesquite economy has not experienced a significant loss of general sales tax revenues or business closures.

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

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

The industrial side of Mesquite is equally impressive. The Skyline Industrial Park is 1,500 acres in size and is home to the largest concentration of industries on the east side of the Metroplex. Ranging in size from the small manufacturer employing less than ten people to the giants of industry such as United Parcel Service that employ approximately 2,900 people, the Skyline Industrial Park is ideally located for manufacturing and distribution industries. Recent additions to this industrial area include Iris USA Manufacturing, a maker of injection-molded plastic containers, which has a 250 thousand square foot facility and Unilever, a maker of home and personal care products, which has a 440 thousand square foot logistics center. Many of our older businesses are also in an expansion mode including Durango/ McKinley Container which is expanding its facility.

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

With continued emphasis on planned economic development and a commitment to the health and welfare of its citizens, Mesquite will continue to attract new homes and businesses. An estimated 38% of its corporate limits 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 1995 to the year 2005, over 7,200 new homes were built. This development has primarily occurred in southeast Mesquite, where the largest concentration of undeveloped land is located. To accommodate additional growth, a thoroughfare plan was developed and is presently being implemented to provide improved roadway access to and within this sector of the City. The need for other infrastructure improvements was previously addressed with expansion of the water and sewer system and the opening of a new fire station to serve the area. City Council has recently adopted an updated plan and development standards for future residential development in the area. With higher standards covering such issues as residential density, open space percentages, neighborhood amenities, minimum home sizes, and design diversity, the City feels the long-term neighborhood viability in terms of stable or appreciating values will be assured.

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

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

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

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

Financial Information

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

Accounting System and Budgetary Controls

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

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

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

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

During the course of the fiscal year, monthly expenditure reports are generated by the Accounting Division using the City’s automated accounting system. These reports provide budget, expenditure, and encumbrance data for each cost center. In addition, on-line inquiry capability is provided to every department to review

appropriation, project, document, and vendor file data. At month-end, a summarized Monthly Financial Report is presented to the City Council.

Tax Rates

All eligible property within the City is subject to assessment, levy, and collection by the City of an ad valorem tax sufficient to provide for the payment of principal and interest on outstanding bonds within the limits prescribed by law, and the payment of maintenance and operation costs as approved by the City Council. Under State law and provisions of the City Charter, the City is limited to a maximum tax rate of \$2.50 per \$100 assessed valuation. The tax rate adopted by the City Council has historically been substantially lower than the maximum provided by law. Allocations of property tax levy by purpose for fiscal year 2005 and the preceding two years are as follows (amounts per \$100/assessed value):

<u>Purpose</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Maintenance and Operations	\$.42325	\$.38833	\$.38571
Debt Service	.15823	.15315	.15577
Total Tax Rate	<u>\$.58148</u>	<u>\$.54148</u>	<u>\$.54148</u>

Debt Administration

The ratio of net general bonded debt to assessed value and the amount of net general bonded debt per capita are useful indicators of the City’s debt position to municipal management, citizens, and investors. The data for the City of Mesquite at September 30, 2005 and 2004, is as follows:

	<u>2005</u>	<u>2004</u>
Net General Bonded Debt	\$ 73,399,211	\$ 64,233,166
Ratio of Net Bonded Debt to Assessed Value	1.31 %	1.16 %
Debt per Capita	\$ 549.37	\$ 488.16

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

Cash Management

The City pools its cash balances for investment purposes. A primary objective of the City’s investment program is 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 2.55% for the year, and the amount of interest earned was \$1,978,681 after recording a \$254,283 net unrealized loss attributable to marking investments to their fair value as of September 30, 2005. 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.

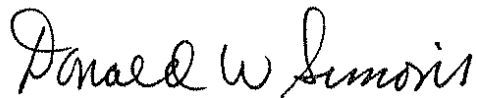
Other Information

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, 2004. This was the twenty-sixth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

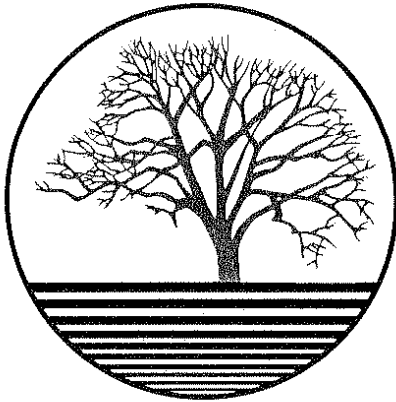
Respectfully Submitted,



Director of Finance



Accounting Manager



**MESQUITE
T•E•X•A•S**

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mesquite,
Texas

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

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



Nancy L. Zjelke

President

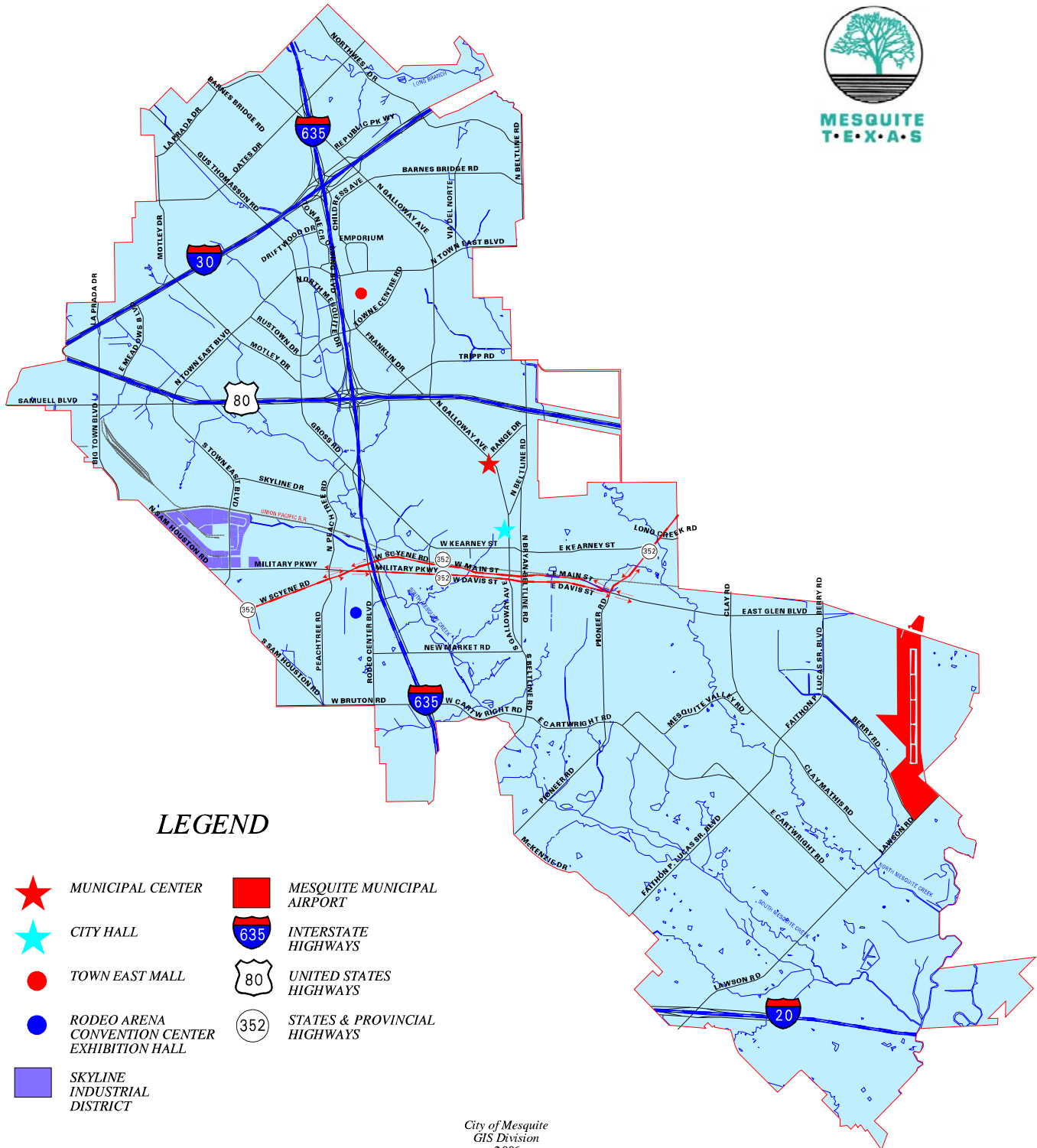
Jeffrey R. Emer

Executive Director










CITY OF MESQUITE



MESQUITE
T·E·X·A·S



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
2006

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, 2005, 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, 2005, and the respective changes in financial position and cash flows, where applicable, of those activities and funds, thereof and the respective budgetary comparison statements for the general fund and the grants special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Required Supplemental Information as described in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City of Mesquite's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the City's respective financial statements that collectively comprise the City's basic financial statements. The combining and individual

fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This additional information is the responsibility of the City of Mesquite's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2006, 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

March 29, 2006

Mesquite, City of Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2005

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, 2005. 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 \$268 million (net assets). Of this amount, \$32 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 \$18.1 million this fiscal year with over 68.2 percent of the increase attributable to activities which receive taxes and other nonexchange revenues (governmental activities).
- As of the close of the current fiscal year, the City of Mesquite's governmental funds reported combined ending fund balances of \$56.6 million, an increase of \$12.2 million from the prior year. Of this amount, \$49.7 million is unreserved and available for spending subject to the City's self-imposed limitations by management for intended use.
- At year-end, the undesignated and unreserved fund balance for the general fund was \$16.6 million. This represents over 18.8 percent of expenditures and transfers out which exceeds the 15 percent required by the City's adopted fund balance policy. On a current financial resources basis, total fund balance for the general fund increased over \$860 thousand which was \$810 thousand greater than the budgeted increase due to expenditure savings and favorable interest earnings and sales and property tax revenues above budget.
- The City's net bonded debt increased by \$10.7 million during this current fiscal year. The City issued general obligation debt for street, equipment, and municipal building improvements as well as revenue bonded debt for water and sewer improvements.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The City maintains nine governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Grants Special Revenue, and Bond Finance Capital Project funds, all of which are to be considered major funds. Data from the other six funds are combined into a single, aggregated presentation. Individual fund data for these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the General and the Grants funds as part of the basic financial statements to demonstrate compliance with these budgets.

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

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

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

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

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

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Included as well are comparative balance sheets and schedules of revenues and expenditures for the major governmental funds. Schedules for certain budgeted nonmajor special revenue funds follow their combining statements. In addition, comparative statements of net assets are provided for individual enterprise funds and a schedule of operating revenues and expenses for the water and sewer fund.

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 \$268 million as of September 30, 2005.

The largest portion of the City's net assets (82.7 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>	
	FY2005	FY2004	FY2005	FY2004	FY2005	FY2004
Current and other assets	\$ 72,854	\$ 60,385	\$ 33,050	\$ 37,537	\$ 105,904	\$ 97,922
Capital assets	<u>169,072</u>	<u>157,826</u>	<u>154,722</u>	<u>143,222</u>	<u>323,794</u>	<u>301,048</u>
Total assets	<u>241,926</u>	<u>218,211</u>	<u>187,772</u>	<u>180,759</u>	<u>429,698</u>	<u>398,970</u>
Long-term liabilities outstanding	91,077	81,403	58,565	57,108	149,642	138,511
Other liabilities	<u>7,278</u>	<u>5,609</u>	<u>4,886</u>	<u>5,100</u>	<u>12,164</u>	<u>10,709</u>
Total liabilities	<u>98,355</u>	<u>87,012</u>	<u>63,451</u>	<u>62,208</u>	<u>161,806</u>	<u>149,220</u>
Invested in capital assets, net of related debt	117,266	105,798	104,206	99,992	221,472	205,790
Restricted net assets	7,774	7,644	6,685	6,067	14,459	13,711
Unrestricted net assets	<u>18,531</u>	<u>17,757</u>	<u>13,430</u>	<u>12,492</u>	<u>31,961</u>	<u>30,249</u>
Total net assets	<u>\$ 143,571</u>	<u>\$ 131,199</u>	<u>\$ 124,321</u>	<u>\$ 118,551</u>	<u>\$ 267,892</u>	<u>\$ 249,750</u>

An additional portion of the City's net assets (5.4%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of almost \$32 million may be used to meet the government's ongoing obligation to citizens and creditors.

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

Analysis of the City's Operations. Governmental and Business-type activities increased the City's net assets by \$18.1 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	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 24,544	\$ 21,783	\$ 34,131	\$ 30,512	\$ 58,675	\$ 52,295
Operating grants and contributions	12,561	11,852	-	-	12,561	11,852
Capital grants and contributions	1,693	5,944	4,659	9,413	6,352	15,357
General revenues:						
Ad valorem taxes	33,073	29,946	-	-	33,073	29,946
Gross receipts taxes	7,416	7,137	-	-	7,416	7,137
Sales taxes	35,663	36,136	-	-	35,663	36,136
Investment income	1,343	547	636	342	1,979	889
Total revenues	116,293	113,345	39,426	40,267	155,719	153,612
Expenses:						
General government	10,726	9,783	-	-	10,726	9,783
Fire services	19,636	18,805	-	-	19,636	18,805
Police services	26,336	24,982	-	-	26,336	24,982
Field services	12,670	13,449	-	-	12,670	13,449
Public works	2,974	2,752	-	-	2,974	2,752
Community development	3,265	3,133	-	-	3,265	3,133
Housing services	10,789	11,069	-	-	10,789	11,069
Library services	2,052	2,080	-	-	2,052	2,080
Parks and recreation	8,135	8,834	-	-	8,135	8,834
Community services	989	1,029	-	-	989	1,029
Other	8,384	7,228	-	-	8,384	7,228
Interest on long-term debt	2,478	2,617	-	-	2,478	2,617
Water and sewer	-	-	26,230	25,604	26,230	25,604
Drainage utility	-	-	1,615	1,606	1,615	1,606
Municipal airport	-	-	1,297	1,130	1,297	1,130
Total expenses	108,434	105,761	29,142	28,340	137,576	134,101
Increase in net assets before transfers	7,859	7,584	10,284	11,927	18,143	19,511
Transfers	4,514	4,431	(4,514)	(4,431)	-	-
Increase in net assets	12,373	12,015	5,770	7,496	18,143	19,511
Net assets - October 1	131,199	119,184	118,551	111,055	249,750	230,239
Net assets - September 30	<u>\$ 143,572</u>	<u>\$ 131,199</u>	<u>\$ 124,321</u>	<u>\$ 118,551</u>	<u>\$ 267,893</u>	<u>\$ 249,750</u>

Governmental Activities

Governmental activities increased the City of Mesquite's net assets by \$12.4 million or 68.2 percent of the total growth in net assets.

The City's program revenues for governmental activities decreased by \$781 thousand (2 percent) during the year. Contributions by private developers to the City's infrastructure decreased by \$4.9 million. The City's intergovernmental revenues in support of the U. S. Department of Housing and Urban Development ("HUD") housing assistance program were \$836 thousand lower than last year. Charges for services increased \$2.8 million primarily from court fines, ambulance fees, recreation user fees and the recovery of costs from internal service fund activities. Other revenues increased \$1.7 million reflecting revenues for the planning of a joint project. Other elements of program revenues were relatively stable or had modest increases during the year.

General revenues of the City increased \$3.7 million during the year. Property tax revenue increased \$3.1 million due to increased property valuations, addition of new property throughout the City, and a property tax rate increase of 4 percent (.04/\$100 of assessed valuation). General revenue from sales taxes was 1.3 percent lower for the year, a decrease of \$477 thousand. Investment income increased by \$796 thousand due to favorable market conditions and gross receipts taxes increased by \$279 thousand.

Expenses for the City's governmental activities increased by \$2.7 million compared with the prior fiscal year. The City made a concerted effort to limit increases in expenses with the exception of public safety, which added 18 new officers in the current year. Police services and fire services increased \$2.2 million during the current fiscal year. Step increases in the City's pay plan accounted for most of the increases in those functional activities which included personal services, as salary and related benefit expenses were \$2.6 million (3.7 percent) higher. Payments under the H.U.D. housing assistance grant program were \$2.3 million (28.7 percent) higher. Also, there were increases in expenses of governmental activities, which are reported, only in the operating results on a government-wide basis. These increases include \$102 thousand depreciation expense on capital assets, \$1 million in accrued compensated absences, and \$1.1 million in increased contractual services for the City's internal service operations for health claims and general liability.

Business-type Activities

Business-type activities increased the City of Mesquite's net assets by \$5.8 million or 31.8 percent of the total growth in net assets.

The City's operating revenues for business-type activities decreased slightly during the fiscal year. The majority of the program revenues for the City's business-type activities are from its water and sewer operations. Water and sewer customer charges increased \$3.6 million from the previous year as North Texas is experiencing extremely dry conditions. Capital grants and contributions decreased substantially during the year. Contributions by private developers decreased \$3.1 million in water and sewer and by over \$2.8 million to the City's drainage utility system. Additionally, there was an increase of \$1.4 million in City contributions and capital grants toward various Drainage Utility projects including work on the Lower East Fork Interceptor Project.

Expenses attributable to the water and sewer activities increased by over \$800 thousand this fiscal year. Water supply fee increases being passed onto the City from the North Texas Municipal Water District (NTMWD) and higher personal services expenditures were primarily responsible for the increase.

Financial Analysis of the City's Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$56.6 million. Approximately 88 percent of this total amount (\$49.7 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 \$6.4 million and debt service of \$531 thousand. The fund balance for all governmental funds increased by \$12.2 million from the previous fiscal year.

The General Fund is the chief operating fund of the City of Mesquite. At the end of the current fiscal year, unreserved fund balance of the General fund was \$16.6 million while the total fund balance was at \$17.4 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 18.8 percent of total General Fund expenditures and transfers out, while the total fund balance represents 19.6 percent of that same amount. By the City's adopted fund balance policy, unreserved fund balance is required to exceed expenditures and transfers out by 15 percent.

In the General Fund, the original budget projected an increase in fund balance this fiscal year of \$32 thousand. The final amended budget projected an increase of \$63 thousand. Differences between the original and final estimated revenues were primarily a decrease in sales tax revenues of \$1.3 million, and increases in other revenue of \$1.7 million and charges for services of \$328 thousand. On the expenditure budget side the final budget increased \$457 thousand. Most functional areas were projected to remain the same as originally adopted in the budget process but the police services budget was decreased 1 percent while the other expenditures budget was increased \$1.2 million (27 percent) mostly for public safety equipment, and field services decreased by 3.7 percent. Due to accurate revenue forecasting, savings in supplies and contractual services and temporary hiring freezes, fund balance increased by \$862 thousand in the General Fund. There was a \$927 thousand overage in parks and recreation services with a corresponding \$733 thousand surplus in the other expenditure function for public safety equipment. This was due to foregoing a reimbursement from the Quality of Life Corporation Fund for park operations since the General Fund had encumbered but not expended certain planned outlays for public safety communications equipment. It is anticipated that the purchase of the equipment and reimbursement to parks operation will occur next fiscal year.

The Grants Fund is a major special revenue fund used to account for funds awarded the City by various federal or state agencies and includes funds granted the City by the U. S. Department of Housing and Urban Development under their housing assistance program. The fund has a balance of \$747 thousand at the end of the year.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water and Sewer fund at the end of the year amounted to \$12.6 million and those for the Drainage Utility District amounted to \$1.3 million. The total growth in net assets for both funds was \$2.5 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 the prior year except for reduced contributions from developers in the amount of \$2.8 million and increased contributions of capital assets from the government of \$1.4 million.

Capital Assets

At the end of fiscal year 2005, the City had \$324 million (net of accumulated depreciation) invested in capital assets for its governmental and business-type activities in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. The total increase in the City of Mesquite's investment in capital assets (net of accumulated depreciation) was nearly 8 percent for the current fiscal year.

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

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	\$ 17,965	\$ 17,890	\$ 6,388	\$ 6,383	\$ 24,353	\$ 24,273
Construction in progress	21,652	16,352	17,932	9,296	39,584	25,648
Buildings	28,325	28,824	2,054	1,511	30,379	30,335
Infrastructure	80,602	77,124	126,672	124,719	207,274	201,843
Improvements	4,934	4,153	104	111	5,038	4,264
Equipment	15,594	13,483	1,572	1,202	17,166	14,685
Totals	\$ 169,072	\$ 157,826	\$ 154,722	\$ 143,222	\$ 323,794	\$ 301,048

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

- Over \$7.7 million was expended for street and alley projects including \$6.8 million this year for the widening and reconstruction of Cartwright Road Phase III.
- The need for upgraded city facilities was addressed with over \$3 million being expended for new Animal Shelter, Community Services, and the Police Facility buildings. The City hopes to have these facilities completed in the near future. The Animal Shelter held its' grand opening December 27, 2005.
- Current year outlays for the water and sewer system were \$8.4 million and infrastructure and equipment amounting to \$2 million was put into service.
- The drainage utility added over \$1.7 million for the Lower East Fork Intercept system study. This project was funded from local finance council funds.
- Substantial improvements were made at the Mesquite Municipal Airport with current year expenditures of over \$669 thousand for a hangar acquisition and construction of the airport terminal building. The City made use of City bond proceeds to fund these projects.

