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



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Reinventing Ourselves

CITY OF MESQUITE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2008

Prepared by:

Finance Department

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City of Mesquite, Texas

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

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MESQUITE
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CITY OF MESQUITE, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2008

CITY COUNCIL

John Monaco, Mayor

Shirley Roberts, Mayor Pro Tem

Greg Noschese, Deputy Mayor Pro Tem

Al Forsythe, Council Member

Stan H. Pickett, Council Member

Dennis Tarpley, Council Member

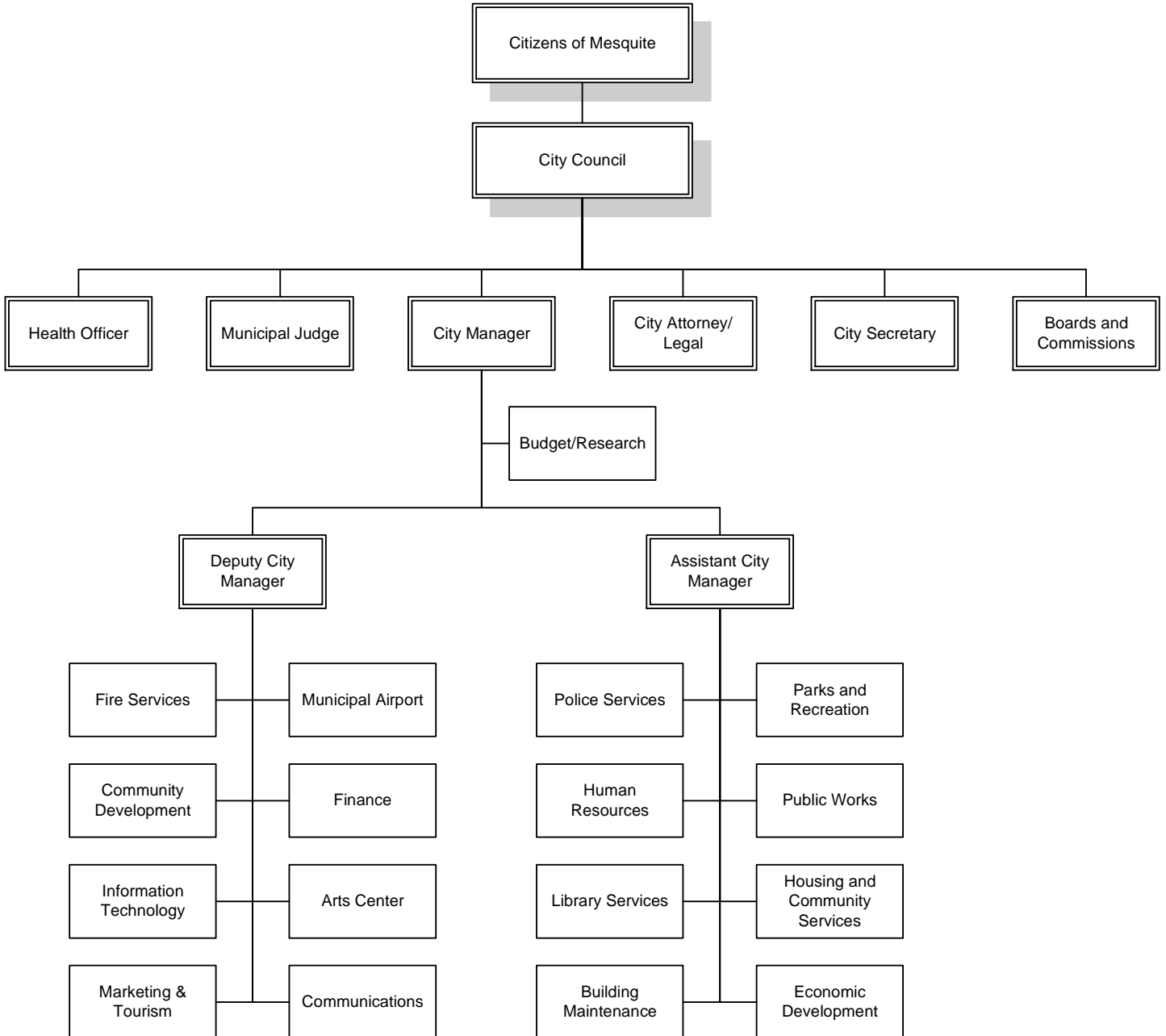
Ted Barron, City Manager

Donald W. Simons, Director of Finance

Deborah A. Mol, Accounting Manager

City of Mesquite, Texas

Organizational Chart
September 30, 2008





March 26, 2009

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, 2008, is hereby submitted.

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

Grant Thornton LLP has issued an unqualified (“clean”) opinion on the City of Mesquite’s financial statements for the year ending September 30, 2008. The independent auditors’ report is located at the front of the financial section of this report.