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

Debt Administration

At year-end, the City had \$130.3 million in net bonded debt outstanding. Of this total amount, \$72.9 million or 56 percent is comprised of bonded debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specified revenue sources (i.e., revenue bonds).

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

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
General obligation	\$ 46,522	\$ 44,375	\$ -	\$ -	\$ 46,522	\$ 44,375
Certificates of obligation	21,570	14,775	-	-	21,570	14,775
Public property finance contractual obligations	4,835	4,535	-	-	4,835	4,535
Revenue bonds	-	-	57,415	55,970	57,415	55,970
Totals	\$ 72,927	\$ 63,685	\$ 57,415	\$ 55,970	\$ 130,342	\$ 119,655

During the fiscal year, there were the following debt issuances: \$7.5 million of general obligation debt for street and alley improvements; \$8.3 million of certificate of obligation debt for municipal building and other improvements; \$1.7 million in contractual obligations for equipment, and \$4.6 million of revenue bonds for water and sewer improvements. Additionally, due to favorable interest rates, bonds were issued to advance refund certain maturities of existing outstanding bond issues. Current year debt issues included advance refunding issues of \$5.9 million for tax-exempt general obligation issues; \$8.9 million for water and sewer revenue bonds.

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

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

Economic Factors and Next Year's Budgets and Rates

The City has one of the lowest unemployment rates at 4.6 percent as compared to the State of Texas, which is 5.9 percent. At the end of the previous fiscal year, these rates were 4.9 and 5.5 percent respectively. Our population growth has been steady with a current population at an estimated 133,605, up nearly 20 percent in the last decade. Providing quality governmental services to this ever-increasing population has been a continuing challenge but City management maintains an optimistic outlook despite the recent economic slowdown being experienced nationally as well as locally.

In the 2005-06 budget, General Fund revenues and transfers in are budgeted to increase by 3.1 percent from the 2004-05 budget year with general property taxes making up about 38.5 percent of the total. Ad valorem tax revenue is determined by two major factors: the total assessed property value established by the Dallas Central Appraisal District and the tax rate set by City Council. Certified assessed valuations increased 3.3 percent over the preceding year while the City tax rate was increased by \$.02 per \$100 of assessed valuation. Facing declining sales tax revenue, rising fuel costs and a desire to maintain the current public safety pay plan this rate increase was deemed necessary. With the increase in taxable valuations and higher tax rate, an additional \$2.3 million in property tax revenue is estimated.

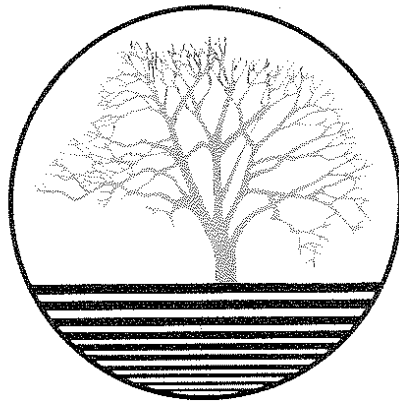
The Dallas-Fort Worth metroplex had experienced an exceptionally strong and expanding economy until recent years when signs of economic weakness have surfaced. Decreased consumer spending, still high

unemployment and a slowdown in regional growth have all impacted the City budget for the upcoming fiscal year but the City's retail sales base continues to hold its share of the market. General sales tax receipts are projected to grow at a minimal .5 percent due to the continued slow economy and increased competition from surrounding communities. This revenue source comprises 28.5 percent of General Fund revenues and transfers in. This revenue source is the most volatile and subject to decline if the economic slowdown worsens.

In order to maintain revenue inflows the City has had to increase license and permit, ambulance service, parks and recreation programming, and high grass and weed maintenance fees. In most cases these fees were raised to bring them in line with those charged by other area cities. It is anticipated that under the proposed budget that the City will be able to maintain service levels and goals developed in the strategic plan. The adopted 2006 General Fund budget totals \$91.8 million in expenditures and transfers out, an increase of \$2.8 million (3.6 percent). Eight additional full-time employees were added and general government performance merit adjustments were again limited to 3 percent. Total fund balance is projected to be unchanged in fiscal year 2006.

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.



MESQUITE
T•E•X•A•S

City of Mesquite, Texas

**Statement of Net Assets
September 30, 2005**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
ASSETS:			
Pooled cash and investments	\$ 57,035,686	\$ 26,165,985	\$ 83,201,671
Receivables (net of allowance for uncollectibles)	13,232,470	6,071,246	19,303,716
Internal balances	319,371	(319,371)	-
Inventory	340,002	280,791	620,793
Prepays and other assets	1,725,281	765,966	2,491,247
Accrued interest	201,305	85,960	287,265
Capital assets-			
Land and construction in progress	39,617,358	24,319,738	63,937,096
Other capital assets (net of accumulated depreciation)	<u>129,454,723</u>	<u>130,401,993</u>	<u>259,856,716</u>
Total Assets	<u>241,926,196</u>	<u>187,772,308</u>	<u>429,698,504</u>
LIABILITIES:			
Accounts payable	6,241,946	1,800,711	8,042,657
Accrued interest payable	381,537	199,453	580,990
Deposits	654,395	2,886,315	3,540,710
Long-term liabilities:			
Due within one year:			
Capital lease payable	39,401	40,503	79,904
Bonds payable	7,480,000	3,800,000	11,280,000
Accrued compensated absences	5,179,144	199,852	5,378,996
Estimated claims payable	2,156,502	-	2,156,502
Due in more than one year:			
Capital lease payable	114,144	117,338	231,482
Bonds payable	65,447,296	53,614,948	119,062,244
Accrued compensated absences	<u>10,660,465</u>	<u>791,967</u>	<u>11,452,432</u>
Total Liabilities	<u>98,354,830</u>	<u>63,451,087</u>	<u>161,805,917</u>
NET ASSETS:			
Invested in capital assets, net of related debt	117,266,049	104,205,744	221,471,793
Restricted for:			
Capital projects	7,243,570	-	7,243,570
Debt service	530,789	6,684,930	7,215,719
Unrestricted	<u>18,530,958</u>	<u>13,430,547</u>	<u>31,961,505</u>
Total Net Assets	<u>\$ 143,571,366</u>	<u>\$ 124,321,221</u>	<u>\$ 267,892,587</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Activities
For the Year Ended September 30, 2005**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTION / PROGRAM ACTIVITIES:				
Governmental activities:				
General government	\$ 10,725,722	\$ 4,270,440	\$ 6,110	\$ -
Fire services	19,636,061	1,318,657	86,849	219,008
Police services	26,335,847	4,265,188	212,586	25,296
Field services	12,670,417	5,526,516	32,187	233,160
Public works	2,974,160	826,009	-	-
Community development	3,265,020	6,006,713	452,219	-
Housing services	10,789,493	45,622	11,455,503	1,890
Library services	2,051,750	70,504	56,342	-
Parks and recreation	8,135,235	1,931,524	21,612	240,853
Community services	988,715	63,393	98,931	419,475
Other	8,383,605	219,421	138,870	553,412
Interest on long-term debt	2,477,969	-	-	-
Total governmental activities	<u>108,433,994</u>	<u>24,543,987</u>	<u>12,561,209</u>	<u>1,693,094</u>
Business-type activities:				
Water and sewer	26,230,054	31,219,117	-	1,476,741
Drainage utility	1,615,401	2,098,047	-	2,343,841
Municipal airport	1,297,311	814,199	-	838,302
Total business-type activities	<u>29,142,766</u>	<u>34,131,363</u>	<u>-</u>	<u>4,658,884</u>
Total function / program activities	<u>\$ 137,576,760</u>	<u>\$ 58,675,350</u>	<u>\$ 12,561,209</u>	<u>\$ 6,351,978</u>
General revenues:				
Ad valorem taxes				
Gross receipts taxes				
Sales taxes				
Investment income				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The accompanying notes are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (6,449,172)	\$ -	\$ (6,449,172)
(18,011,547)	-	(18,011,547)
(21,832,777)	-	(21,832,777)
(6,878,554)	-	(6,878,554)
(2,148,151)	-	(2,148,151)
3,193,912	-	3,193,912
713,522	-	713,522
(1,924,904)	-	(1,924,904)
(5,941,246)	-	(5,941,246)
(406,916)	-	(406,916)
(7,471,902)	-	(7,471,902)
<u>(2,477,969)</u>	<u>-</u>	<u>(2,477,969)</u>
<u>(69,635,704)</u>	<u>-</u>	<u>(69,635,704)</u>
-	6,465,804	6,465,804
-	2,826,487	2,826,487
<u>-</u>	<u>355,190</u>	<u>355,190</u>
<u>-</u>	<u>9,647,481</u>	<u>9,647,481</u>
<u>(69,635,704)</u>	<u>9,647,481</u>	<u>(59,988,223)</u>
33,072,758	-	33,072,758
7,416,041	-	7,416,041
35,663,036	-	35,663,036
1,342,679	636,002	1,978,681
<u>4,513,888</u>	<u>(4,513,888)</u>	<u>-</u>
<u>82,008,402</u>	<u>(3,877,886)</u>	<u>78,130,516</u>
12,372,698	5,769,595	18,142,293
131,198,668	118,551,626	249,750,294
<u>\$ 143,571,366</u>	<u>\$ 124,321,221</u>	<u>\$ 267,892,587</u>

City of Mesquite, Texas

**Balance Sheet - Governmental Funds
September 30, 2005**

	<u>General</u>	<u>Grants</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Pooled cash and investments	\$ 11,889,078	\$ 729,545	\$ 22,654,867	\$ 17,732,809	\$ 53,006,299
Receivables (net allowance for uncollectibles):					
Accounts receivable	3,118,345	-	2,646	4,523	3,125,514
Ad valorem taxes	905,663	-	-	-	905,663
Other taxes receivable	1,586,600	-	-	-	1,586,600
Assessments	-	-	344,672	-	344,672
Intergovernmental	4,946,379	753,358	-	1,570,284	7,270,021
Due from other funds	664,939	-	-	-	664,939
Inventory	340,002	-	-	-	340,002
Prepays	39,258	-	-	16,149	55,407
Accrued interest	69,243	-	71,483	45,936	186,662
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 23,559,507</u>	<u>\$ 1,482,903</u>	<u>\$ 23,073,668</u>	<u>\$ 19,369,701</u>	<u>\$ 67,485,779</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 2,669,612	\$ 65,765	\$ 1,962,918	\$ 1,326,524	\$ 6,024,819
Deposits	346,060	-	-	308,335	654,395
Due to other funds	-	664,939	-	-	664,939
Deferred revenues	3,167,692	5,000	344,672	-	3,517,364
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>6,183,364</u>	<u>735,704</u>	<u>2,307,590</u>	<u>1,634,859</u>	<u>10,861,517</u>
Fund Balances:					
Reserved for:					
Encumbrances	732,332	-	4,180,725	1,492,441	6,405,498
Debt retirement	-	-	-	530,789	530,789
Unreserved reported in:					
General fund	16,643,811	-	-	-	16,643,811
Special revenue funds	-	747,199	-	8,400,934	9,148,133
Capital project funds	-	-	16,585,353	7,310,678	23,896,031
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>17,376,143</u>	<u>747,199</u>	<u>20,766,078</u>	<u>17,734,842</u>	<u>56,624,262</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 23,559,507</u>	<u>\$ 1,482,903</u>	<u>\$ 23,073,668</u>	<u>\$ 19,369,701</u>	<u>\$ 67,485,779</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Assets As of September 30, 2005

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

Total fund balance per balance sheet	\$ 56,624,262
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	169,072,081
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.	3,517,364
Internal service funds are used by management to charge the costs of health claims and general liability to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.	3,150,915
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.	(381,537)
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	(47,525,000)
Certificate of obligation bonds payable	(21,570,000)
Public property finance contractual obligations payable	(4,835,000)
Capital lease payable	(153,545)
Less: deferred amounts	1,511,435
Accrued compensated absences	<u>(15,839,609)</u>
	<u>(88,411,719)</u>
Net assets of governmental activities	<u>\$ 143,571,366</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, 2005**

	<u>General</u>	<u>Grants</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes-					
Ad valorem	\$ 33,158,798	\$ -	\$ -	\$ -	\$ 33,158,798
Gross receipts	7,304,845	-	-	111,196	7,416,041
Sales	26,061,712	-	-	9,601,324	35,663,036
Licenses and permits	1,247,869	-	-	1,175	1,249,044
Fines and forfeitures	2,297,200	-	-	700,198	2,997,398
Investment income	645,705	2,850	284,152	308,843	1,241,550
Charges for services	8,804,449	1,433	81,077	4,325,457	13,212,416
Intergovernmental	95,395	14,105,401	21,188	388,500	14,610,484
Other revenues	1,078,271	48,861	-	2,732,668	3,859,800
Contributions and donations	-	-	-	107,434	107,434
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	80,694,244	14,158,545	386,417	18,276,795	113,516,001
EXPENDITURES:					
Current-					
General government	6,591,955	-	-	57,150	6,649,105
Fire services	18,679,692	261,501	-	9,396	18,950,589
Police services	24,560,193	375,683	-	710,942	25,646,818
Field services	8,737,918	32,201	24,274	-	8,794,393
Public works	2,384,552	-	-	-	2,384,552
Community development	2,851,579	425,941	-	371	3,277,891
Housing services	-	10,763,463	-	10,738	10,774,201
Library services	1,953,135	55,471	-	2,173	2,010,779
Parks and recreation	7,495,819	-	-	45,793	7,541,612
Community services	1,087,285	-	-	-	1,087,285
Other	5,009,374	128,845	480,396	2,650,043	8,268,658
Capital outlay	-	376,896	6,770,253	10,199,927	17,347,076
Debt service	-	-	-	-	-
Principal	-	-	-	8,350,000	8,350,000
Interest and fiscal charges	-	-	-	2,605,064	2,605,064
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	79,351,502	12,420,001	7,274,923	24,641,597	123,688,023
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,342,742	1,738,544	(6,888,506)	(6,364,802)	(10,172,022)
OTHER FINANCING SOURCES (USES):					
Transfers in	7,084,474	-	-	11,069,019	18,153,493
Transfers out	(9,315,091)	(150,000)	(333,389)	(3,841,125)	(13,639,605)
Issuance of debt	1,720,000	-	15,830,000	-	17,550,000
Issuance of refunding debt	-	-	5,965,000	-	5,965,000
Premium on debt	29,719	-	402,991	-	432,710
Payment to refunding bond agent	-	-	(6,058,562)	-	(6,058,562)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(480,898)	(150,000)	15,806,040	7,227,894	22,403,036
NET CHANGE IN FUND BALANCES					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	861,844	1,588,544	8,917,534	863,092	12,231,014
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	16,514,299	(841,345)	11,848,544	16,871,750	44,393,248
FUND BALANCES AT END OF YEAR					
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 17,376,143	\$ 747,199	\$ 20,766,078	\$ 17,734,842	\$ 56,624,262

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, 2005**

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

Net change in fund balance - total governmental funds	\$ 12,231,014
<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	19,694,164
Depreciation expense	<u>(8,688,710)</u>
	11,005,454
<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>	
	240,853
<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>	
	(945,315)
<p>The issuance of long-term debt (e.g. bond proceeds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Principal amount of debt issued	(23,515,000)
Bond accretion and refunded debt amortization	(135,960)
Principal amount of debt payed to bondholders	8,350,000
Payment to escow agent for refunding	6,058,562
Principal amount of capital lease paid	37,670
Net deferred offering costs and related debt issuance items	<u>109,308</u>
	(9,095,420)
<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>	
	(1,029,378)
<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>(34,510)</u>
Change in net assets of governmental activities	<u>\$ 12,372,698</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - General Fund
For the Year Ended September 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes-				
Ad valorem	\$ 33,119,670	\$ 33,017,384	\$ 33,158,798	\$ 141,414
Gross receipts	7,262,500	7,262,500	7,304,845	42,345
Sales	27,179,800	25,909,530	26,061,712	152,182
Licenses and permits	1,265,200	1,290,660	1,247,869	(42,791)
Fines and forfeitures	2,300,000	2,309,000	2,297,200	(11,800)
Investment income	400,000	411,176	645,705	234,529
Charges for services	8,399,233	8,726,687	8,804,449	77,762
Intergovernmental	520,421	504,920	95,395	(409,525)
Other revenues	724,396	2,433,470	1,078,271	(1,355,199)
	<u>81,171,220</u>	<u>81,865,327</u>	<u>80,694,244</u>	<u>(1,171,083)</u>
TOTAL REVENUES				
EXPENDITURES:				
Current-				
General government	6,747,832	6,678,970	6,591,955	87,015
Fire services	18,795,987	18,852,954	18,679,692	173,262
Police services	24,947,001	24,683,684	24,560,193	123,491
Field services	9,125,040	8,782,886	8,737,918	44,968
Public works	2,570,317	2,486,890	2,384,552	102,338
Community development	2,834,244	2,857,554	2,851,579	5,975
Library services	2,026,713	1,956,086	1,953,135	2,951
Parks and recreation	6,520,305	6,568,041	7,495,819	(927,778)
Community services	1,143,786	1,082,425	1,087,285	(4,860)
Other	4,523,407	5,742,397	5,009,374	733,023
	<u>79,234,632</u>	<u>79,691,887</u>	<u>79,351,502</u>	<u>340,385</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,936,588</u>	<u>2,173,440</u>	<u>1,342,742</u>	<u>(830,698)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,777,000	5,504,522	7,084,474	1,579,952
Transfers out	(9,381,279)	(9,315,091)	(9,315,091)	-
Issuance of debt	1,700,000	1,700,000	1,720,000	20,000
Premium on debt	-	-	29,719	29,719
	<u>(1,904,279)</u>	<u>(2,110,569)</u>	<u>(480,898)</u>	<u>1,629,671</u>
TOTAL OTHER FINANCING USES				
NET CHANGE IN FUND BALANCES	<u>\$ 32,309</u>	<u>\$ 62,871</u>	<u>861,844</u>	<u>\$ 798,973</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>16,514,299</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 17,376,143</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Grants Special Revenue Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ -	\$ -	\$ 2,850	\$ 2,850
Charges for service	-	-	1,433	1,433
Intergovernmental	11,818,279	14,074,444	14,105,401	30,957
Other revenues	-	-	48,861	48,861
	<u>-</u>	<u>-</u>	<u>48,861</u>	<u>48,861</u>
TOTAL REVENUES	<u>11,818,279</u>	<u>14,074,444</u>	<u>14,158,545</u>	<u>84,101</u>
EXPENDITURES:				
Current-				
Fire services	-	456,372	261,501	194,871
Police services	107,063	421,821	375,683	46,138
Field services	-	35,000	32,201	2,799
Housing services	11,195,511	10,874,971	10,763,463	111,508
Community development	532,311	438,075	425,941	12,134
Library services	42,543	56,264	55,471	793
Parks and recreation	-	5,500	-	5,500
Other	147,468	133,050	128,845	4,205
Capital outlay	<u>249,937</u>	<u>506,900</u>	<u>376,896</u>	<u>130,004</u>
TOTAL EXPENDITURES	<u>12,274,833</u>	<u>12,927,953</u>	<u>12,420,001</u>	<u>507,952</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(456,554)</u>	<u>1,146,491</u>	<u>1,738,544</u>	<u>592,053</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (606,554)</u>	<u>\$ 996,491</u>	<u>1,588,544</u>	<u>\$ 592,053</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>(841,345)</u>	
FUND BALANCE (DEFICIT) AT END OF YEAR			<u>\$ 747,199</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
ASSETS:					
Current assets:					
Pooled cash and investments	\$ 10,498,852	\$ 1,056,998	\$ 4,612	\$ 11,560,462	\$ 4,029,387
Receivables (net of allowance for uncollectibles)	5,927,447	139,637	4,162	6,071,246	-
Inventory	255,993	-	24,798	280,791	-
Prepays and other assets	629,739	136,227	-	765,966	1,161,143
Accrued interest	48,695	7,693	-	56,388	14,643
Total current assets	<u>17,360,726</u>	<u>1,340,555</u>	<u>33,572</u>	<u>18,734,853</u>	<u>5,205,173</u>
Noncurrent assets:					
Revenue bond construction-					
Pooled cash and investments	7,525,178	195,962	-	7,721,140	-
Accrued interest	28,528	1,044	-	29,572	-
Revenue bond debt service-					
Pooled cash and investments	2,166,312	545,608	-	2,711,920	-
Revenue bond reserve-					
Pooled cash and investments	3,343,740	828,723	-	4,172,463	-
Capital assets-					
Land and construction in progress	14,905,111	3,572,653	5,841,974	24,319,738	-
Other capital assets (net of accumulated depreciation)	96,515,259	26,264,791	7,621,943	130,401,993	-
Total noncurrent assets	<u>124,484,128</u>	<u>31,408,781</u>	<u>13,463,917</u>	<u>169,356,826</u>	<u>-</u>
Total Assets	<u>141,844,854</u>	<u>32,749,336</u>	<u>13,497,489</u>	<u>188,091,679</u>	<u>5,205,173</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	910,679	33,308	60,218	1,004,205	217,127
Deposits	2,872,106	2,588	11,621	2,886,315	-
Capital lease payable	40,503	-	-	40,503	-
Accrued compensated absences	170,599	29,253	-	199,852	-
Total current liabilities	<u>3,993,887</u>	<u>65,149</u>	<u>71,839</u>	<u>4,130,875</u>	<u>217,127</u>
Current liabilities payable from restricted assets:					
Accounts payable	730,043	66,463	-	796,506	-
Accrued interest payable	166,680	32,773	-	199,453	-
Bonds payable	2,980,000	820,000	-	3,800,000	-
Total current liabilities payable from restricted assets	<u>3,876,723</u>	<u>919,236</u>	<u>-</u>	<u>4,795,959</u>	<u>-</u>
Total current liabilities	<u>7,870,610</u>	<u>984,385</u>	<u>71,839</u>	<u>8,926,834</u>	<u>217,127</u>
Noncurrent liabilities:					
Estimated claims payable	-	-	-	-	2,156,502
Capital lease payable	117,338	-	-	117,338	-
Bonds payable	44,335,597	9,279,351	-	53,614,948	-
Accrued compensated absences	730,321	23,463	38,183	791,967	-
Total noncurrent liabilities	<u>45,183,256</u>	<u>9,302,814</u>	<u>38,183</u>	<u>54,524,253</u>	<u>2,156,502</u>
Total Liabilities	<u>53,053,866</u>	<u>10,287,199</u>	<u>110,022</u>	<u>63,451,087</u>	<u>2,373,629</u>
NET ASSETS:					
Invested in capital assets, net of related debt	70,873,191	19,868,636	13,463,917	104,205,744	-
Restricted for debt service	5,343,372	1,341,558	-	6,684,930	-
Unrestricted	<u>12,574,425</u>	<u>1,251,943</u>	<u>(76,450)</u>	<u>13,749,918</u>	<u>2,208,880</u>
Total Net Assets	<u>\$ 88,790,988</u>	<u>\$ 22,462,137</u>	<u>\$ 13,387,467</u>	<u>124,640,592</u>	<u>\$ 2,831,544</u>
Reconciliation to government-wide statement of net assets:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(319,371)	
Net assets of business-type activities				<u>\$ 124,321,221</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, 2005**

	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	\$ 31,219,117	\$ 2,098,047	\$ 814,199	\$ 34,131,363	\$ -
Contributions - City	-	-	-	-	10,044,011
Contributions - other	-	-	-	-	3,576,372
Total operating revenues	<u>31,219,117</u>	<u>2,098,047</u>	<u>814,199</u>	<u>34,131,363</u>	<u>13,620,383</u>
Operating expenses:					
Personal services	4,756,736	411,688	287,482	5,455,906	-
Supplies	79,233	13,760	456,943	549,936	-
Contractual services	16,181,230	116,788	196,149	16,494,167	13,794,185
Depreciation	<u>3,109,648</u>	<u>597,419</u>	<u>356,737</u>	<u>4,063,804</u>	<u>-</u>
Total operating expenses	<u>24,126,847</u>	<u>1,139,655</u>	<u>1,297,311</u>	<u>26,563,813</u>	<u>13,794,185</u>
Operating income (loss)	<u>7,092,270</u>	<u>958,392</u>	<u>(483,112)</u>	<u>7,567,550</u>	<u>(173,802)</u>
Nonoperating revenues (expenses):					
Investment income	556,097	79,905	-	636,002	101,129
Interest expense	(1,937,707)	(425,402)	-	(2,363,109)	-
Other nonoperating expenses	<u>(127,337)</u>	<u>(50,344)</u>	<u>-</u>	<u>(177,681)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(1,508,947)</u>	<u>(395,841)</u>	<u>-</u>	<u>(1,904,788)</u>	<u>101,129</u>
Income (loss) before contributions and transfers	5,583,323	562,551	(483,112)	5,662,762	(72,673)
Capital contributions	1,476,741	2,343,841	838,302	4,658,884	-
Transfers in	-	-	85,250	85,250	-
Transfers out	<u>(4,550,000)</u>	<u>-</u>	<u>(49,138)</u>	<u>(4,599,138)</u>	<u>-</u>
Change in net assets	2,510,064	2,906,392	391,302	5,807,758	(72,673)
Total net assets - beginning	<u>86,280,924</u>	<u>19,555,745</u>	<u>12,996,165</u>	<u>2,904,217</u>	<u>2,904,217</u>
Total net assets - ending	<u>\$ 88,790,988</u>	<u>\$ 22,462,137</u>	<u>\$ 13,387,467</u>	<u>\$ 5,716,975</u>	<u>\$ 2,831,544</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>(38,163)</u>	
Change in net assets of business-type activities				<u>\$ 5,769,595</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, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 30,685,993	\$ 2,098,630	\$ 829,375	\$ 33,613,998	\$ -
Cash received from City funds	-	-	-	-	10,044,011
Cash received from other operating sources	-	-	-	-	3,576,372
Cash paid to suppliers for goods and services	(16,262,334)	(107,470)	(617,829)	(16,987,633)	(3,015,877)
Cash paid to employees for services	(4,678,092)	(426,420)	(278,455)	(5,382,967)	-
Cash paid to claimants	-	-	-	-	(11,588,592)
Net cash provided by (used for) operating activities	<u>9,745,567</u>	<u>1,564,740</u>	<u>(66,909)</u>	<u>11,243,398</u>	<u>(984,086)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in from other funds	-	-	85,250	85,250	-
Transfers out to other funds	(4,550,000)	-	(49,138)	(4,599,138)	-
Net cash provided by (used for) noncapital financing activities	<u>(4,550,000)</u>	<u>-</u>	<u>36,112</u>	<u>(4,513,888)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the sale of revenue bonds	13,510,000	-	-	13,510,000	-
Premium from the sale of revenue bonds	675,376	-	-	675,376	-
Acquisition and construction of capital assets	(9,210,010)	(2,175,396)	(2,265)	(11,387,671)	-
Principal paid on revenue bond maturities	(2,740,000)	(790,000)	-	(3,530,000)	-
Interest paid on revenue bonds	(1,931,447)	(428,134)	-	(2,359,581)	-
Refunding on revenue bonds	(9,318,515)	-	-	(9,318,515)	-
Bond issuance costs paid	(431,110)	-	-	(431,110)	-
Net cash used for capital and related financing activities	<u>(9,445,706)</u>	<u>(3,393,530)</u>	<u>(2,265)</u>	<u>(12,841,501)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	<u>556,593</u>	<u>82,459</u>	<u>-</u>	<u>639,052</u>	<u>99,655</u>
Net cash provided by investing activities	<u>556,593</u>	<u>82,459</u>	<u>-</u>	<u>639,052</u>	<u>99,655</u>
NET INCREASE (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS	(3,693,546)	(1,746,331)	(33,062)	(5,472,939)	(884,431)
POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>27,227,628</u>	<u>4,373,622</u>	<u>37,674</u>	<u>31,638,924</u>	<u>4,913,818</u>
POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 23,534,082</u>	<u>\$ 2,627,291</u>	<u>\$ 4,612</u>	<u>\$ 26,165,985</u>	<u>\$ 4,029,387</u>

(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, 2005
 (Continued)

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 7,092,270	\$ 958,392	\$ (483,112)	\$ 7,567,550	\$ (173,802)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities-					
Depreciation	3,109,647	597,419	356,737	4,063,803	-
Provision for uncollectible accounts	(20,093)	-	-	(20,093)	-
Changes in assets and liabilities-					
(Increase)decrease in accounts receivable	(667,443)	583	8,510	(658,350)	-
(Increase)decrease in inventory	(23,528)	-	10,374	(13,154)	-
Decrease (increase) in prepaid items	(4,003)	-	-	(4,003)	(387,391)
Increase (decrease) in accounts payable	66,327	23,190	26,064	115,581	137,505
Decrease in estimated claims payable	-	-	-	-	(560,398)
Increase in deposits	134,318	-	6,666	140,984	-
Increase in accrued compensated absences	58,073	(14,844)	7,852	51,081	-
Total adjustments	2,653,297	606,348	416,203	3,675,848	(810,284)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 9,745,567	\$ 1,564,740	\$ (66,909)	\$ 11,243,398	\$ (984,086)
NONCASH CAPITAL ACTIVITIES:					
Contribution of capital assets from developers	\$ 1,476,741	\$ 627,123	\$ -	\$ 2,103,864	\$ -
Contribution of capital assets from government	-	1,716,718	838,302	2,555,020	-
Total noncash capital activities	\$ 1,476,741	\$ 2,343,841	\$ 838,302	\$ 4,658,884	\$ -

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
September 30, 2005

	<u>Agency Fund</u> Tax Clearing <u>Fund</u>
ASSETS:	
Current assets:	
Pooled cash and investments	\$ 267,934
Taxes receivable levied for other government (net of allowance for uncollectibles)	<u>3,425,249</u>
Total Assets	<u>\$ 3,693,183</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 267,934
Due to other governments	<u>3,425,249</u>
Total Liabilities	<u>\$ 3,693,183</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2005**

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City of Mesquite, Texas

Notes to Basic Financial Statements

September 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The Quality of Life Corporation (the "Corporation") 4B Sales Tax Special Revenue Fund is presented as a "blended" fund in the financial statements. The Corporation is administered by a seven-member City Council appointed board of directors which are removable by the City Council at any time without cause. No more than four of the seven directors may be City Council members or City of Mesquite employees. Presently, all members of the Board are residents who are neither City Council members or City employees. The purpose of the Corporation is to study and fund permissible projects for public safety, transportation or parks and recreation purposes from a one-half cent general sales tax. The Corporation's activities are subject to Council approval and are for the exclusive benefit of the City. In this respect, the Corporation acts as a financing authority to obtain resources for the projects. When the project is completed the capital assets are owned by the City not the Corporation. Complete financial statements for the Quality of Life Corporation are available upon request from the City.

Also included in the financial statements are the activities of other legally separate entities whose very limited activities have been combined in various governmental funds for financial statement presentation purposes. These include three Tax Increment Financing Districts which provide for public improvements within these districts and the Mesquite Cemetery Board which provides funds to maintain a small cemetery. Separate financial statements for these entities are not available.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2005

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

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

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

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

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

The City of Mesquite maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Grants Special Revenue and Bond Finance Capital Projects funds, all of which are considered to be major funds. A budgetary comparison statement has also been provided for the General and Grants Special Revenue fund in the basic financial statements. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2005

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2005

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

The City of Mesquite reports the following major governmental funds:

- The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Grants special revenue fund is used to account for funds awarded the City by various federal or state agencies. This fund includes funds granted the City by the U. S. Department of Housing and Urban Development ("H. U. D.") under their housing assistance program (HAP) and community development block grant (CDBG) programs.
- The Bond Finance capital project fund is to account for financial resources generated primarily from bond proceeds to be expended for various capital projects. The individual projects are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the financial statements.

The City of Mesquite reports the following major proprietary funds:

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

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2005

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 2004-2005 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 2004-2005 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 budgeted Special Revenue funds are legally adopted on a basis consistent with GAAP on the modified accrual basis of accounting. Accordingly, the budgetary comparison statements and schedules present actual expenditures on a basis consistent with the legally adopted budgets as amended. Capital Project funds are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the financial statements.

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

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

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

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

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2005**

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, 2005, are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for on the consumption basis in governmental funds.

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

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

Assets capitalized have an original cost of \$1,000 or more and a useful life of at least five years. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

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

Estimated Claims Payable- Property, general liability, and workers' compensation insurance coverage is accounted for in the General Liability Fund, an internal service fund. At year-end, the estimated settlement value of claims reported and of claims incurred but not reported in excess of liability insurance limits is classified as estimated claims payable. Group health insurance is accounted for in the Health Claims Fund, an internal service fund. At year-end, an estimate of unpaid claims that were incurred prior to September 30, 2005, is accrued based on past claims experience.

Accrued Compensated Absences- City employees earn vacation and sick leave in varying amounts. Vacation leave accrues for employees with less than five years of service at the annual rate of 10 working days. Upon attaining five years of service, an additional five working days are awarded annually until 15 years of service when vacation leave is earned at an annual rate of 20 days. Employees with over 25 service years accrue 25 days annually. Any employee leaving the City in good standing following one year of continuous service is

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2005

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 straight-line method over the life of the bonds if material in amount. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs as expenditures, during the current period. The face amount of debt issued is recorded as other financing sources. Issuance costs are reported as expenditures in the funds receiving the bond proceeds.

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

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

GASB has issued Statement No. 44 *Economic Condition Reporting: The Statistical Section - an amendment of NCGA Statement 1* ("GASB 44"), which has been implemented ahead of its required effective date and appears in the statistical section in the current year. GASB 44 establishes and modifies requirements related to the supplementary information presented in a statistical section.

GASB has issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("GASB 45"), which will be effective for the City in fiscal year 2008. GASB

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2005

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. 46 “*Net Assets Restricted by Legislation, an Amendment of GASB 34*” (“GASB 46”), which will also be effective for the City in fiscal year 2006. GASB 46 clarifies the definition set forth by GASB 34 as it relates to “restricted net assets” in the financial statements. The restriction should be legally enforceable and mandated by parties external to the government (citizens, judiciary.)

GASB has issued Statement No. 47 “*Accounting for Termination Benefits*” (“GASB 47”), which is effective for the City in two parts: (1) for those benefits that relate to other post-employment benefits, the City is to implement at the same time as GASB 45 and (2) for other termination benefits, the effective date will be in fiscal year 2006 for the City. This statement defines the accounting for voluntary and involuntary termination benefits (i.e. early retirement incentives). For voluntary termination benefits, an accrual of these costs is warranted when the termination terms have been accepted by the employee and the costs can be estimated. For involuntary termination occurrences, the liability should be recorded when the termination costs, such as severance, can be estimated and a plan for involuntary termination has been approved by the City. The plan for involuntary termination should include the number and classes of employees affected, employee location, date of proposed termination, and types of benefits that are expected to be paid to terminated employees.

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

2. DEPOSITS AND INVESTMENTS

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

Deposits

At September 30, 2005, the carrying amount of the City's demand deposits was (\$1,099,075) and the bank balance was \$568,097.

Investments

The City's investments at September 30, 2005, are:

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2005

Investment type	Fair Value	Weighted Average Maturity (Years)
Managed Pools:		
Texpool	\$7,399,868	0.00020
Texstar	5,556,505	0.00020
Money Market:		
Fidelity Investments	2,346,337	0.00008
US Agency Notes	53,422,776	0.48600
US Agency Discounts	5,404,350	0.02770
US Treasury Discounts	9,931,874	0.02300
Total	<u>\$84,061,710</u>	<u>0.53700</u>

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

Credit Risk. The City's investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The City's investments in U.S. Agency securities (FHLB, FNMA, FHLMC, and FFCB) are rated AAA by Standard and Poor's and Aaa by Moody's Investor's Service. The U.S. Government indirectly guarantees these securities. 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, 2005. 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, 2005.

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, 2005, the City's total investments are in the following: Agency issues (70.13%), investment pools (15.43%), money market funds (2.78%).

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 which 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.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2005

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, 2004, upon which the 2005 fiscal year levy was based, was \$5,722,579,088. 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, 2005, were 98.28% of the tax levy and total tax collections were 101.31% 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, 2005, the City had a tax margin of \$ 1.91852 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, 2005 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, 2005**

	<u>General</u>	<u>Grants</u>	<u>Bond Finance</u>	<u>Water and Sewer</u>	<u>Drainage Utility District</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:							
Accounts	\$ 6,611,790	\$ -	\$ 5,712	\$ 6,046,758	\$ 139,637	\$ 8,685	\$ 12,812,582
Ad valorem taxes	1,706,286	-	-	-	-	-	1,706,286
Other taxes	1,586,600	-	-	-	-	-	1,586,600
Assessments	-	-	344,672	-	-	-	344,672
Intergovernmental	<u>4,946,379</u>	<u>753,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,570,284</u>	<u>7,270,021</u>
Gross receivables	14,851,055	753,358	350,384	6,046,758	139,637	1,578,969	23,720,161
Less: allowance for uncollectibles	<u>(4,294,068)</u>	<u>-</u>	<u>(3,066)</u>	<u>(119,311)</u>	<u>-</u>	<u>-</u>	<u>(4,416,445)</u>
Net total receivables	<u>\$ 10,556,987</u>	<u>\$ 753,358</u>	<u>\$ 347,318</u>	<u>\$ 5,927,447</u>	<u>\$ 139,637</u>	<u>\$ 1,578,969</u>	<u>\$ 19,303,716</u>

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

General fund - ambulance accounts receivable	\$ 1,102,522
General fund - ad valorem taxes receivable	905,663
General fund - court fines receivable	749,982
General fund - MTED Grant	409,525
Grants special revenue fund - unearned grant proceeds	5,000
Bond Finance capital projects fund - assessments receivable	<u>344,672</u>
 Total deferred revenues for governmental funds	 <u><u>\$ 3,517,364</u></u>

5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2005:

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2005**

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,889,925	\$ 75,093	\$ -	\$ 17,965,018
Construction in progress	16,352,376	14,792,058	9,492,094	21,652,340
Total capital assets, not being depreciated	<u>34,242,301</u>	<u>14,867,151</u>	<u>9,492,094</u>	<u>39,617,358</u>
Capital assets, being depreciated:				
Buildings	38,213,615	418,873	-	38,632,488
Infrastructure	168,283,721	7,968,817	-	176,252,538
Improvements	7,273,401	1,213,149	-	8,486,550
Equipment	28,143,488	4,985,428	2,273,984	30,854,932
Total capital assets, being depreciated	<u>241,914,225</u>	<u>14,586,267</u>	<u>2,273,984</u>	<u>254,226,508</u>
Less accumulated depreciation for:				
Buildings	9,389,598	918,121	-	10,307,719
Infrastructure	91,160,464	4,489,573	-	95,650,037
Improvements	3,120,217	432,776	-	3,552,993
Equipment	14,660,473	2,848,240	2,247,677	15,261,036
Total accumulated depreciation	<u>118,330,752</u>	<u>8,688,710</u>	<u>2,247,677</u>	<u>124,771,785</u>
Total capital assets, being depreciated, net	<u>123,583,473</u>	<u>5,897,557</u>	<u>26,307</u>	<u>129,454,723</u>
Governmental activities capital assets, net	<u>\$ 157,825,774</u>	<u>\$ 20,764,708</u>	<u>\$ 9,518,401</u>	<u>\$ 169,072,081</u>
Business-like activities:				
Capital assets, not being depreciated:				
Land	\$ 6,382,992	\$ 5,286	\$ -	\$ 6,388,278
Construction in progress	9,296,277	12,986,078	4,350,895	17,931,460
Total capital assets, not being depreciated	<u>15,679,269</u>	<u>12,991,364</u>	<u>4,350,895</u>	<u>24,319,738</u>
Capital assets, being depreciated:				
Buildings	2,454,024	604,500	-	3,058,524
Infrastructure	171,134,441	5,544,973	-	176,679,414
Improvements	122,064	-	-	122,064
Equipment	2,855,817	773,095	156,000	3,472,912
Total capital assets, being depreciated	<u>176,566,346</u>	<u>6,922,568</u>	<u>156,000</u>	<u>183,332,914</u>
Less accumulated depreciation for:				
Buildings	942,884	61,245	-	1,004,129
Infrastructure	46,415,038	3,592,016	-	50,007,054
Improvements	11,234	7,524	-	18,758
Equipment	1,653,961	403,019	156,000	1,900,980
Total accumulated depreciation	<u>49,023,117</u>	<u>4,063,804</u>	<u>156,000</u>	<u>52,930,921</u>
Total capital assets, being depreciated, net	<u>127,543,229</u>	<u>2,858,764</u>	<u>-</u>	<u>130,401,993</u>
Business - like activities capital assets, net	<u>\$ 143,222,498</u>	<u>\$ 15,850,128</u>	<u>\$ 4,350,895</u>	<u>\$ 154,721,731</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2005**

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

Governmental activities:	
General government	\$ 908,111
Fire services	610,916
Police services	1,163,380
Field services	4,367,331
Public services	724,270
Development services	1,325
Housing services	7,318
Code compliance	60,058
Library services	43,794
Parks and recreation	679,127
Community services	93,963
Other	29,117
Total governmental activities	<u>\$ 8,688,710</u>
Business-like activities:	
Water and sewer	\$ 3,109,648
Drainage utility	597,419
Municipal airport	356,737
Total business-like activities	<u>\$ 4,063,804</u>

The City has active construction projects as of September 30, 2005. 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, 2005**