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

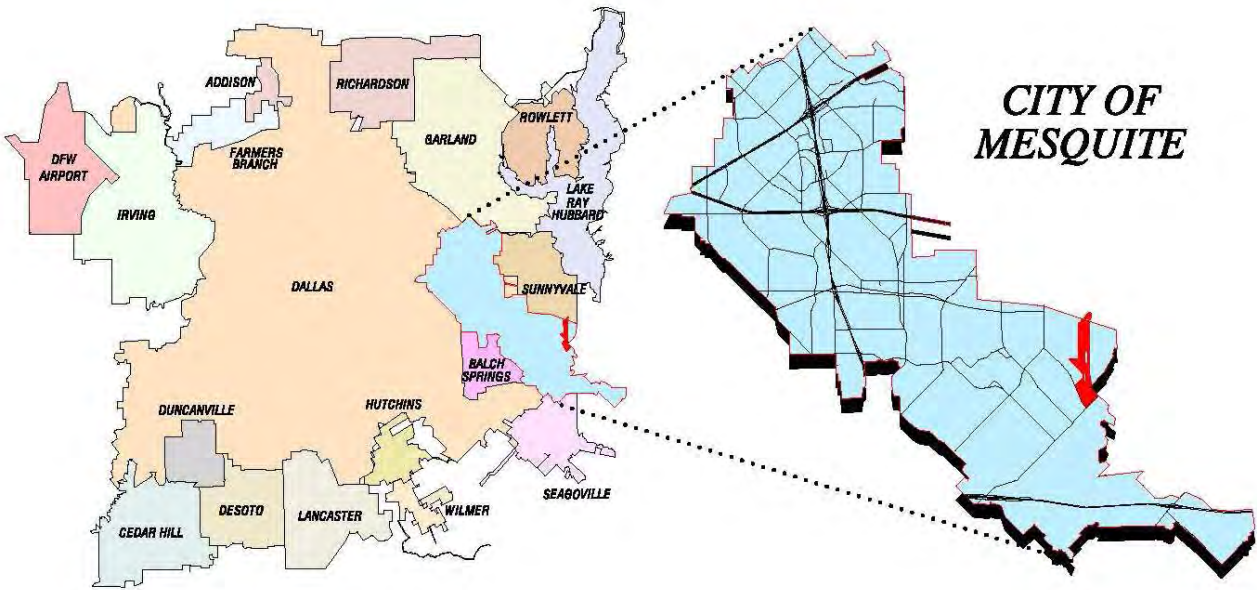
The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the single audit, including the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

General Information - City of Mesquite

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

Mesquite celebrated its 121st birthday on December 3, 2008. Although the little farming settlement had existed as an unfranchised township since being organized at the arrival of the Texas and Pacific railroad in 1873, not until December 3, 1887, did its citizens take action to make it the first incorporated Dallas County town outside the county seat city.

The town, little more than a frontier outpost at the time, struggled for each meager step of progress under the leadership of dedicated early-day residents. Mesquite grew not only in numbers but in strength and importance, becoming a viable agricultural center by the turn of the century. The town's population increased threefold between the 1890 and 1900 U. S. censuses - from 135 to 405 - and grew to 729 by 1930. Twenty years later, in 1950, Mesquite was home to 1,696 citizens, and that is when explosive growth set in. The population total jumped to 27,526 in 1960, to 67,053 in 1980, and to 124,523 in 2000. Today, the headcount stands at an estimated 137,550, and Mesquite is still one of the most dynamic cities in the Metroplex, served by excellent schools, churches, healthcare institutions, cultural and entertainment facilities, parks, playgrounds and many other amenities.



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

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

Economic Condition and Outlook

Providing quality governmental services to our ever-increasing population has been a continuing challenge, but City management maintains an optimistic outlook. A positive factor has been the strength of the Dallas

area economy. The Metroplex ranks high nationally in attracting new businesses and expansion of existing companies. The area remains the distribution and financial center of the Southwest, and the growth of high-tech industries, services industries, trade, and corporate headquarters have provided a strong, stable and diverse local economy. These factors have helped curb the major economic downturn that our nation faces. It is anticipated that the current highway and access improvements in and around Town East Mall will revitalize the retail and restaurant trade.

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

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

The industrial side of Mesquite is equally impressive. The Skyline Industrial Park is 1,500 acres in size and is home to the largest concentration of industries on the east side of the Metroplex. Ranging in size from the small manufacturer employing less than ten people to the giants of industry such as United Parcel Service that employ approximately 3,000 people, the Skyline Industrial Park is ideally located for manufacturing and distribution industries.