	<u>Spent-to-date</u>	<u>Construction Commitments</u>
Governmental activities:		
Projects funded by general obligation bonds:		
Street	\$ 6,687,002	\$ 1,417,411
Municipal building	3,536,402	2,736,965
Traffic signal	344,982	6,600
Projects funded by local finance sources:		
Street	668,204	17,964
Municipal building	166,385	7,542
Parks and recreation	190,686	740
General government	132,463	33,000
Projects funded by general sales tax (4B portion):		
Public safety	2,436,778	611,144
Transportation	4,040,872	353,733
Parks and recreation	<u>3,276,484</u>	<u>422,613</u>
 Total governmental activities	 <u>\$ 21,480,258</u>	 <u>\$ 5,607,712</u>
Business-like activities:		
Projects funded by revenue bonds:		
Water and sewer	\$ 14,067,961	\$ 1,936,204
Drainage utility district	2,600,687	157,015
Projects funded by general obligation bonds:		
Municipal airport	850,225	19,750
Projects funded by local finance sources:		
Municipal airport	8,440	6,560
Projects funded by general sales tax (4B portion):		
Municipal airport	260,611	-
Projects funded by grants (state):		
Municipal airport	<u>143,736</u>	<u>-</u>
 Total business-like activities	 <u>\$ 17,787,924</u>	 <u>\$ 2,119,529</u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds-

The current portion of lending/ borrowing arrangements outstanding at September 30, 2005, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants Fund	\$664,939

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2005**

Transfers-

Transfers were as follows for the fiscal year ended September 30, 2005:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 7,084,474	\$ 9,315,091
Grants	-	150,000
Bond Finance	-	333,389
Non-major governmental fund	11,069,019	3,841,125
Water and sewer	-	4,550,000
Non-major enterprise fund	<u>85,250</u>	<u>49,138</u>
	<u>\$ 18,238,743</u>	<u>\$ 18,238,743</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	\$ 9,229,841
Operating subsidy	Municipal airport enterprise	85,250
Grants fund-		
Indirect cost charge	General	150,000
Bond Finance fund-		
Interest income allocation	General	333,389
Non-major governmental fund-		
Hotel / motel tax - G.O. debt allocation	Debt service	158,000
Other special revenue -		
9-1-1 operations subsidy	General	687,000
4B Operating subsidy- Parks and Recreation	General	1,364,085
Local finance capital project -		
Roadway impact fees	Debt service	833,754
Capital projects funding	Debt service	798,286
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>49,138</u>
	Total	<u>\$ 18,238,743</u>

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2005

7. LONG-TERM DEBT

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

- General obligation bonds are issued pursuant to voter authorization for infrastructure and facility projects accounted for in a governmental capital project fund. During the fiscal year, \$7,521,117 in bonds was issued for street and alley improvements. General obligation bonds were also issued to refund prior debt issues. The current year debt issuance of \$13,465,000 included \$5,943,883 to advance refund prior tax-exempt bonds. The City intends to retire this debt, plus interest, from ad valorem taxes.
- Certificate of obligation debt is similar to general obligation bonds in their usage and retirement but do not require voter authorization and are not used for refunding debt. Included in the April 2005 bond sale was \$8,330,000 for Police Facility Expansion, Records Management, Emergency Warning Sirens, Animal Shelter Expansion, Land and ROW Acquisition, and other municipal building improvements.
- Contractual obligations are issued to acquire equipment and will also be repaid from ad valorem property taxes. During the year, \$1,720,000 in obligations was issued to purchase computer equipment and vehicles used in General fund operations.
- Water and sewer revenue bonds are issued to provide funds for certain improvements to the water distribution and wastewater collection systems as well as to refund prior water and sewer debt issues. These bonds are reported in the Water and Sewer fund as the debt will be repaid from revenues of this enterprise fund operation. Included in the April 2005 bond sale of \$13,510,000 was \$4,582,460 for improvements and \$8,927,540 to advance refund prior debt issuances.

Long-term bonded debt at September 30, 2005, includes the following individual issues:

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2005

<u>Governmental Activities</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
General Obligation Bonds-				
Series 1996 improvements	4.80-4.90	02/15/06	\$ 245,000	\$ 245,000
Taxable Series 1997 refunding	6.80	02/15/06	115,000	115,000
Series 1998 refunding and improvements	4.35-5.125	02/15/18	3,225,000	110,000
Series 1999 improvements	4.85-6.00	02/15/19	195,000	35,000
Series 2000 improvements	4.65-5.50	02/15/20	445,000	40,000
Series 2001 refunding and improvements	3.00-5.00	02/15/21	5,635,000	635,000
Series 2002 improvements	2.875-4.90	02/15/22	4,995,000	25,000
Series 2004A refunding and improvements	2.50-4.625	02/15/24	13,725,000	1,740,000
Taxable Series 2004B refunding	1.40-4.65	02/15/15	5,480,000	345,000
Series 2005 refunding and improvement	3.25-4.75	02/15/25	13,465,000	485,000
			<u>47,525,000</u>	<u>3,775,000</u>
Certificate of Obligation Bonds-				
Series 1995	4.75-5.20	02/15/07	1,005,000	490,000
Series 1996	4.80-4.90	02/15/06	30,000	30,000
Taxable Series 1996	6.50	02/15/06	185,000	185,000
Series 1998	4.30-4.70	02/15/10	900,000	165,000
Series 1999	4.90-5.30	02/15/11	1,430,000	560,000
Series 2000	4.65-5.00	02/15/12	575,000	70,000
Series 2001	3.00-4.25	02/15/13	275,000	30,000
Series 2002	2.25-4.20	02/15/14	740,000	70,000
Series 2004	2.00-4.625	02/15/24	6,030,000	225,000
Series 2004A	2.00-5.00	02/15/24	2,070,000	80,000
Series 2005	3.25-4.75	02/15/25	8,330,000	315,000
			<u>21,570,000</u>	<u>2,220,000</u>
Public Property Finance Contractual Obligations-				
Series 2000	4.65-4.70	02/15/06	330,000	330,000
Series 2001	3.00-3.45	02/15/07	560,000	275,000
Series 2002	2.00-3.15	02/15/08	1,015,000	330,000
Series 2004	2.00-2.90	02/15/10	1,210,000	230,000
Series 2005	3.25-4.0	02/15/10	1,720,000	320,000
			<u>4,835,000</u>	<u>1,485,000</u>
Total governmental activities long-term bonded debt			73,930,000	7,480,000
Less: deferred loss on refunding			<u>(1,002,704)</u>	<u>-</u>
Net governmental activities long-term bonded debt			<u>72,927,296</u>	<u>7,480,000</u>

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2005

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Business-like Activities-</u>				
Water and Sewer Revenue Bonds-				
Series 1996 improvements	4.625-4.875	03/01/06	175,000	175,000
Series 1998 refunding and improvements	4.35-5.125	03/01/18	4,375,000	500,000
Series 1999 improvements	4.80-5.875	03/01/19	895,000	205,000
Series 2000 improvements	4.65-5.50	03/01/20	1,075,000	195,000
Series 2001 refunding and improvements	3.00-5.00	03/01/21	8,155,000	915,000
Series 2002 improvements	2.00-5.00	03/01/22	6,770,000	290,000
Series 2004 refunding and improvements	2.625-5.00	03/01/24	12,680,000	540,000
Series 2005 refunding and improvements	3.25-5.25	03/01/25	13,510,000	160,000
			<u>47,635,000</u>	<u>2,980,000</u>
Drainage Utility System Revenue Bonds-				
Series 1998 refunding and improvements	4.40-5.125	03/01/18	2,230,000	90,000
Series 2000 improvements	4.65-5.50	03/01/20	1,715,000	80,000
Series 2002 improvements	2.00-5.00	03/01/22	3,110,000	135,000
Series 2004 refunding	2.00-5.00	03/01/12	3,170,000	515,000
			<u>10,225,000</u>	<u>820,000</u>
Total business-like activities long-term debt			57,860,000	3,800,000
Less: deferred charges on refunding and issuance			(445,052)	-
Net business-like activities long-term debt			<u>57,414,948</u>	<u>3,800,000</u>
Net long-term bonded debt			<u>\$ 130,342,244</u>	<u>\$ 11,280,000</u>

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

<u>Fiscal Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 7,480,000	\$ 2,920,448	\$ 3,800,000	\$ 2,426,025
2007	6,275,000	2,679,213	3,615,000	2,300,954
2008	6,075,000	2,460,015	3,740,000	2,170,395
2009	5,620,000	2,243,169	3,880,000	2,027,385
2010	5,365,000	2,031,219	4,030,000	1,875,564
2011-2015	20,165,000	7,344,263	19,415,000	6,740,561
2016-2020	12,435,000	3,810,378	13,775,000	2,916,407
2021-2025	10,515,000	1,097,585	5,605,000	471,710
Total	<u>\$ 73,930,000</u>	<u>\$ 24,586,290</u>	<u>\$ 57,860,000</u>	<u>\$ 20,929,001</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2005**

Advance Refundings- Due to favorable interest rates, the various April 2005 bond issues were for or included proceeds to refund and defease in substance certain maturities of its existing outstanding bond issuances. The advance refundings reduced the aggregate debt service payments to maturity and obtained an economic gain, which is calculated by taking the present value of the debt service payments of the old and new debt. The refunding portion of the issues provided resources to purchase direct obligations of the U. S. government that were placed in separate irrevocable trusts for the purpose of generating resources for all future debt service payments of the debt being refunded. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. For general obligation debt, the liability has been removed from the governmental activities whereas refunded revenue bond debt for water/sewer and for drainage utility district affects the business-type activities column. For these advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is being amortized over the remaining life of the refunded debt, which was shorter than the life of the new debt issued in all cases for the City. On the statement of net assets on the government-wide financial statements, this deferred amount is reported as a deduction from the new debt liability. The details of the refunding debt transactions were as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>
	<u>Series 2005</u>	<u>Series 2005 Water/Sewer</u>
Amount of new debt issue	\$ 13,465,000	\$ 13,510,000
Add: Bond premium	279,430	675,376
Less: new construction proceeds	(7,420,000)	(4,582,460)
Less: net issuance costs	<u>(265,868)</u>	<u>(284,401)</u>
Reacquisition price	\$ 6,058,562	\$ 9,318,515
Net carrying amount of old debt	<u>5,885,000</u>	<u>8,850,000</u>
Deferred book loss on refunding	<u>\$ 173,562</u>	<u>\$ 468,515</u>
Reduction in total debt service payments of new debt over old debt	<u>\$ 223,145</u>	<u>\$ 264,588</u>
Economic gain on refunding	<u>\$ 221,243</u>	<u>\$ 245,023</u>

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

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2005**

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Equipment	\$ 203,229	\$ 209,262
Less: Accumulated depreciation	<u>(54,195)</u>	<u>(55,803)</u>
 Total	 <u>\$ 149,034</u>	 <u>\$ 153,459</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2005, were as follows:

<u>Year ending September 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2006	\$ 45,504	\$ 46,777
2007	45,504	46,777
2008	45,504	46,777
2009	<u>30,336</u>	<u>31,185</u>
 Total minimum future lease payments	 166,848	 171,516
Less: Amount representing interest	<u>(13,303)</u>	<u>(13,675)</u>
 Present value of minimum lease payments	 <u>\$ 153,545</u>	 <u>\$ 157,841</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2005**

Long-term liability activity for the year ended September 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 45,340,000	\$ 13,465,000	\$ 11,280,000	\$ 47,525,000	\$ 3,775,000
Certificates of obligation	14,775,000	8,330,000	1,535,000	21,570,000	2,220,000
Public property finance contractual obligations	<u>4,535,000</u>	<u>1,720,000</u>	<u>1,420,000</u>	<u>4,835,000</u>	<u>1,485,000</u>
Total bonds payable	64,650,000	23,515,000	14,235,000	73,930,000	7,480,000
Less future accretion on bonds	(41,126)	-	(41,126)	-	-
Less refunding deferred amount	<u>(923,976)</u>	<u>(173,562)</u>	<u>(94,834)</u>	<u>(1,002,704)</u>	<u>-</u>
Net bonds payable	63,684,898	23,341,438	14,099,040	72,927,296	7,480,000
Other General Fund long-term liability:					
Capital leases	191,215	-	37,670	153,545	39,401
Accrued compensated absences	<u>14,810,231</u>	<u>1,408,589</u>	<u>379,211</u>	<u>15,839,609</u>	<u>5,179,144</u>
Total governmental activities	<u>78,686,344</u>	<u>24,750,027</u>	<u>14,515,921</u>	<u>88,920,450</u>	<u>12,698,545</u>
Business-like activities:					
Bonds payable:					
Revenue bonds -water/sewer	45,715,000	13,510,000	11,590,000	47,635,000	2,980,000
Revenue bonds -drainage	<u>11,015,000</u>	<u>-</u>	<u>790,000</u>	<u>10,225,000</u>	<u>820,000</u>
Total revenue bonds payable	56,730,000	13,510,000	12,380,000	57,860,000	3,800,000
Less deferred amount	<u>(759,600)</u>	<u>206,861</u>	<u>(107,687)</u>	<u>(445,052)</u>	<u>-</u>
Net revenue bonds payable	55,970,400	13,716,861	12,272,313	57,414,948	3,800,000
Capital leases	196,565	-	38,724	157,841	40,503
Accrued compensated absences	<u>940,737</u>	<u>77,352</u>	<u>26,271</u>	<u>991,818</u>	<u>199,852</u>
Total business-like activities	<u>57,107,702</u>	<u>13,794,213</u>	<u>12,337,308</u>	<u>58,564,607</u>	<u>4,040,355</u>
Total long-term liabilities	<u>\$ 135,794,046</u>	<u>\$ 38,544,240</u>	<u>\$ 26,853,229</u>	<u>\$ 147,485,057</u>	<u>\$ 16,738,900</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 801 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing TMRS, P. O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677.

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2005

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 15.08%. 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, 2004, valuation is effective for rates beginning January 2006).

Annual Pension Cost- For fiscal year 2005, the City's annual pension cost of \$7,658,549 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2004, actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses), (b) no projected salary increases, (c) no cost of living adjustment, and (d) 3.5% inflation rate adjustment. The actuarial value of assets is amortized cost. The City's unfunded actuarial accrued liability is being amortized over a 25-year open period as a level percentage of payroll.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2005

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>
9/30/2005	\$ 7,658,549	100%	\$ -
9/30/2004	7,124,337	100%	-
9/30/2003	6,702,366	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 \$7.831 million for the fiscal year ended September 30, 2005.

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, 2005, was approximately \$4.779 million.

10. SELF-INSURANCE

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

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2005**

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 \$725,519 in unrestricted net assets after inclusion of \$1,340,682 of estimated outstanding health claims payable. During the year, operating expenses and transfers out exceeded operating and nonoperating revenues \$102,855 after inclusion of a \$20,682 decrease in estimated claims payable resulting in a \$622,664 balance in unrestricted net assets at year-end. Actual claims paid totaled \$10,271,543. The decrease in net assets was due to an increase in medical claims incurred which was partially offset by an increase in City contributions for employee and dependent coverage and employee contribution rates. In addition to these increased contributions, the City has continued a contract with an outside firm to assist the City in controlling and monitoring medical claims.

The estimated claims payable of \$1,320,000 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 2004 and 2005 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>
2004	\$ 1,199,821	\$ 8,520,912	\$ 8,380,051	\$ 1,340,682
2005	1,340,682	10,250,861	10,271,543	1,320,000

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

General Liability Insurance- During 1985, the City established the General Liability internal service fund to account for the provision of property, general liability, and workers' compensation insurance. The fund is a "self-insured" retention for loss plan funded through revenues from participating governmental and proprietary funds. The City's property insurance program included a blanket property insurance policy of approximately \$86,450,898 with a \$5,000 deductible per occurrence. General liability is self-insured up to \$50,000 per occurrence with a \$5,000,000 liability per claim. Public official liability coverage has a \$5,000,000 liability limit per claim with a \$50,000 deductible per occurrence. As of October 1, 2004 the City started participating in the Texas Municipal League Pool for workers' compensation claims. The City now retains risk for workers' compensation up to \$300,000 per occurrence. Prior to that date the City retained all risk for these claims. With the exception of the change in workers' compensation, coverage is consistent with prior years and settled claims have not exceeded the commercial coverage in any of the past three fiscal years. The General Liability fund began the fiscal year with unrestricted net assets of \$2,178,698. During the year, operating and nonoperating revenues exceeded operating expenses by \$30,182 after inclusion of a \$539,716 decrease in estimated claims payable, resulting in a \$2,208,880 net assets balance at fiscal year-end.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2005**

Actual claims paid were \$906,003. The estimated claims payable of \$836,502 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 2004 and 2005 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>
2004	\$ 1,858,209	\$ 444,367	\$ 926,358	\$ 1,376,218
2005	1,376,218	366,287	906,003	836,502

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

11. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the City provides postretirement healthcare benefits to retirees and their dependents. These benefits are provided to retired employees under the same plan options as active employees in accordance with City ordinances. Premiums are fully paid by the City until the employee attains age 65 for those retiring prior to February 1, 2000. After that date, the payment for retirees, with at least 10 years of service, is 4% per completed year of service. After age 65, retired employees may continue in the City healthcare plan if they pay the premiums. The City's payment for the retirees' dependents is 2.6% per year of service. The City paid approximately \$1,931,710 for 224 retirees' premiums in fiscal year 2005. Claims for retired employees and their dependents approximated \$1.98 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 November 16, 2004. No rebate liability was due to the federal government. The next computation date for the City was on December 21, 2005. 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.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2005

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, 2005, is as follows:

Series	Mesquite Industrial Development Corporation	Mesquite Health Facilities Corporation	Total
1994	\$ 1,000,000	\$ -	\$ 1,000,000
1995	1,285,890	-	1,285,890
1996A	-	12,105,000	12,105,000
1996B	-	1,920,000	1,920,000
1997	3,300,000	-	3,300,000
2000A	-	10,175,000	10,175,000
2000B	-	2,500,000	2,500,000
2000C	-	7,630,000	7,630,000
2003A	1,081,966	-	1,081,966
2003B	600,000	-	600,000
Total	<u>\$ 7,267,856</u>	<u>\$ 34,330,000</u>	<u>\$ 41,597,856</u>

13. SUBSEQUENT EVENTS

Agreement with the State Energy Conservation Office for a loan through the LoanSTAR revolving loan program to implement specific energy conservation retrofit measures at the Municipal Center (1515 N. Galloway)

On September 19, 2005, City Council authorized the City Manager to execute the LoanSTAR loan agreement with the State Energy Conservation Office for a loan in the amount of \$559,730 to implement energy conservation improvements at the Municipal Center.

Final approval was received on October 12, 2005. Funds will be disbursed to the City on a reimbursement basis after costs have been submitted and certified by the lender. Construction is expected to be completed within 12 months. Repayment of the loan commences after completion of the project and is due in eight-annual installments with interest calculated at 3%.

Agreement with Texas Department of Transportation for a loan from the State Infrastructure Bank for LBJ Corridor improvements

On October 17, 2005, City Council passed Resolution No. 44-2005 authorizing the City Manager to execute and approve an agreement with Texas Department of Transportation in the amount of \$5,615,287 for a loan from the State Infrastructure Bank to participate in the construction costs for various roadway improvements for the Mesquite Section of the LBJ Corridor, between U.S. Highway 80 and north of Town East Boulevard.

The City has pledged revenues from the Town Center TIF to guarantee repayment of the loan. The loan is to be repaid over a twelve-year period in equal annual installments with interest calculated at 4.1% commencing one year after the date the funds are deposited into the construction account.

End of Notes to Basic Financial Statements

City of Mesquite, Texas

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

<u>As of 12/31</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2002	\$ 133,208,075	\$ 176,937,579	\$ 43,729,504	75.3%	\$ 46,246,511	94.6%
2003	137,336,980	188,425,618	51,088,638	72.9	47,631,939	107.3
2004	146,678,124	201,975,900	55,297,776	72.6	51,022,420	108.4

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.

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, 2005 and have issued our report thereon dated March 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal controls over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated March 29, 2006.

Compliance and Other Matters

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

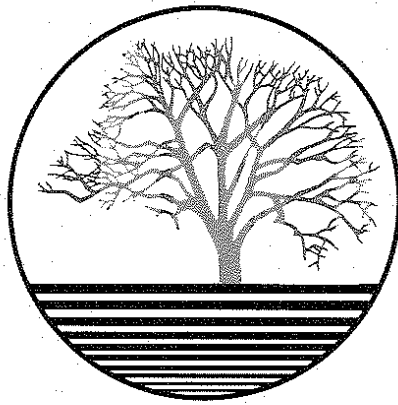
This report is intended for the information and use of the Mayor, City Council members, City management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 29, 2006

Combining and Individual Fund

Statements and Schedules



**MESQUITE
T•E•X•A•S**

City of Mesquite, Texas

**General Fund
Comparative Balance Sheets
September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
ASSETS:		
Pooled cash and investments	\$ 11,889,078	\$ 9,954,638
Receivables (net allowance for uncollectibles):		
Accounts receivable	3,118,345	3,209,863
Ad valorem taxes	905,663	991,703
Other taxes receivable	1,586,600	1,550,126
Intergovernmental	4,946,379	4,690,072
Due from other funds	664,939	1,156,862
Inventory	340,002	372,777
Prepays	39,258	34,814
Accrued interest	<u>69,243</u>	<u>59,211</u>
 Total Assets	 <u>\$ 23,559,507</u>	 <u>\$ 22,020,066</u>
 LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 2,669,612	\$ 2,177,013
Deposits	346,060	322,282
Deferred revenues	<u>3,167,692</u>	<u>3,006,472</u>
 Total Liabilities	 <u>6,183,364</u>	 <u>5,505,767</u>
 Fund Balances:		
Reserved for encumbrances	732,332	1,674,020
Unreserved-		
Undesignated	<u>16,643,811</u>	<u>14,840,279</u>
 Total Fund Balances	 <u>17,376,143</u>	 <u>16,514,299</u>
 Total Liabilities and Fund Balances	 <u>\$ 23,559,507</u>	 <u>\$ 22,020,066</u>

City of Mesquite, Texas

General Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2005
With Comparative Actual Totals for the Year Ended September 30, 2004**

	2005			Variance with Final Budget - Positive (Negative)	2004 Actual Amounts
	Budgeted Amounts		Actual Amounts		
	Original	Final			
REVENUES:					
Ad valorem taxes:					
Current	\$ 32,499,670	\$ 32,150,000	\$ 32,151,536	\$ 1,536	\$ 29,200,767
Delinquent	350,000	550,000	581,773	31,773	362,187
Penalty and interest	270,000	317,384	425,489	108,105	311,294
Total ad valorem taxes	<u>33,119,670</u>	<u>33,017,384</u>	<u>33,158,798</u>	<u>141,414</u>	<u>29,874,248</u>
Gross receipts taxes:					
Electrical	4,200,000	4,200,000	4,061,261	(138,739)	4,056,862
Gas	920,000	920,000	1,103,708	183,708	818,530
Telephone	790,000	790,000	784,199	(5,801)	786,963
Cable television	635,000	635,000	642,239	7,239	641,269
Sanitation	695,000	695,000	692,659	(2,341)	694,637
Other gross receipts taxes	22,500	22,500	20,779	(1,721)	22,024
Total gross receipts taxes	<u>7,262,500</u>	<u>7,262,500</u>	<u>7,304,845</u>	<u>42,345</u>	<u>7,020,285</u>
Sales taxes:					
General sales tax	27,014,800	25,741,530	25,888,054	146,524	26,310,981
Other sales tax - liquor	165,000	168,000	173,658	5,658	164,305
Total sales taxes:	<u>27,179,800</u>	<u>25,909,530</u>	<u>26,061,712</u>	<u>152,182</u>	<u>26,475,286</u>
Licenses and permits:					
Building permits	400,000	400,000	389,792	(10,208)	438,389
Electrical permits	60,000	60,000	59,223	(777)	64,486
Plumbing permits	87,000	80,000	65,710	(14,290)	85,286
Health permits	126,000	127,000	131,360	4,360	126,335
Mechanical permits	33,000	47,000	43,419	(3,581)	39,824
Sign permits	55,000	65,000	57,580	(7,420)	58,645
Food handlers permits	60,000	60,000	63,586	3,586	55,191
Contractor's registration	130,000	147,000	136,685	(10,315)	144,055
Apartment licenses	100,000	112,000	110,678	(1,322)	108,978
Police alarm permits	85,000	85,000	70,897	(14,103)	91,760
Other licenses and permits	129,200	107,660	118,939	11,279	122,704
Total licenses and permits	<u>1,265,200</u>	<u>1,290,660</u>	<u>1,247,869</u>	<u>(42,791)</u>	<u>1,335,653</u>
Fines and forfeitures:					
Traffic fines	1,800,000	1,790,000	1,811,549	21,549	1,693,057
Criminal fines	200,000	220,000	203,257	(16,743)	186,601
City ordinance	100,000	85,000	84,272	(728)	81,054
Other fines and forfeitures	200,000	214,000	198,122	(15,878)	195,484
Total fines and forfeitures	<u>2,300,000</u>	<u>2,309,000</u>	<u>2,297,200</u>	<u>(11,800)</u>	<u>2,156,196</u>
Investment income:					
Interest earned	400,000	411,176	684,721	273,545	337,381
(Decrease) increase in fair value	-	-	(39,016)	(39,016)	(54,105)
Total investment income	<u>400,000</u>	<u>411,176</u>	<u>645,705</u>	<u>234,529</u>	<u>283,276</u>

(Continued on following page)

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2005
With Comparative Actual Totals for the Year Ended September 30, 2004

	2005				2004 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
REVENUES (Continued):					
Charges for services:					
General government-					
MISD tax office appropriation	\$ 294,839	\$ 300,000	\$ 336,184	\$ 36,184	\$ 294,838
Other general government	15,980	25,546	6,097	(19,449)	14,214
Fire services-					
Ambulance fees	1,364,000	1,400,000	1,321,241	(78,759)	1,198,367
False alarm and other fees	4,200	4,000	1,390	(2,610)	4,519
Police services-					
False alarm fees	78,000	78,000	65,774	(12,226)	78,348
Accident reports and other fees	107,450	109,450	140,373	30,923	142,862
Field services-					
Waste collection and disposal	5,022,000	5,063,261	5,096,073	32,812	5,047,512
Compost materials and other fees	65,000	65,000	48,359	(16,641)	64,991
Public works-					
Public works inspection fee	40,000	65,000	119,114	54,114	56,854
Plan drawings and microfilm	3,000	3,000	834	(2,166)	1,943
Development services-					
Board of adjustment fees	8,000	10,000	8,550	(1,450)	9,750
Code compliance-					
Grass and weed mowing charges	170,000	200,000	236,428	36,428	240,445
Pound fees	26,000	27,000	29,975	2,975	25,720
Animal adoption fees	27,500	29,000	27,935	(1,065)	29,045
Repair and demolition	3,000	12,000	10,265	(1,735)	13,603
Library services-					
Public library fees	56,964	60,764	70,504	9,740	60,452
Parks and recreation-					
Parks and recreation user fees	646,800	800,994	831,648	30,654	613,473
Tennis center	11,500	24,672	41,617	16,945	13,834
Swimming pools	225,000	225,000	200,320	(24,680)	205,272
Golf course rental	150,000	150,000	150,000	-	150,000
Community services-					
Public health fees	65,000	55,000	40,807	(14,193)	50,989
Transportation fees	15,000	19,000	20,961	1,961	17,978
Total charges for services	<u>8,399,233</u>	<u>8,726,687</u>	<u>8,804,449</u>	<u>77,762</u>	<u>8,335,009</u>
Intergovernmental:					
State grants	94,064	94,064	94,064	-	141,246
Federal grants	<u>426,357</u>	<u>410,856</u>	<u>1,331</u>	<u>(409,525)</u>	<u>277,964</u>
Total intergovernmental	<u>520,421</u>	<u>504,920</u>	<u>95,395</u>	<u>(409,525)</u>	<u>419,210</u>

(Continued on following page)

General Fund

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

For the Year Ended September 30, 2005

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

	2005					2004 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)		
	Original	Final				
REVENUES (Continued):						
Other revenues:						
General government-						
Recoveries and reimbursements	\$ 99,317	\$ 96,000	\$ 135,981	\$ 39,981	\$ 224,125	
Sales and auctions	83,000	334,000	339,931	5,931	62,346	
Rent and lease	19,117	38,929	40,734	1,805	19,240	
Field services-						
Landfill royalty	-	-	-	-	-	
Garbage bag / compost sales	278,257	281,901	292,949	11,048	256,851	
Development services-						
Planning and zoning fees	30,180	43,000	54,151	11,151	44,893	
Parks and recreation-						
Golf course improvements	214,525	214,525	214,525	-	215,170	
Total other revenues	724,396	1,008,355	1,078,271	69,916	822,625	
TOTAL REVENUES	81,171,220	80,440,212	80,694,244	254,032	76,721,788	
EXPENDITURES:						
General government:						
City Council	205,921	237,138	236,466	672	205,397	
Administration	783,973	824,620	815,955	8,665	802,213	
Economic development	220,571	223,241	188,896	34,345	187,191	
City secretary	321,478	311,139	321,410	(10,271)	332,599	
Legal	662,101	685,108	674,775	10,333	636,034	
Human resources administration	881,468	822,742	848,755	(26,013)	813,763	
Risk management	-	-	-	-	12,165	
Training	17,000	16,500	16,013	487	17,002	
Finance administration	513,558	506,772	493,964	12,808	488,944	
Accounting	493,708	490,983	502,777	(11,794)	468,113	
Purchasing	243,830	256,017	254,177	1,840	245,290	
City warehouse	200,573	203,157	212,133	(8,976)	223,485	
Transportation pool	(1,462)	(1,587)	(2,646)	1,059	(1,849)	
Printshop / mailroom	201,112	206,063	193,944	12,119	199,372	
Telecommunications	266,136	260,005	237,883	22,122	403,562	
Central copy	67,450	67,450	42,976	24,474	55,577	
Tax	564,348	559,684	528,299	31,385	557,215	
Municipal court	771,524	732,321	722,280	10,041	729,068	
Management information services	107,419	100,415	98,523	1,892	56,436	
Budget office	227,124	197,202	205,375	(8,173)	188,627	
Total general government	6,747,832	6,698,970	6,591,955	107,015	6,620,204	

(Continued on following page)

General Fund

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

For the Year Ended September 30, 2005

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

EXPENDITURES (Continued):	2005				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2004 Actual Amounts
	Original	Final			
Fire services:					
Fire administration	\$ 760,023	\$ 828,305	\$ 798,713	\$ 29,592	\$ 721,665
Fire operations	15,561,516	15,685,745	15,542,014	143,731	14,750,336
Emergency medical	855,676	856,985	799,155	57,830	840,126
Fire prevention	1,140,745	1,124,983	1,189,748	(64,765)	1,111,925
Fire training	391,635	300,566	294,679	5,887	404,013
Emergency management	86,392	54,275	55,383	(1,108)	80,513
Total fire services	<u>18,795,987</u>	<u>18,850,859</u>	<u>18,679,692</u>	<u>171,167</u>	<u>17,908,578</u>
Police services:					
Police administration	954,445	1,013,105	1,041,904	(28,799)	944,566
Police operations	12,752,467	12,832,446	12,892,208	(59,762)	11,881,246
Criminal investigation	4,404,223	4,348,260	4,286,249	62,011	4,047,774
School resource officers	855,136	813,923	847,699	(33,776)	730,826
Police technical services	5,074,357	4,852,781	4,661,293	191,488	4,611,583
Police staff support services	906,373	823,169	830,840	(7,671)	665,687
Total police services	<u>24,947,001</u>	<u>24,683,684</u>	<u>24,560,193</u>	<u>123,491</u>	<u>22,881,682</u>
Field services:					
Field services administration	121,016	99,804	104,974	(5,170)	118,390
Residential solid waste collection	4,500,622	4,519,920	4,465,863	54,057	4,096,406
Compost facility operation	294,537	301,492	305,138	(3,646)	513,877
Street maintenance	2,907,266	2,796,990	2,719,753	77,237	2,846,043
Equipment services	1,301,599	1,064,680	1,142,190	(77,510)	1,339,405
Total field services	<u>9,125,040</u>	<u>8,782,886</u>	<u>8,737,918</u>	<u>44,968</u>	<u>8,914,121</u>
Public works:					
Public works administration	212,993	214,442	217,079	(2,637)	209,960
Traffic engineering	1,124,581	1,083,241	1,059,309	23,932	1,108,510
Street lighting	910,025	959,809	1,079,275	(119,466)	914,903
Engineering	313,518	235,518	28,889	206,629	153,771
Total public works	<u>2,561,117</u>	<u>2,493,010</u>	<u>2,384,552</u>	<u>108,458</u>	<u>2,387,144</u>
Development services:					
Development services administration	-	-	-	-	136,905
Planning and zoning	-	-	-	-	258,719
Historic preservation	-	-	-	-	29,175
Total development services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>424,799</u>
Community development:					
Community development administration	182,029	245,498	252,264	(6,766)	169,909
Building inspection	854,429	852,158	858,375	(6,217)	756,511
Environmental code inspection	516,955	478,467	483,180	(4,713)	501,720
Food inspections	429,503	382,136	368,334	13,802	438,507
Animal/vector control	524,177	517,751	509,920	7,831	469,961
Repair and demolition	15,200	35,758	42,055	(6,297)	30,940
Planning and zoning	272,709	306,369	298,043	8,326	-
Historic preservation	39,242	39,417	39,408	9	-
Total community development	<u>2,834,244</u>	<u>2,857,554</u>	<u>2,851,579</u>	<u>5,975</u>	<u>2,367,548</u>

(Continued on following page)

General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2005
With Comparative Actual Totals for the Year Ended September 30, 2004

	2005				2004 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
EXPENDITURES (Continued):					
Library services:					
Library administration	\$ 758,297	\$ 720,611	\$ 733,329	\$ (12,718)	\$ 762,136
Library - north branch	606,413	604,941	595,106	9,835	587,000
Library - central	662,003	630,534	624,700	5,834	659,437
Total library services	2,026,713	1,956,086	1,953,135	2,951	2,008,573
Parks and recreation:					
Parks and recreation administration	473,350	412,213	413,043	(830)	466,139
Parks	-	1,087,912	2,080,433	(992,521)	1,027,526
Tennis	97,596	111,245	107,629	3,616	95,261
Building services	1,694,866	1,712,195	1,640,570	71,625	1,725,622
Youth services	167,767	164,553	163,161	1,392	160,396
Recreation	2,615,050	2,689,384	2,661,356	28,028	2,329,724
Swimming pools	385,443	390,539	429,627	(39,088)	385,576
Total parks and recreation	5,434,072	6,568,041	7,495,819	(927,778)	6,190,244
Housing and community services:					
Community services administration	197,634	192,813	172,372	20,441	190,566
Health clinic	131,760	122,331	126,100	(3,769)	125,832
Volunteer services	46,532	22,266	26,578	(4,312)	41,754
MTED-transportation elderly disabled	681,369	661,161	670,058	(8,897)	536,960
Mesquite arts center	86,491	83,854	92,177	(8,323)	78,771
Total housing and community services	1,143,786	1,082,425	1,087,285	(4,860)	973,883
Other:					
Insurance	2,038,778	1,927,878	1,931,710	(3,832)	2,054,481
Reserve appropriation	608,129	503,921	816,591	(312,670)	577,397
Public safety equipment	1,876,500	3,286,573	2,231,354	1,055,219	1,770,035
Other	-	-	29,719	(29,719)	-
Total other	4,523,407	5,718,372	5,009,374	708,998	4,401,913
TOTAL EXPENDITURES	78,139,199	79,691,887	79,351,502	340,385	75,078,689
EXCESS OF REVENUES OVER EXPENDITURES	3,032,021	748,325	1,342,742	594,417	1,643,099
OTHER FINANCING SOURCES (USES):					
Transfers in	5,777,000	6,918,637	7,084,474	165,837	5,887,578
Transfers out	(9,381,279)	(9,315,091)	(9,315,091)	-	(9,214,718)
Capital lease proceeds	-	-	-	-	203,229
Issuance of debt	1,700,000	1,700,000	1,720,000	20,000	1,435,000
Premium on debt	-	-	29,719	29,719	-
TOTAL OTHER FINANCING USES	(1,904,279)	(696,454)	(480,898)	215,556	(1,688,911)
NET CHANGE IN FUND BALANCES	\$ 1,127,742	\$ 51,871	\$ 861,844	\$ 809,973	(45,812)
FUND BALANCE AT BEGINNING OF YEAR			16,514,299		16,560,111
FUND BALANCE AT END OF YEAR			\$ 17,376,143		\$ 16,514,299

City of Mesquite, Texas

Non-Major Governmental Funds

Special Revenue Funds:

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

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

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

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

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

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

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

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

City of Mesquite, Texas

**Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2005**

	Special Revenue			
	Quality of Life Corporation (4B Sales Tax)	Hotel/Motel Tax	Confiscated Drug	Other Special Revenue
ASSETS:				
Pooled cash and investments	\$ 6,894,339	\$ 37,247	\$ 1,565,801	\$ 1,070,784
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	4,307	-	216
Intergovernmental	1,570,284	-	-	-
Prepays	16,149	-	-	-
Accrued interest	21,942	197	5,162	600
	<u>\$ 8,502,714</u>	<u>\$ 41,751</u>	<u>\$ 1,570,963</u>	<u>\$ 1,071,600</u>
Total Assets	\$ 8,502,714	\$ 41,751	\$ 1,570,963	\$ 1,071,600
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 1,259,144	\$ 22,276	\$ 27,553	\$ 10,288
Deposits	-	-	21,833	18,365
	<u>1,259,144</u>	<u>22,276</u>	<u>49,386</u>	<u>28,653</u>
Total Liabilities	1,259,144	22,276	49,386	28,653
Fund Balances:				
Reserved for:				
Encumbrances	1,420,192	-	3,798	2,645
Debt retirement	-	-	-	-
Unreserved, reported in:				
Special revenue funds	5,823,378	19,475	1,517,779	1,040,302
Capital project funds	-	-	-	-
	<u>7,243,570</u>	<u>19,475</u>	<u>1,521,577</u>	<u>1,042,947</u>
Total Fund Balances	7,243,570	19,475	1,521,577	1,042,947
Total Liabilities and Fund Balances	\$ 8,502,714	\$ 41,751	\$ 1,570,963	\$ 1,071,600

	<u>Debt Service</u>	<u>Capital Projects Local Finance</u>	<u>Total Other Governmental Funds</u>
\$	530,789	\$ 7,633,849	\$ 17,732,809
	-	-	4,523
	-	-	1,570,284
	-	-	16,149
	-	<u>18,035</u>	<u>45,936</u>
\$	<u>530,789</u>	<u>\$ 7,651,884</u>	<u>\$ 19,369,701</u>
\$	-	\$ 7,263	1,326,524
	-	<u>268,137</u>	<u>308,335</u>
	-	<u>275,400</u>	<u>1,634,859</u>
	-	65,806	1,492,441
	530,789	-	530,789
	-	-	8,400,934
	-	<u>7,310,678</u>	<u>7,310,678</u>
	<u>530,789</u>	<u>7,376,484</u>	<u>17,734,842</u>
\$	<u>530,789</u>	<u>\$ 7,651,884</u>	<u>\$ 19,369,701</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, 2005**

	Special Revenue			
	Quality of Life Corporation (4B Sales Tax)	Hotel/Motel Tax	Confiscated Drug	Other Special Revenue
REVENUES:				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ 108,648
Sales tax	8,629,650	971,674	-	-
Licenses and permits	-	-	-	1,175
Fines and forfeitures	-	-	629,381	70,817
Investment income	140,372	1,521	36,519	3,852
Charges for services	-	-	-	972,209
Intergovernmental	388,500	-	-	-
Other revenues	493,414	-	168,201	16,000
Contributions and donations	-	-	-	107,434
Total Revenues	<u>9,651,936</u>	<u>973,195</u>	<u>834,101</u>	<u>1,280,135</u>
EXPENDITURES:				
Current-				
General government	-	-	-	57,150
Fire services	-	-	-	9,396
Police services	-	-	502,255	208,687
Housing services	-	-	-	10,738
Community development	-	-	-	371
Library services	-	-	-	2,173
Parks and recreation	10,000	-	-	35,793
Other	10,000	801,535	-	38,296
Capital outlay	8,251,616	-	-	-
Debt service-	-	-	-	-
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>8,271,616</u>	<u>801,535</u>	<u>502,255</u>	<u>362,604</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,380,320</u>	<u>171,660</u>	<u>331,846</u>	<u>917,531</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(1,364,085)	(158,000)	-	(687,000)
Total Other Financing Sources (Uses)	<u>(1,364,085)</u>	<u>(158,000)</u>	<u>-</u>	<u>(687,000)</u>
NET CHANGE IN FUND BALANCES	16,235	13,660	331,846	230,531
FUND BALANCES AT BEGINNING OF YEAR	<u>7,227,335</u>	<u>5,815</u>	<u>1,189,731</u>	<u>812,416</u>
FUND BALANCES AT END OF YEAR	<u>\$ 7,243,570</u>	<u>\$ 19,475</u>	<u>\$ 1,521,577</u>	<u>\$ 1,042,947</u>

<u>Debt Service</u>	<u>Capital Projects Local Finance</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ 2,548	\$ 111,196
-	-	9,601,324
-	-	1,175
-	-	700,198
-	126,579	308,843
-	3,353,248	4,325,457
-	-	388,500
-	2,055,053	2,732,668
-	-	107,434
<u>-</u>	<u>5,537,428</u>	<u>18,276,795</u>
-	-	57,150
-	-	9,396
-	-	710,942
-	-	10,738
-	-	371
-	-	2,173
-	-	45,793
-	1,800,212	2,650,043
-	1,948,311	10,199,927
8,350,000	-	8,350,000
<u>2,605,064</u>	<u>-</u>	<u>2,605,064</u>
<u>10,955,064</u>	<u>3,748,523</u>	<u>24,641,597</u>
<u>(10,955,064)</u>	<u>1,788,905</u>	<u>(6,364,802)</u>
11,069,019	-	11,069,019
-	(1,632,040)	(3,841,125)
<u>11,069,019</u>	<u>(1,632,040)</u>	<u>7,227,894</u>
113,955	156,865	863,092
<u>416,834</u>	<u>7,219,619</u>	<u>16,871,750</u>
<u>\$ 530,789</u>	<u>\$ 7,376,484</u>	<u>\$ 17,734,842</u>

City of Mesquite, Texas

Mesquite Quality of Life Corporation (4B Sales Tax) Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2005
With Comparative Actual Totals for the Year Ended For the Year Ended September 30, 2004

	2005				2004 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
REVENUES:					
Sales tax	\$ 8,921,600	\$ 8,580,510	\$ 8,629,650	\$ 49,140	\$ 8,764,111
Investment income	30,000	30,000	140,372	110,372	46,334
Intergovernmental	-	-	388,500	388,500	100,337
Other revenues	-	131,330	493,414	362,084	60,708
TOTAL REVENUES	8,951,600	8,741,840	9,651,936	910,096	8,971,490
EXPENDITURES:					
Current-					
Fire services	-	-	-	-	93,830
Police services	-	-	-	-	48,912
Field services	-	-	-	-	107,726
Parks and recreation	2,316,500	1,060,106	10,000	1,050,106	1,997,431
Other	69,100	1,041,927	10,000	1,031,927	10,000
Capital projects-					
Public safety projects	1,494,500	2,899,031	2,135,935	763,096	251,114
Transportation projects	2,890,500	6,862,828	2,549,866	4,312,962	2,215,533
Parks and recreation projects	2,181,000	5,627,733	3,565,815	2,061,918	1,244,552
TOTAL EXPENDITURES	8,951,600	17,491,625	8,271,616	9,220,009	5,969,098
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ (8,749,785)	1,380,320	\$ 10,130,105	3,002,392
OTHER FINANCING USES:					
Transfers out	-	(1,364,085)	(1,364,085)	-	-
TOTAL OTHER FINANCING USES	-	(1,364,085)	(1,364,085)	-	-
NET CHANGE IN FUND BALANCES	-	(10,113,870)	16,235	10,130,105	3,002,392
FUND BALANCE AT BEGINNING OF YEAR			7,227,335		4,224,943
FUND BALANCE AT END OF YEAR			\$ 7,243,570		\$ 7,227,335

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, 2005
 With Comparative Actual Totals for the Year Ended September 30, 2004**

	2005				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2004 Actual Amounts
	Original	Final			
REVENUES:					
Sales Tax	\$ 955,000	\$ 957,000	\$ 971,674	\$ 14,674	\$ 896,310
Investment income	2,600	2,600	1,521	(1,079)	888
TOTAL REVENUES	<u>957,600</u>	<u>959,600</u>	<u>973,195</u>	<u>13,595</u>	<u>897,198</u>
EXPENDITURES:					
Other-					
Administration projects-					
Personal services	15,000	13,000	2,654	10,346	13,115
Supplies	100	1,600	950	650	-
Contractual services	113,413	113,973	115,839	(1,866)	107,089
Capital outlay	-	-	-	-	-
	<u>128,513</u>	<u>128,573</u>	<u>119,443</u>	<u>9,130</u>	<u>120,204</u>
Chamber of Commerce projects-					
Contractual services	437,378	437,378	440,062	(2,684)	408,902
	<u>437,378</u>	<u>437,378</u>	<u>440,062</u>	<u>(2,684)</u>	<u>408,902</u>
Arts Council projects					
Contractual services	109,306	109,306	110,015	(709)	102,226
	<u>109,306</u>	<u>109,306</u>	<u>110,015</u>	<u>(709)</u>	<u>102,226</u>
Beautification Commission projects-					
Contractual services	22,000	22,000	22,000	-	22,000
	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>
Historic Commission projects-					
Contractual services	109,306	109,306	110,015	(709)	102,226
	<u>109,306</u>	<u>109,306</u>	<u>110,015</u>	<u>(709)</u>	<u>102,226</u>
TOTAL EXPENDITURES	<u>806,503</u>	<u>806,563</u>	<u>801,535</u>	<u>5,028</u>	<u>755,558</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>151,097</u>	<u>153,037</u>	<u>171,660</u>	<u>18,623</u>	<u>141,640</u>
OTHER FINANCING USES:					
Transfers out	(158,000)	(158,000)	(158,000)	-	(158,322)
TOTAL OTHER FINANCING USES	<u>(158,000)</u>	<u>(158,000)</u>	<u>(158,000)</u>	<u>-</u>	<u>(158,322)</u>
NET CHANGE IN FUND BALANCES	<u>\$ (6,903)</u>	<u>\$ (4,963)</u>	13,660	<u>\$ 18,623</u>	(16,682)
FUND BALANCE AT BEGINNING OF YEAR			5,815		22,497
FUND BALANCE AT END OF YEAR			<u>\$ 19,475</u>		<u>\$ 5,815</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, 2005
 With Comparative Actual Totals for the Year Ended September 30, 2004**

	2005			Variance with Final Budget - Positive (Negative)	2004 Actual Amounts
	Budgeted Amounts		Actual Amounts		
	Original	Final			
REVENUES:					
Fines and forfeitures	\$ 15,000	\$ 644,625	\$ 629,381	\$ (15,244)	\$ 1,052,021
Investment income	5,000	25,000	36,519	11,519	9,298
Other revenues	15,000	110,000	168,201	58,201	68,550
TOTAL REVENUES	<u>35,000</u>	<u>779,625</u>	<u>834,101</u>	<u>54,476</u>	<u>1,129,869</u>
EXPENDITURES:					
Police services-					
Supplies	3,000	168,799	127,664	41,135	81,724
Contractual services	70,400	183,620	192,172	(8,552)	169,518
Capital outlay	-	412,413	182,419	229,994	412,482
TOTAL EXPENDITURES	<u>73,400</u>	<u>764,832</u>	<u>502,255</u>	<u>262,577</u>	<u>663,724</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (38,400)</u>	<u>\$ 14,793</u>	331,846	<u>\$ 317,053</u>	466,145
FUND BALANCE AT BEGINNING OF YEAR			<u>1,189,731</u>		<u>723,586</u>
FUND BALANCE AT END OF YEAR			<u>\$ 1,521,577</u>		<u>\$ 1,189,731</u>

City of Mesquite, Texas

Debt Service Fund

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

For the Year Ended September 30, 2005

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

	2005				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	2004 <u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Other revenues	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-	-
EXPENDITURES:					
Debt service-					
Principal	7,551,829	8,350,000	8,350,000	-	7,830,000
Interest and fiscal charges	3,773,045	2,719,019	2,605,064	113,955	2,656,459
TOTAL EXPENDITURES	11,324,874	11,069,019	10,955,064	113,955	10,486,459
EXCESS (DEFICIENCY) OF EXPENDITURES OVER (UNDER) REVENUES	(11,324,874)	(11,069,019)	(10,955,064)	113,955	(10,486,459)
OTHER FINANCING SOURCES:					
Transfers in	11,324,874	11,069,019	11,069,019	-	10,566,647
TOTAL OTHER FINANCING SOURCES	11,324,874	11,069,019	11,069,019	-	10,566,647
NET CHANGE IN FUND BALANCES	\$ -	\$ -	113,955	\$ 113,955	80,188
FUND BALANCE AT BEGINNING OF YEAR			416,834		336,646
FUND BALANCE AT END OF YEAR			\$ 530,789		\$ 416,834

City of Mesquite, Texas

**Water and Sewer Fund
Statement of Net Assets
September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
ASSETS:		
Current assets:		
Pooled cash and investments:	\$ 10,498,852	\$ 10,364,877
Receivables (net of allowance for uncollectibles)	5,927,447	5,239,911
Inventory	255,993	232,464
Prepays and other assets	629,739	270,285
Accrued interest	<u>48,695</u>	<u>42,423</u>
Total current assets	<u>17,360,726</u>	<u>16,149,960</u>
Noncurrent assets:		
Revenue bond construction-		
Pooled cash and investments	7,525,178	11,968,804
Accrued interest	28,528	35,296
Revenue bond debt service-		
Pooled cash and investments	2,166,312	1,987,667
Revenue bond reserve-		
Pooled cash and investments	3,343,740	2,906,280
Non-depreciable capital assets-		
Land	837,150	837,150
Construction in progress	14,067,961	7,667,646
Depreciable capital assets-		
Buildings	151,300	151,300
Infrastructure	137,944,329	134,770,980
Equipment	3,167,691	2,525,915
Accumulated depreciation	<u>(44,748,061)</u>	<u>(41,751,714)</u>
Total noncurrent assets	<u>124,484,128</u>	<u>121,099,324</u>
Total Assets	<u>141,844,854</u>	<u>137,249,284</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	910,679	842,767
Deposits	2,872,106	2,737,788
Capital lease payable	40,503	38,724
Accrued compensated absences	<u>170,599</u>	<u>104,529</u>
Total current liabilities	<u>3,993,887</u>	<u>3,723,808</u>
Current liabilities payable from restricted assets:		
Accounts payable	730,043	1,089,958
Accrued interest payable	166,680	160,420
Bonds payable	<u>2,980,000</u>	<u>2,740,000</u>
Total current liabilities payable from restricted assets	<u>3,876,723</u>	<u>3,990,378</u>
Noncurrent liabilities:		
Capital lease payable	117,338	157,840
Bonds payable	44,335,597	42,358,016
Accrued compensated absences	<u>730,321</u>	<u>738,318</u>
Total noncurrent liabilities	<u>45,183,256</u>	<u>43,254,174</u>
Total Liabilities	<u>53,053,866</u>	<u>50,968,360</u>
NET ASSETS:		
Invested in capital assets, net of related debt	70,873,191	69,820,839
Restricted for debt service	5,343,372	4,733,527
Unrestricted	<u>12,574,425</u>	<u>11,726,558</u>
Total Net Assets	<u>\$ 88,790,988</u>	<u>\$ 86,280,924</u>

City of Mesquite, Texas

**Water and Sewer Enterprise Fund
Schedule of Operating Revenues and Expenses
For the Year Ended September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Customer charges:		
Water customer charges:		
Water customer charges	\$ 17,747,276	\$ 15,385,558
Water taps and connections	51,307	59,096
Reconnect fees	156,885	138,574
Bulk water sales	55,435	39,816
Total water customer charges	<u>18,010,903</u>	<u>15,623,044</u>
Sewer customer charges:		
Sewer customer charges	12,688,699	11,423,000
Sewer taps and connections	1,500	500
Total sewer customer charges	<u>12,690,199</u>	<u>11,423,500</u>
Administrative charges:		
Penalty income and administrative fees	509,707	510,394
Total customer charges	<u>31,210,808</u>	<u>27,556,938</u>
Other operating revenues:		
Other revenues	8,309	-
Total other operating revenues	<u>8,309</u>	<u>-</u>
Total operating revenues	<u>31,219,117</u>	<u>27,556,938</u>
Operating expenses:		
Water and sewer accounting	1,520,430	1,531,093
G. I. S. operations	308,005	313,833
Water and sewer administration	339,728	330,053
Water production	8,933,175	8,137,308
Meter services	698,148	647,631
Water distribution	1,205,433	1,142,432
Wastewater collection	1,219,422	1,216,066
Wastewater treatment	4,834,643	5,307,508
Water and sewer reconstruction	715,460	715,170
Water and sewer insurance	805,000	805,000
Water and sewer reserves	3,547,402	3,400,825
Total operating expenses	<u>24,126,847</u>	<u>23,546,919</u>
Operating income	<u>\$ 7,092,270</u>	<u>\$ 4,010,019</u>

City of Mesquite, Texas

**Drainage Utility District Enterprise Fund
Statement of Net Assets
September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
ASSETS:		
Current assets:		
Pooled cash and investments	\$ 1,056,998	\$ 806,036
Accounts receivable	139,637	140,219
Prepays and other assets	136,227	159,800
Accrued interest	<u>7,692</u>	<u>4,852</u>
Total current assets	<u>1,340,554</u>	<u>1,110,907</u>
Noncurrent assets:		
Revenue bond construction-		
Pooled cash and investments	195,962	2,198,444
Accrued interest	1,044	6,439
Revenue bond debt service-		
Pooled cash and investments	545,608	540,419
Revenue bond reserve-		
Pooled cash and investments	828,723	828,723
Non-depreciable capital assets:		
Land	971,966	966,680
Construction in progress	2,600,687	599,622
Depreciable capital assets:		
Infrastructure	29,102,449	26,730,825
Equipment	182,107	179,952
Accumulated depreciation	<u>(3,019,765)</u>	<u>(2,435,945)</u>
Total noncurrent assets	<u>31,408,781</u>	<u>29,615,159</u>
Total Assets	<u>32,749,335</u>	<u>30,726,066</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	33,308	10,119
Deposits	2,587	2,588
Accrued compensated absences	<u>29,253</u>	<u>26,890</u>
Total current liabilities	<u>65,148</u>	<u>39,597</u>
Current liabilities payable from restricted assets:		
Accounts payable	66,463	182,165
Accrued interest payable	32,773	35,505
Bonds payable	<u>820,000</u>	<u>790,000</u>
Total current liabilities payable from restricted assets	<u>919,236</u>	<u>1,007,670</u>
Noncurrent liabilities:		
Bonds payable	9,279,351	10,082,384
Accrued compensated absences	<u>23,463</u>	<u>40,670</u>
Total noncurrent liabilities	<u>9,302,814</u>	<u>10,123,054</u>
Total Liabilities	<u>10,287,198</u>	<u>11,170,321</u>
NET ASSETS:		
Invested in capital assets, net of related debt	19,868,636	17,191,467
Restricted for debt service	1,341,558	1,333,637
Unrestricted	<u>1,251,943</u>	<u>1,030,641</u>
Total Net Assets	<u>\$ 22,462,137</u>	<u>\$ 19,555,745</u>

City of Mesquite, Texas

**Municipal Airport Enterprise Fund
Statement of Net Assets
September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
ASSETS:		
Current assets:		
Pooled cash and investments	\$ 4,612	\$ 37,674
Receivables (net of allowance for uncollectibles)	4,162	12,672
Inventory	24,798	35,172
Prepays and other assets	-	-
Total current assets	<u>33,572</u>	<u>85,518</u>
Noncurrent assets:		
Non-depreciable capital assets-		
Land	4,579,162	4,579,162
Construction in progress	1,262,812	1,029,009
Depreciable capital assets-		
Buildings	2,907,224	2,302,724
Infrastructure	9,632,636	9,632,636
Improvements	122,064	122,064
Equipment	123,114	149,950
Accumulated depreciation	<u>(5,163,095)</u>	<u>(4,835,458)</u>
Total noncurrent assets	<u>13,463,917</u>	<u>12,980,087</u>
Total Assets	<u>13,497,489</u>	<u>13,065,605</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	60,218	34,155
Deposits	<u>11,621</u>	<u>4,955</u>
Total current liabilities	<u>71,839</u>	<u>39,110</u>
Noncurrent liabilities:		
Accrued compensated absences	<u>38,183</u>	<u>30,330</u>
Total noncurrent liabilities	<u>38,183</u>	<u>30,330</u>
Total Liabilities	<u>110,022</u>	<u>69,440</u>
NET ASSETS:		
Invested in capital assets	13,463,917	12,980,087
Unrestricted	<u>(76,450)</u>	<u>16,078</u>
Total Net Assets	<u>\$ 13,387,467</u>	<u>\$ 12,996,165</u>

City of Mesquite, Texas

Combining Statement of Net Assets
 Internal Service Funds
 September 30, 2005
 With Comparative Totals for September 30, 2004

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2005</u>	<u>2004</u>
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 1,011,037	\$ 3,018,350	\$ 4,029,387	\$ 4,913,818
Accounts Receivable	-	-	-	-
Prepays and other assets	1,041,143	120,000	1,161,143	773,752
Accrued interest	<u>3,920</u>	<u>10,723</u>	<u>14,643</u>	<u>13,169</u>
Total Assets	<u>2,056,100</u>	<u>3,149,073</u>	<u>5,205,173</u>	<u>5,700,739</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	113,436	103,691	217,127	79,622
Estimated Claims Payable	<u>1,320,000</u>	<u>836,502</u>	<u>2,156,502</u>	<u>2,716,900</u>
Total Liabilities	<u>1,433,436</u>	<u>940,193</u>	<u>2,373,629</u>	<u>2,796,522</u>
NET ASSETS:				
Unrestricted	<u>622,664</u>	<u>2,208,880</u>	<u>2,831,544</u>	<u>2,904,217</u>
Total Net Assets	<u>\$ 622,664</u>	<u>\$ 2,208,880</u>	<u>\$ 2,831,544</u>	<u>\$ 2,904,217</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, 2005

With Comparative Totals for September 30, 2004

	Health Claims	General Liability	Totals	
			2005	2004
Operating revenues:				
Contributions - City-				
Medical insurance	\$ 8,113,358	\$ -	\$ 8,113,358	\$ 7,472,557
Life and dental insurance	552,473	-	552,473	528,260
General liability		805,000	805,000	1,105,000
Workers' compensation	-	573,180	573,180	602,480
Total contributions - City	<u>8,665,831</u>	<u>1,378,180</u>	<u>10,044,011</u>	<u>9,708,297</u>
Contributions - Other-				
Employees - medical insurance	1,372,907	-	1,372,907	1,345,395
Retirees - medical insurance	362,409	-	362,409	289,016
COBRA - medical insurance	21,367	-	21,367	20,921
Stop loss and other contributions	1,649,760	-	1,649,760	669,534
Other Revenues	135,878	34,051	169,929	-
Total contributions - other	<u>3,542,321</u>	<u>34,051</u>	<u>3,576,372</u>	<u>2,324,866</u>
Total operating revenues	<u>12,208,152</u>	<u>1,412,231</u>	<u>13,620,383</u>	<u>12,033,163</u>
Operating expenses:				
Claims incurred	10,250,861	366,287	10,617,148	8,965,279
Insurance premiums	1,501,800	684,593	2,186,393	1,904,672
Administrative fees	579,412	409,673	989,085	967,050
Other Expenses	1,559	-	1,559	-
Total operating expenses	<u>12,333,632</u>	<u>1,460,553</u>	<u>13,794,185</u>	<u>11,837,001</u>
Operating income (loss)	<u>(125,480)</u>	<u>(48,322)</u>	<u>(173,802)</u>	<u>196,162</u>
Nonoperating revenues:				
Investment income	22,625	78,504	101,129	55,401
Total nonoperating revenues	<u>22,625</u>	<u>78,504</u>	<u>101,129</u>	<u>55,401</u>
Transfer out	-	-	-	(340,000)
Change in net assets	(102,855)	30,182	(72,673)	(88,437)
Total net assets - beginning	<u>725,519</u>	<u>2,178,698</u>	<u>2,904,217</u>	<u>2,992,654</u>
Total net assets - ending	<u>\$ 622,664</u>	<u>\$ 2,208,880</u>	<u>\$ 2,831,544</u>	<u>\$ 2,904,217</u>

City of Mesquite, Texas

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended September 30, 2005

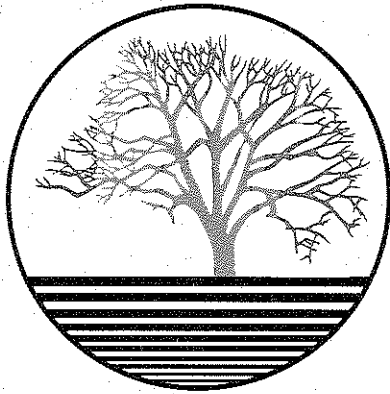
With Comparative Actual Totals for the Year ended September 30, 2004

	Health Claims	General Liability	<u>Totals</u>	
			2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from City funds	\$ 8,665,831	\$ 1,378,180	\$ 10,044,011	\$ 9,708,297
Cash received from other operating sources	3,542,321	34,051	3,576,372	2,324,866
Cash paid to suppliers for goods and services	(1,952,862)	(1,063,015)	(3,015,877)	(2,913,502)
Cash paid to claimants	<u>(10,677,388)</u>	<u>(911,204)</u>	<u>(11,588,592)</u>	<u>(9,461,102)</u>
Net cash used for operating activities	<u>(422,098)</u>	<u>(561,988)</u>	<u>(984,086)</u>	<u>(341,441)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out to other funds	-	-	-	<u>(340,000)</u>
Net cash used for noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(340,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	<u>21,917</u>	<u>77,738</u>	<u>99,655</u>	<u>53,777</u>
Net cash provided by investing activities	<u>21,917</u>	<u>77,738</u>	<u>99,655</u>	<u>53,777</u>
NET DECREASE IN POOLED CASH AND INVESTMENTS				
	(400,181)	(484,250)	(884,431)	(627,664)
POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR				
	<u>1,411,218</u>	<u>3,502,600</u>	<u>4,913,818</u>	<u>5,541,482</u>
POOLED CASH AND INVESTMENTS AT END OF YEAR				
	<u>\$ 1,011,037</u>	<u>\$ 3,018,350</u>	<u>\$ 4,029,387</u>	<u>\$ 4,913,818</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED FOR OPERATING ACTIVITIES:				
Operating income (loss)	\$ (125,480)	\$ (48,322)	\$ (173,802)	\$ 196,162
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-				
Changes in assets and liabilities-				
Decrease (increase) accounts receivable	-	-	-	194,379
Decrease in prepaid items	(387,391)	-	(387,391)	(340,752)
Increase accounts payable	111,455	26,050	137,505	(50,100)
Decrease in claims payable	<u>(20,682)</u>	<u>(539,716)</u>	<u>(560,398)</u>	<u>(341,130)</u>
Total adjustments	<u>(296,618)</u>	<u>(513,666)</u>	<u>(810,284)</u>	<u>(537,603)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (422,098)</u>	<u>\$ (561,988)</u>	<u>\$ (984,086)</u>	<u>\$ (341,441)</u>

City of Mesquite, Texas

**Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended September 30, 2005**

	Agency Fund - Tax Clearing Fund			Balance September 30, 2005
	Balance October 1, 2004	Additions	Deductions	
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 254,786	\$ 140,894,205	\$ 140,881,057	\$ 267,934
Taxes receivable levied for other government	<u>3,450,151</u>	<u>106,478,546</u>	<u>106,503,448</u>	<u>3,425,249</u>
Total Assets	<u>\$ 3,704,937</u>	<u>\$ 247,372,751</u>	<u>\$ 247,384,505</u>	<u>\$ 3,693,183</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 264,453	\$ 107,594,927	\$ 107,568,223	\$ 291,157
Deposits	(9,667)	138,536,443	138,549,999	(23,223)
Due to other governments	<u>3,450,151</u>	<u>106,478,546</u>	<u>106,503,448</u>	<u>3,425,249</u>
Total Liabilities	<u>\$ 3,704,937</u>	<u>\$ 352,609,916</u>	<u>\$ 352,621,670</u>	<u>\$ 3,693,183</u>



**MESQUITE
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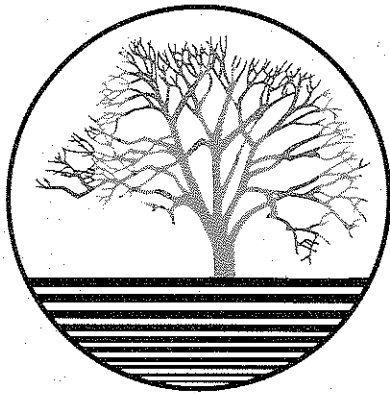
City of Mesquite, Texas

Statistical Section (Unaudited)

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

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

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



MESQUITE
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**Net Assets by Component
Last Four Fiscal Years**

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities:				
Invested in capital assets, net of related debt	\$ 78,839	\$ 95,809	\$ 105,798	\$ 116,757
Restricted	9,719	4,561	7,644	7,774
Unrestricted	<u>16,284</u>	<u>18,814</u>	<u>17,757</u>	<u>19,040</u>
Total governmental activities net assets	<u>\$ 104,842</u>	<u>\$ 119,184</u>	<u>\$ 131,199</u>	<u>\$ 143,571</u>
Business-type activities:				
Invested in capital assets, net of related debt	\$ 82,804	\$ 90,629	\$ 99,992	\$ 104,206
Restricted	5,296	5,847	6,067	6,685
Unrestricted	<u>18,051</u>	<u>14,579</u>	<u>12,492</u>	<u>13,430</u>
Total business-type activities net assets	<u>\$ 106,151</u>	<u>\$ 111,055</u>	<u>\$ 118,551</u>	<u>\$ 124,321</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 161,643	\$ 186,438	\$ 205,790	\$ 220,963
Restricted	15,015	10,408	13,711	14,459
Unrestricted	<u>34,335</u>	<u>33,393</u>	<u>30,249</u>	<u>32,470</u>
Total primary government net assets	<u>\$ 210,993</u>	<u>\$ 230,239</u>	<u>\$ 249,750</u>	<u>\$ 267,892</u>

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

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

	Fiscal Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Expenses				
Governmental activities:				
General government	\$ 8,029	\$ 8,652	\$ 9,783	\$ 10,726
Fire services	16,636	17,517	18,805	19,636
Police services	22,862	23,595	24,982	26,336
Field services	12,402	12,660	13,449	12,670
Public works	2,125	2,450	2,752	2,974
Community development	2,755	2,734	3,133	3,265
Housing services	7,194	8,861	11,069	10,789
Library services	1,885	2,049	2,080	2,052
Parks and recreation	7,378	7,933	8,834	8,135
Community services	901	1,158	1,029	989
Other	4,766	6,720	7,228	8,384
Interest on long-term debt	<u>2,700</u>	<u>2,727</u>	<u>2,617</u>	<u>2,478</u>
Total governmental activities expenses	<u>89,633</u>	<u>97,056</u>	<u>105,761</u>	<u>108,434</u>
Business-type activities:				
Water and sewer	21,948	24,961	25,604	26,230
Drainage utility	1,339	1,515	1,606	1,616
Municipal airport	<u>964</u>	<u>958</u>	<u>1,130</u>	<u>1,297</u>
Total business-type activities expenses	<u>24,251</u>	<u>27,434</u>	<u>28,340</u>	<u>29,143</u>
Total primary government expenses	<u>\$ 113,884</u>	<u>\$ 124,490</u>	<u>\$ 134,101</u>	<u>\$ 137,577</u>
Program Revenues				
Governmental activities:				
Charges for services	\$ 16,622	\$ 21,345	\$ 21,783	\$ 24,544
Operating grants and contributions	8,152	10,446	11,852	12,561
Capital grants and contributions	<u>2,257</u>	<u>2,987</u>	<u>5,943</u>	<u>1,693</u>
Total governmental activities program revenues	<u>27,031</u>	<u>34,778</u>	<u>39,578</u>	<u>38,798</u>
Business-type activities:				
Charges for services:				
Water and sewer	25,830	27,739	27,761	31,219
Drainage utility	2,026	2,157	2,078	2,098
Municipal airport	514	461	673	814
Capital grants and contributions	<u>5,246</u>	<u>5,863</u>	<u>9,413</u>	<u>4,659</u>
Total business-type activities program revenues	<u>33,616</u>	<u>36,220</u>	<u>39,925</u>	<u>38,790</u>
Total primary government program revenues	<u>\$ 60,647</u>	<u>\$ 70,998</u>	<u>\$ 79,503</u>	<u>\$ 77,588</u>

(Continued Next Page)

**Change in Net Assets
Last Four Fiscal Years**
(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

	Fiscal Year			
	2002	2003	2004	2005
Net (Expenses)/Program Revenues				
Governmental activities	\$ (62,602)	\$ (62,278)	\$ (66,183)	\$ (69,636)
Business-type activities	<u>9,365</u>	<u>8,786</u>	<u>11,585</u>	<u>9,647</u>
Total primary government net expenses	<u>\$ (53,237)</u>	<u>\$ (53,492)</u>	<u>\$ (54,598)</u>	<u>\$ (59,989)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Ad valorem taxes	\$ 26,219	\$ 28,555	\$ 29,946	\$ 33,073
Gross receipts taxes	7,516	7,580	7,137	7,416
Sales taxes	35,578	35,292	36,136	35,663
Investment income	1,260	791	547	1,343
Transfers	<u>4,437</u>	<u>4,402</u>	<u>4,431</u>	<u>4,514</u>
Total governmental activities	<u>75,010</u>	<u>76,620</u>	<u>78,197</u>	<u>82,009</u>
Business-type activities:				
Investment income	842	520	343	636
Transfers	<u>(4,437)</u>	<u>(4,402)</u>	<u>(4,431)</u>	<u>(4,514)</u>
Total business-type activities	<u>(3,595)</u>	<u>(3,882)</u>	<u>(4,088)</u>	<u>(3,878)</u>
Total primary government	<u>\$ 71,415</u>	<u>\$ 72,738</u>	<u>\$ 74,109</u>	<u>\$ 78,131</u>
Change in Net Assets				
Governmental activities	\$ 12,408	\$ 14,342	\$ 12,014	\$ 12,373
Business-type activities	<u>5,770</u>	<u>4,904</u>	<u>7,497</u>	<u>5,769</u>
Total primary government	<u>\$ 18,178</u>	<u>\$ 19,246</u>	<u>\$ 19,511</u>	<u>\$ 18,142</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>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Fund:					
Reserved	\$ 267	\$ 342	\$ 366	\$ 222	\$ 132
Unreserved	<u>10,478</u>	<u>10,639</u>	<u>12,119</u>	<u>11,899</u>	<u>12,508</u>
 Total General Fund	 <u>\$ 10,745</u>	 <u>\$ 10,981</u>	 <u>\$ 12,485</u>	 <u>\$ 12,121</u>	 <u>\$ 12,640</u>
 All other governmental funds:					
Reserved for:					
Encumbrances	\$ 1,836	\$ 1,462	\$ 6,344	\$ 3,482	\$ 3,125
Debt service	1,265	710	1,198	636	289
Unreserved, reported in:					
Special revenue funds	853	1,529	1,618	2,349	4,733
Capital projects	<u>16,281</u>	<u>21,146</u>	<u>10,726</u>	<u>6,324</u>	<u>6,361</u>
 Total all other governmental funds	 <u>\$ 20,235</u>	 <u>\$ 24,847</u>	 <u>\$ 19,886</u>	 <u>\$ 12,791</u>	 <u>\$ 14,508</u>

Schedule 3

Fiscal Year				
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$ 618	\$ 192	\$ 1,848	\$ 1,674	\$ 732
<u>14,061</u>	<u>15,148</u>	<u>14,712</u>	<u>14,840</u>	<u>16,644</u>
<u>\$ 14,679</u>	<u>\$ 15,340</u>	<u>\$ 16,560</u>	<u>\$ 16,514</u>	<u>\$ 17,376</u>
\$ 3,748	\$ 5,895	\$ 3,342	\$ 3,284	\$ 5,673
295	327	337	417	531
6,476	6,084	5,063	7,071	9,148
<u>8,576</u>	<u>8,871</u>	<u>9,868</u>	<u>17,107</u>	<u>23,896</u>
<u>\$ 19,095</u>	<u>\$ 21,177</u>	<u>\$ 18,610</u>	<u>\$ 27,879</u>	<u>\$ 39,248</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>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenues					
Taxes	\$ 44,817	\$ 47,495	\$ 52,165	\$ 55,335	\$ 63,681
Licenses and permits	898	922	1,015	1,217	1,171
Fines and forfeitures	1,697	2,018	2,344	2,335	2,264
Investment income	1,927	2,101	2,156	1,469	1,834
Charges for services	9,302	6,860	6,745	7,970	7,770
Intergovernmental	3,910	5,065	5,127	6,267	7,865
Other revenues	545	1,497	2,266	1,832	1,609
Contributions and donations	755	381	138	607	179
Total revenues	<u>63,851</u>	<u>66,339</u>	<u>71,956</u>	<u>77,032</u>	<u>86,373</u>
Expenditures					
General government	5,532	5,808	5,594	5,802	5,941
Fire services	10,488	11,200	11,953	13,204	14,780
Police services	15,913	16,480	17,691	18,759	20,444
Field services	7,706	6,727	6,231	6,991	7,599
Public works	1,932	1,802	1,984	1,929	1,909
Community development	1,929	1,788	1,933	2,032	2,442
Housing services	2,784	3,085	3,366	4,331	4,894
Library services	1,463	1,508	1,536	1,639	1,717
Parks and recreation	5,877	6,049	6,281	6,631	7,185
Community services	266	285	314	274	745
Other	3,112	3,448	5,863	4,933	3,195
Capital outlay	7,919	4,551	10,362	12,587	9,258
Debt service - principal	5,156	5,346	7,235	8,035	8,930
Debt service - interest	5,100	5,802	3,751	3,506	3,286
Total expenditures	<u>75,177</u>	<u>73,879</u>	<u>84,094</u>	<u>90,653</u>	<u>92,325</u>
Excess of revenues over (under) expenditures	(11,326)	(7,540)	(12,138)	(13,621)	(5,952)
Other financing sources (uses)					
Transfer in	16,976	17,180	16,952	24,034	19,502
Transfers out	(13,111)	(13,335)	(13,107)	(19,583)	(15,378)
Capital lease proceeds	-	-	-	-	-
Bond proceeds	17,195	8,609	4,495	1,710	4,065
Proceeds of refunding bonds	10,670	-	4,235	-	-
Payment to refunded bond agent	(10,670)	-	(3,960)	-	-
Total other financing sources (uses)	<u>21,060</u>	<u>12,454</u>	<u>8,615</u>	<u>6,161</u>	<u>8,189</u>
Net change in fund balances	<u>\$ 9,734</u>	<u>\$ 4,914</u>	<u>\$ (3,523)</u>	<u>\$ (7,460)</u>	<u>\$ 2,237</u>
Debt service as a percentage of noncapital expenditures	15.84%	16.47%	15.39%	15.27%	15.10%

Schedule 4

						Fiscal Year				
						<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
\$	68,171	\$	69,195	\$	71,352	\$	73,146	\$	76,238	
	1,475		1,487		1,418		1,347		1,249	
	2,551		2,524		3,092		3,278		2,997	
	2,245		1,096		700		492		1,242	
	9,529		9,590		12,599		12,509		13,212	
	7,009		8,513		10,589		11,997		14,611	
	1,986		1,715		2,462		2,014		3,860	
	77		63		119		86		107	
	<u>93,043</u>		<u>94,183</u>		<u>102,331</u>		<u>104,869</u>		<u>113,516</u>	
	6,033		5,927		6,118		6,752		6,649	
	15,245		16,306		17,200		18,142		18,951	
	21,352		22,662		23,254		24,245		25,647	
	7,684		8,738		8,764		9,222		8,794	
	1,925		1,988		2,268		2,387		2,384	
	2,637		2,733		2,715		3,193		3,278	
	5,519		7,194		8,848		11,063		10,774	
	1,826		1,841		1,982		2,071		2,011	
	7,257		7,151		7,563		8,612		7,542	
	695		837		1,186		974		1,087	
	3,702		4,190		9,612		7,589		7,836	
	9,445		10,174		16,240		11,407		17,347	
	6,568		7,960		7,805		7,830		8,350	
	4,960		2,734		2,727		2,656		2,605	
	<u>94,848</u>		<u>100,435</u>		<u>116,282</u>		<u>116,143</u>		<u>123,255</u>	
	(1,805)		(6,252)		(13,951)		(11,274)		(9,739)	
	18,232		17,571		17,248		16,704		18,154	
	(13,491)		(13,133)		(12,845)		(11,933)		(13,640)	
	-		-		-		203		-	
	3,690		4,500		8,480		15,255		17,550	
	-		6,850		-		14,795		5,965	
	-		(6,793)		-		(14,805)		(6,059)	
	<u>8,431</u>		<u>8,995</u>		<u>12,883</u>		<u>20,219</u>		<u>21,970</u>	
\$	<u>6,626</u>	\$	<u>2,743</u>	\$	<u>(1,068)</u>	\$	<u>8,945</u>	\$	<u>12,231</u>	
	16.07%		13.43%		12.34%		12.48%		11.68%	

City of Mesquite, Texas

General Governmental Tax Revenues By Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

(amounts expressed in thousands)

(Unaudited)

Year Ended <u>September</u>	<u>Total</u>	Ad Valorem <u>Taxes</u>	<u>Sales Taxes</u>		
			<u>General</u>	<u>Liquor</u>	<u>Hotel/Motel</u>
1996	\$ 44,817	\$ 18,106	\$ 21,117	\$ 100	\$ 354
% Total	100.00%	40.4%	47.1%	0.2%	0.8%
1997	47,495	19,321	22,015	100	363
% Total	100.00	40.7	46.4	0.2	0.8
1998	52,165	21,970	23,350	115	429
% Total	100.00	42.1	44.8	0.2	0.8
1999	55,335	23,285	25,090	134	674
% Total	100.00	42.1	45.3	0.2	1.2
2000	63,681	23,399	32,855 ⁽²⁾	154	881
% Total	100.00	36.7	51.6	0.2	1.4
2001	68,171	24,589	34,993	170	953
% Total	100.00	36.1	51.3	0.2	1.4
2002	69,195	26,101	34,519	172	887
% Total	100.00	37.7	49.9	0.2	1.3
2003	71,352	28,480	34,270	169	853
% Total	100.00	39.9	48.0	0.2	1.2
2004	73,146	29,874	35,075	164	897
% Total	100.00	40.8	48.0	0.2	1.2
2005	76,238	33,159	34,518	174	972
% Total	100.00	43.5	45.3	0.2	1.3

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>	
\$ 3,469	\$ 531	\$ 668	\$ 447	\$ -	\$ 25	
7.7%	1.2%	1.5%	1.0%	0.0%	0.1%	
3,442	551	684	473	519	27	
7.2	1.2	1.4	1.0	1.1	0.1	
3,708	500	740	505	824	24	
7.1	1.0	1.4	1.0	1.6	0.0	
3,691	453	787	577	619	25	
6.7	0.8	1.4	1.0	1.1	0.0	
3,705	488	896	659	620	24	
5.8	0.8	1.4	1.0	1.0	0.0	
4,235	1,000	812	742	654	23	
6.2	1.5	1.2	1.1	1.0	0.0	
4,558	590	827	847	670	24	
6.6	0.9	1.2	1.2	1.0	0.0	
4,153	868	826	740	683	310 (3)	
5.8	1.2	1.2	1.0	1.0	0.4	
4,057	818	787	753	695	26	
5.5	1.1	1.1	1.0	1.0	0.0	
4,061	1,104	784	754	692	20	
5.3	1.4	1.0	1.0	0.9	0.0	

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	
1996	\$ 2,120,685	\$ 644,889	\$ 140,476	\$ 83,960	\$ 535,448	\$ 3,525,458
1997	2,227,437	708,754	132,378	87,105	559,156	3,714,830
1998	2,389,884	745,785	136,057	93,184	595,381	3,960,291
1999	2,528,542	841,027	132,903	90,010	577,155	4,169,637
2000	2,718,539	925,798	153,116	91,653	624,917	4,514,023
2001	3,042,793	939,537	159,058	96,716	662,920	4,901,024
2002	3,295,142	1,004,351	155,286	100,687	594,885	5,150,351
2003	3,795,150	1,101,811	146,711	104,321	642,527	5,790,520
2004	3,965,188	1,152,940	148,834	101,967	702,998	6,071,927
2005	4,091,199	1,159,083	141,971	101,599	682,109	6,175,961

Source: Dallas Central Appraisal District

Notes:

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

Schedule 6

<u>Less: Exemptions, Abatements, and TIFs (2)</u>						
<u>Exemptions</u>	<u>Tax</u>	<u>Tax Incentive</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Tax</u>
<u>Granted</u>	<u>Abatements</u>	<u>Financing</u>	<u>Exemptions</u>	<u>Taxable</u>	<u>Valuation</u>	<u>Rate (3)</u>
		<u>Districts (TIF)</u>				
\$ 179,538	\$ -	\$ -	\$ 179,538	\$ 3,345,920		.54148
162,074	-	-	162,074	3,552,756		.54148
186,492	-	-	186,492	3,773,799		.58148
158,682	-	-	158,682	4,010,955		.58148
212,620	746	19,139	232,505	4,281,518		.54148
382,240	684	27,989	410,913	4,490,111		.54148
325,168	6,635	56,811	388,614	4,761,737		.54148
425,066	9,201	81,160	515,427	5,275,093		.54148
430,846	26,110	91,203	548,159	5,523,768		.54148
435,502	37,838	98,351	571,691	5,604,270		.58148

**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	
1996	.23660	.30488	.54148	.2161	.19959	.05206	.0064	1.5	2.51563
1997	.26981	.27167	.54148	.21	.194092	.05206	.0064	1.5	2.504032
1998	.29112	.29036	.58148	.201	.18571	.05	.0063	1.53	2.55449
1999	.30471	.27677	.58148	.1972	.1799	.05	.005974	1.58	2.594554
2000	.29466	.24682	.54148	.196	.196	.05	.005699	1.58	2.569179
2001	.32717	.21431	.54148	.196	.254	.05	.005667	1.58	2.627147
2002	.35991	.18157	.54148	.196	.254	.06	.005525	1.58	2.637005
2003	.38571	.15577	.54148	.196	.254	.06	.0055	1.62	2.67698
2004	.38833	.15315	.54148	.2039	.254	.0778	.00546	1.67	2.75264
2005	.42325	.15823	.58148	.2039	.254	.0803	.00546	1.76	2.88514

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	2005			1996		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Town East Mall PS	\$ 97,896,350	1	1.75%	\$ 80,235,580	2	2.40%
Texas Power and Light	53,394,990	2	.95	42,865,010	3	1.28
Market East RPF- III LTD PS	37,451,230	3	.67	29,162,370	5	.87
Pepsi Cola	36,443,240	4	.65	21,898,460	7	.65
Alliance WE LP	28,126,370	5	.50	-	-	-
American Multicinema Inc	27,503,630	6	.49	-	-	-
Southwestern Bell	27,181,510	7	.49	35,390,820	4	1.06
Home Depot Inc	25,010,370	8	.45	-	-	-
Unilever HPC USA Inc.	22,549,972	9	.40	-	-	-
BRH Prescott II LTD PS	22,149,910	10	.40	-	-	-
American Telephone & Telegraph	-	-	-	96,019,740	1	2.87
Pep Boys	-	-	-	26,769,520	6	.80
Dalho Corporation (UPS)	-	-	-	21,144,960	8	.63
IBM	-	-	-	19,953,700	9	.60
Paracelsus Health Care	-	-	-	18,849,940	10	.56
Total	<u>\$377,707,572</u>		<u>6.74%</u>	<u>\$392,290,100</u>		<u>11.72%</u>

Source: Dallas Central Appraisal District

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

Fiscal Year Ended September 30	Adjusted Current Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1996	\$18,105,702	\$17,891,231	98.82%	\$ 164,039	18,055,270	99.72%
1997	19,227,130	19,057,577	99.12	131,619	19,189,196	99.80
1998	21,971,485	21,687,749	98.71	206,211	21,893,960	99.65
1999	23,324,312	23,057,699	98.86	209,576	23,267,275	99.76
2000	23,398,863	23,036,809	98.45	287,016	23,323,825	99.68
2001	24,574,048	24,206,183	98.50	278,688	24,484,871	99.64
2002	26,003,036	25,656,864	98.67	249,616	25,906,480	99.63
2003	28,426,788	27,873,063	98.05	413,431	28,286,494	99.51
2004	29,758,669	29,200,767	98.13	303,891	29,504,658	99.15
2005	32,722,832	32,151,536	98.25	-	32,151,536	98.25

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

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

(Unaudited)

Governmental Activities					
Fiscal Year	General Obligation Bonds	Certificates of Obligations	Public Property Finance Contractual Obligations	Capital Lease Obligations	Total
1996	\$45,322,406	\$20,165,000	\$ 2,960,000	\$ -	\$ 68,447,406
1997	47,818,511	21,010,000	3,115,000	-	71,943,511
1998	46,123,511	20,455,000	3,140,000	-	69,718,511
1999	41,118,511	18,640,000	3,635,000	-	63,393,511
2000	36,388,511	18,460,000	3,680,000	-	58,528,511
2001	37,720,000	17,300,000	4,105,000	-	59,125,000
2002	36,000,000	15,585,000	4,390,000	-	55,975,000
2003	37,420,000	14,600,000	4,630,000	-	56,650,000
2004	45,340,000	14,775,000	4,535,000	191,215	64,841,215
2005	47,525,000	21,570,000	4,835,000	153,545	74,083,545

Business-Type Activities							
Fiscal Year	Water/Sewer Revenue Bonds	Drainage Utility District Revenue Bonds	Water/Sewer Capital Lease Obligations	Total	Total Primary Government	Percentage of Effective Buying Income (1)	Per Capita (1)
1996	\$22,695,000	\$ 7,660,000	\$ -	\$30,355,000	\$ 98,802,406	5.33%	\$ 885.72
1997	24,690,000	7,355,000	-	32,045,000	103,988,511	5.21%	917.01
1998	27,215,000	8,480,000	-	35,695,000	105,413,511	5.28%	906.00
1999	25,370,000	8,100,000	-	33,470,000	96,863,511	4.58%	809.90
2000	28,655,000	7,695,000	-	36,350,000	94,878,511	4.19%	761.94
2001	31,845,000	9,260,000	-	41,105,000	100,230,000	3.96%	791.89
2002	35,040,000	8,745,000	-	43,785,000	99,760,000	3.83%	780.59
2003	40,340,000	11,565,000	-	51,905,000	108,555,000	4.54%	837.29
2004	45,715,000	11,015,000	196,565	56,926,565	121,767,780	5.03%	925.41
2005	47,635,000	10,225,000	157,841	58,017,841	132,101,386	5.29%	988.75

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 108 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>
1996	111,550	\$ 3,345,920	\$68,447,406	\$1,264,906	\$67,182,500	2.01%	\$ 602.26
1997	113,400	3,552,756	71,943,511	709,919	71,233,592	2.01%	628.16
1998	116,350	3,773,799	69,718,511	1,197,788	68,520,723	1.82%	588.92
1999	119,600	4,010,955	63,393,511	636,476	62,757,035	1.56%	524.72
2000	124,523	4,281,518	58,528,511	289,195	58,239,316	1.36%	467.70
2001	126,570	4,490,111	59,125,000	295,125	58,829,875	1.31%	464.80
2002	127,800	4,761,737	55,975,000	327,063	55,647,937	1.17%	435.43
2003	129,650	5,275,093	56,650,000	336,646	56,313,354	1.07%	434.35
2004	131,582	5,523,768	64,650,000	416,834	64,233,166	1.16%	488.16
2005	133,605	5,604,270	73,930,000	530,789	73,399,211	1.31%	549.37

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, 2005
(Unaudited)

<u>Taxing Jurisdiction</u>	Total Outstanding Bonded Debt (1)	Estimated Percent Applicable	Direct and Estimated Overlapping Bonded Debt
Direct-			
City of Mesquite	\$ 73,930,000	100.00%	\$ 73,930,000
Overlapping-			
Dallas County	176,073,073	4.33	7,623,964
Dallas County Community College District	106,935,000	4.33	4,630,286
Mesquite Independent School District	376,216,192	90.40	340,099,438
Dallas Independent School District	1,277,214,255	0.26	3,320,757
Garland Independent School District	451,598,832	0.04	180,640
Total overlapping	<u>2,388,037,352</u>		<u>355,855,084</u>
Total direct and estimated overlapping bonded debt	<u>\$ 2,461,967,352</u>		<u>\$ 429,785,084</u>

Ratio, direct and estimated overlapping debt to fiscal 2005 taxable assessed valuation (2) 7.67%

Per capita direct and estimated overlapping bonded debt (3) \$3,217

Notes:

- (1) Excluding self-supporting debt. Source is most recent Texas Municipal Reports, publication of the Municipal Advisory Council of Texas
- (2) Fiscal 2005 taxable assessed valuation: \$5,604,270,120.
- (3) Based on 2005 population of 133,605.

Computation of Legal Debt Margin
September 30, 2005
(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, 2005, is \$.58148 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>	
<u>WATER AND SEWER BONDS</u>						
1996	\$ 24,195,845	\$ 13,963,338	\$ 10,232,507	\$ 1,605,000	\$ 1,439,090	3.4
1997	23,871,624	14,552,099	9,319,525	1,635,000	1,392,314	3.1
1998	27,152,174	15,803,035	11,349,139	1,845,000	1,461,658	3.4
1999	25,649,237	14,996,086	10,653,151	1,810,000	1,317,110	3.4
2000	28,375,760	15,744,659	12,631,101	1,760,000	1,481,313	3.9
2001	27,937,940	16,635,600	11,302,340	1,995,000	1,621,741	3.1
2002	26,606,963	17,664,168	8,942,795	2,025,000	1,617,073	2.5
2003	28,191,024	20,032,421	8,158,603	2,355,000	1,818,002	2.0
2004	28,057,312	20,664,239	7,393,073	2,740,000	1,949,843	1.6
2005	31,775,214	21,017,199	10,758,015	2,980,000	2,027,598	2.1
<u>DRAINAGE UTILITY DISTRICT BONDS</u>						
1996	\$ 2,134,181	\$ 203,981	\$ 1,930,200	\$ 305,000	\$ 395,108	2.8
1997	2,143,896	162,192	1,981,704	320,000	379,345	2.8
1998	2,289,631	324,034	1,965,597	380,000	428,300	2.4
1999	2,463,634	316,588	2,147,046	405,000	397,100	2.7
2000	2,262,958	420,771	1,842,187	430,000	374,913	2.3
2001	2,261,103	474,336	1,786,767	515,000	451,616	1.8
2002	2,090,833	521,407	1,569,426	550,000	425,213	1.6
2003	2,225,070	501,028	1,724,042	700,000	532,101	1.4
2004	2,124,677	541,703	1,582,974	790,000	426,154	1.3
2005	2,177,952	542,236	1,635,716	820,000	398,427	1.3

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 are the amounts due within one year of fiscal year end.

**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>
1996	111,550	\$ 1,689,463	\$ 1,854,527	\$ 41,026	41,000	26,314	3.4%
1997	113,400	1,738,267	1,995,511	47,063	42,400	27,088	3.1%
1998	116,350	1,666,156	1,997,942	45,608	40,000	27,814	2.7%
1999	119,600	1,794,334	2,115,897	46,530	40,900	28,461	2.6%
2000	124,523	2,280,289	2,266,391	48,190	40,700	29,174	2.6%
2001	126,570	2,192,171	2,533,442	51,412	42,300	33,094	4.4%
2002	127,800	2,082,581	2,602,498	50,656	45,115	33,808	5.7%
2003	129,650	2,261,111	2,390,723	51,338	48,210	34,368	5.8%
2004	131,582	2,301,891	2,421,215	52,750	49,051	34,181	5.2%
2005	133,605	2,362,311	2,497,456	50,424	49,559	35,451	5.9%

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
 (3) North Central Texas Council of Governments
 (4) Mesquite Independent School District
 (5) Texas Workforce Commission

City of Mesquite, Texas

Schedule 16

**Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

<u>Employer</u>	<u>2005</u>			<u>1996</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
Mesquite Independent School District	4,308	1	6.22%	2,799	1	4.25%
United Parcel Service	2,932	2	4.23%	2,200	2	3.34%
Eastfield College	1,191	3	1.72%	-	-	-
City of Mesquite	1,092	4	1.58%	833	4	1.26%
Icon Health	875	5	1.26%	-	-	-
Mesquity Community Hospital	750	6	1.08%	425	6	0.64%
Medical Center of Mesquite	730	7	1.05%	500	5	0.76%
Tyco Electronics	450	8	0.65%	-	-	-
Pepsi-Cola Bottling	450	9	0.65%	250	8	0.38%
Integra Color group	408	10	0.59%	-	-	-
American Telephone & Telegraph	-	-	-	1,600	3	2.43%
White Swan Foods	-	-	-	353	7	0.54%
Fritz Chemical Company	-	-	-	182	9	0.28%
Pep Boys	-	-	-	150	10	0.23%
Total	<u>13,186</u>		<u>19.03%</u>	<u>9,292</u>		<u>14.10%</u>

Source: North Central Texas Council of Governments

City of Mesquite, Texas

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

	Fiscal Year				
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
By Functions					
General government	84.25	87.00	87.00	86.25	86.25
Fire services	169.00	172.00	178.00	178.00	186.00
Police services	266.50	267.50	268.50	269.50	272.50
Field services	157.65	124.90	121.95	120.95	120.95
Public works	23.00	24.00	24.00	22.00	23.00
Community development	41.00	40.00	40.00	39.00	40.00
Housing services	7.00	6.75	6.75	6.75	6.75
Library services	36.41	36.57	36.57	36.57	36.57
Parks and recreation	109.49	113.83	112.05	114.83	122.77
Community services	16.98	17.23	18.23	17.23	17.09
Water and Sewer	85.00	87.00	88.00	88.50	89.50
Drainage utility district	3.00	3.00	3.00	4.00	4.00
Municipal airport	<u>8.38</u>	<u>8.38</u>	<u>8.38</u>	<u>8.38</u>	<u>7.88</u>
Total employees by function	<u>1,007.66</u>	<u>988.16</u>	<u>992.43</u>	<u>991.96</u>	<u>1,013.26</u>
By Departments					
Administration	8.25	8.00	8.00	8.00	8.00
City Secretary	3.00	3.00	3.00	3.00	3.00
City Attorney	7.00	7.00	7.00	7.00	7.00
Human Resources	12.75	14.75	14.75	14.00	14.00
Budget and Research	2.00	2.00	2.00	2.00	2.00
Finance	63.25	66.25	67.25	67.25	67.25
Fire service	169.00	172.00	178.00	178.00	186.00
Police Service	266.50	267.50	268.50	269.50	272.50
Public Works	256.65	224.90	221.95	220.45	222.45
Housing and community service	25.98	24.98	25.98	23.98	23.84
Community development	39.00	39.00	39.00	39.00	40.00
Parks/ Recreation/Building service	109.49	113.83	112.05	114.83	122.77
Library service	36.41	36.57	36.57	36.57	36.57
Airport service	<u>8.38</u>	<u>8.38</u>	<u>8.38</u>	<u>8.38</u>	<u>7.88</u>
Total employees by department	<u>1,007.66</u>	<u>988.16</u>	<u>992.43</u>	<u>991.96</u>	<u>1,013.26</u>
By Fund					
General	902.28	880.28	883.55	883.08	903.88
Grants	9.00	9.50	9.50	8.00	8.00
Water and Sewer	85.00	87.00	88.00	88.50	89.50
Drainage Utility District	3.00	3.00	3.00	4.00	4.00
Municipal Airport	<u>8.38</u>	<u>8.38</u>	<u>8.38</u>	<u>8.38</u>	<u>7.88</u>
Total employees by fund	<u>1,007.66</u>	<u>988.16</u>	<u>992.43</u>	<u>991.96</u>	<u>1,013.26</u>

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

Schedule 17

Fiscal Year				
<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
84.25	84.25	90.00	85.48	85.00
187.00	187.00	187.00	192.00	197.00
276.50	278.50	279.50	282.50	293.50
128.95	128.00	125.00	130.00	130.00
25.50	25.00	24.00	24.00	24.00
41.85	43.85	45.00	47.00	50.00
6.75	8.75	8.75	8.75	9.00
36.57	35.55	35.55	35.55	35.55
123.85	124.85	122.85	122.85	130.09
20.65	20.40	19.25	20.75	20.70
95.57	101.07	101.57	103.57	103.57
7.00	7.00	7.00	7.00	7.00
<u>7.88</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
<u>1,042.32</u>	<u>1,051.60</u>	<u>1,052.85</u>	<u>1,066.83</u>	<u>1,092.79</u>
8.00	8.00	10.00	10.00	9.00
3.00	3.00	3.00	3.00	3.00
6.00	6.00	6.00	6.00	6.00
15.00	15.00	14.00	14.48	14.00
2.00	2.00	2.00	2.00	2.00
69.25	69.25	68.50	68.50	68.50
187.00	187.00	187.00	192.00	197.00
276.50	278.50	279.50	282.50	293.50
238.02	242.07	244.07	248.07	248.07
28.40	30.85	30.95	33.45	37.00
40.85	42.15	42.05	42.05	42.70
123.85	124.85	122.85	122.85	130.09
36.57	35.55	35.55	34.55	34.55
<u>7.88</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
<u>1,042.32</u>	<u>1,051.60</u>	<u>1,052.85</u>	<u>1,066.83</u>	<u>1,092.79</u>
920.47	916.30	916.60	932.58	955.19
11.40	19.85	20.30	16.30	19.65
95.57	101.07	101.57	103.57	103.57
7.00	7.00	7.00	7.00	7.00
<u>7.88</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
<u>1,042.32</u>	<u>1,051.60</u>	<u>1,052.85</u>	<u>1,066.83</u>	<u>1,092.79</u>

City of Mesquite, Texas

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

(Unaudited)

	Fiscal Year			
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Functions				
Fire services				
Number of calls answered	10,435	10,553	11,778	12,266
Inspections	6,435	6,616	6,360	4,410
Police services				
Reported index crimes	6,452	6,454	5,923	5,898
Criminal arrests - index crimes	2,249	2,320	1,908	2,049
Criminal arrests - non-index crimes	5,055	5,025	4,700	4,503
Traffic citations	29,284	35,110	30,753	29,615
Field services				
Residential solid waste customers	30,873	31,809	32,427	32,511
Annual tons recycled	5,556	15,781	15,685	19,624
Work hours per mile of streets and alleys	107.45	74.48	74.44	80.07
Public works				
Traffic studies conducted	134	112	66	60
Engineering Information requests	N/A	N/A	1,050	1,041
Housing services				
Number of HUD allocated unit months	7,464	7,860	8,552	10,159
Community development				
Residential building permits	1,651	1,670	1,676	2,091
Commercial building permits	549	622	617	690
Environmental code violations	22,559	30,758	25,449	35,912
Food inspections conducted	1,476	1,465	1,628	1,460
Animals processed by shelter	7,666	9,519	9,985	10,773
Library services				
Library visits per capita	3.52	3.17	3.53	2.77
Registered borrowers per capita	0.39	0.39	0.40	0.33
Parks and recreation				
Work hours per acre of park land	19.33	23.04	22.49	26.79
Athletic program participants	18,763	20,751	18,796	21,977
Aquatic program participants	82,128	91,894	92,500	N/A
Tennis program participants	24,100	14,390	15,250	N/A
Recreation centers programs offered	N/A	N/A	N/A	N/A
Community services				
Number of health clinic clients	6,481	5,735	6,180	6,381
Number of transportation service trips	35,136	37,191	38,050	36,106
Number of volunteer hours	37,516	31,693	38,980	42,382
Arts center events	934	1,122	670	1,150
Arts center participants	98,205	102,775	89,956	91,891
Water and Sewer				
Number of gallons of water pumped (000s)	7,100,000	7,233,413	7,535,336	7,298,815
Water main breaks	280	220	658	358
Miles of sewer mains cleaned	108	99	107	96
Municipal airport				
Number of airplanes fueled	N/A	N/A	5,627	5,768

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

Schedule 18

Fiscal Year					
<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
13,649	13,647	14,390	14,063	10,661	12,945
3,810	5,317	3,948	4,070	2,647	5,841
6,152	6,059	6,542	6,480	6,652	6,582
1,664	1,606	2,105	1,632	1,590	1,561
3,084	4,922	4,821	3,106	3,555	3,400
29,714	39,261	35,552	33,261	42,587	42,523
33,108	34,100	34,491	34,077	34,477	34,830
21,010	17,771	19,280	19,770	20,430	20,520
81.83	83.07	82.25	84.24	84.24	73.88
104	128	145	454	332	333
1,212	1,450	949	1,010	1,245	995
9,691	12,250	15,060	15,708	15,258	16,308
2,015	2,050	2,133	2,192	2,196	2,053
665	723	750	554	601	566
36,106	37,856	35,012	47,593	32,839	46,980
1,482	1,352	1,239	1,033	1,374	1,193
9,823	10,714	10,489	10,491	10,164	11,873
2.62	2.60	2.76	2.90	3.11	3.13
0.30	0.29	0.31	0.27	0.28	0.29
30.34	32.34	36.48	37.01	46.12	50.50
20,517	20,730	19,731	21,535	18,325	18,700
67,511	58,619	67,380	79,078	62,432	63,000
7,700	8,000	7,450	7,315	7,525	7,800
N/A	567	678	764	800	803
6,695	7,265	7,128	5,445	4,845	5,000
36,250	39,223	36,623	35,202	36,900	32,318
24,544	19,849	19,133	15,517	18,274	20,000
1,161	1,162	1,174	752	920	717
91,805	92,300	93,997	61,732	70,267	68,463
7,857,950	7,228,597	6,511,114	6,929,350	6,223,119	6,500,000
325	340	325	300	177	170
120	151	170	150	115	155
5,595	5,021	4,558	3,860	4,299	5,700

City of Mesquite, Texas

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

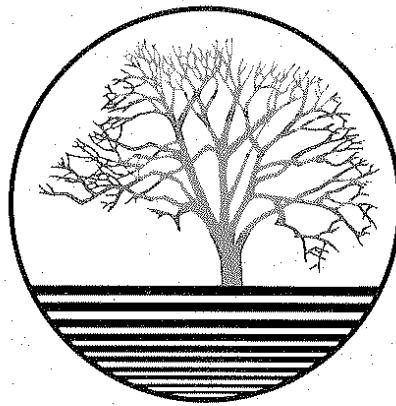
(Unaudited)

	Fiscal Year			
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Functions				
Police services				
Police vehicles (sedans)	137	144	147	149
Field services				
Miles of streets	403	410	422	422
Miles of alleys	197	199	205	205
Number of vehicles in City fleet	514	566	572	580
Parks and recreation				
Parks acreage	1,315	1,303	1,356	1,356
Number of parks	59	61	62	62
Water and Sewer				
Water system miles	418	420	424	428
Water system connections	43,611	43,948	44,795	45,492
Sewer system miles	360	362	365	368
Sewer system connections	42,305	42,829	44,657	44,327

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

Schedule 19

Fiscal Year					
<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
162	163	164	168	166	184
425	428	428	432	432	435
210	212	212	213	213	215
592	588	592	601	600	624
1,347	1,371	1,373	1,373	1,422	1,422
62	62	63	63	66	66
434	437	440	445	448	450
47,406	47,822	48,747	48,885	49,136	50,313
377	480	484	488	491	492
46,261	36,022	36,077	36,311	36,564	36,756



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