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

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

Major Initiatives

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

Over the course of the past decade, Mesquite has enjoyed exceptional growth in its residential development. From 1997 to the year 2008, over 7,000 new homes were built. This development has primarily occurred in southeast Mesquite, where the largest concentration of undeveloped land is located. To accommodate additional growth, a thoroughfare plan was developed and is presently being implemented to provide improved roadway access to and within this sector of the City. The need for other infrastructure improvements was previously addressed with expansion of the water and sewer system and the opening of a new fire station to serve the area. City Council has recently adopted an updated plan and development standards for future residential development in the area. With higher standards covering such issues as residential density, open space percentages, neighborhood amenities, minimum home sizes, and design diversity, the City feels the long-term neighborhood viability in terms of stable or appreciating values will be assured.

In north central Mesquite, a continued emphasis was placed on efforts to improve traffic conditions around the Town East Mall and *The Rows of Texas* area. The City has funded signal projects, built alternative access points, extended streets, and constructed dedicated turn lanes in an effort to keep motorists moving in the area. Furthermore, the Texas Department of Transportation (TxDOT) has completed the Town Centre ramp project that provides entrance and exit ramps between IH635 and Town Center Drive and improves access to the Mall area. TxDOT construction of Phase II of the Town East/IH635 area improvements is a \$45.9 million project to improve the Town East Blvd/IH635 Interchange, expand entrance and exit ramps, and reconstruct sections of main-lane pavement on IH635 between Town East Blvd. and US Hwy 80. This project is now into its third year with an expected completion date sometime in 2010.

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

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

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

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

benefits such as insurance, retirement, holidays, and working conditions to ensure that Mesquite is providing an attractive work environment.

Financial Information

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

Accounting System and Budgetary Controls

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

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

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

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

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

Tax Rates

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

than the maximum provided by law. Allocations of property tax levy by purpose for fiscal year 2008 and the preceding two years are as follows (amounts per \$100/assessed value):

<u>Purpose</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Maintenance and Operations	\$.48716	\$.46246	\$.44090
Debt Service	<u>.15284</u>	<u>.15754</u>	<u>.16058</u>
Total Tax Rate	<u>\$.64000</u>	<u>\$.62000</u>	<u>\$.60148</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, 2008 and 2007, as reflected in the Statistical Section, Schedule 11 is as follows:

	<u>2008</u>	<u>2007</u>
Net General Bonded Debt	\$ 100,642,473	\$ 94,286,631
Ratio of Net Bonded Debt to Assessed Value	1.59 %	1.56 %
Debt per Capita	\$ 731.68	\$ 689.48

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

Cash Management

The City pools its cash balances for investment purposes. A primary objective of the City's investment program is the safety and preservation of the principal. The City purchases treasury bills, notes and government agencies, as well as funds from local government investment pools consisting of these securities. The average yield on investments was 3.92% for the year, and the amount of interest earned was \$4,621,359 after recording a \$209,851 net unrealized gain attributable to marking investments to their fair value as of September 30, 2008. 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, 2007. This was the twenty-ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

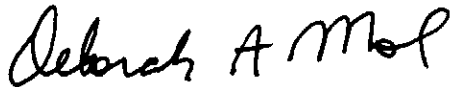
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully Submitted,



Director of Finance



Accounting Manager



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mesquite
Texas

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

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



President

Executive Director

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LEGEND

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

City of Mesquite
GIS Division
2009



Independent Auditors' Report

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

Audit • Tax • Advisory

Grant Thornton LLP
1717 Main Street, Suite 1500
Dallas, TX 75201-9436

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We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesquite, Texas (the City), as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Mesquite, Texas, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 13 and schedules of Texas Municipal Retirement System Analysis of Funding Progress on page 61 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements and individual nonmajor fund financial statements, and individual fund budget to actual schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

GRANT THORNTON LLP

Dallas, Texas
March 26, 2009

Mesquite, City of Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2008

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, 2008. 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 \$332 million (net assets). Of this amount, over \$30.2 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 \$17.7 million this fiscal year with 79.4 percent of the increase attributable to activities which receive taxes and other nonexchange revenues (governmental activities) and the remainder from business activities.
- As of the close of the current fiscal year, the City of Mesquite's governmental funds reported combined ending fund balances of \$71.7 million, a decrease of \$13 million from the prior year. Of this amount, \$58 million is unreserved and available for spending subject to the City's self-imposed limitations by management for intended use.
- At year-end, the undesignated and unreserved fund balance for the general fund was \$14.2 million and total fund balance was \$17.4 million. \$2.4 million of the fund balance is reserved for encumbrances of which \$1.8 million is for encumbrances related to expenditures that will be reimbursed from the Quality of Life (4B Sales Tax) fund when the items are received in 2008-09. Total fund balance represents over 16.7 percent of expenditures and transfers out and exceeds the 15 percent required by the City's adopted fund balance policy. On a current financial resources basis, total fund balance for the general fund decreased \$682 thousand which was primarily the result of a decrease in investment earnings for the year.
- The City's net bonded debt increased by \$10 million during this current fiscal year. The City issued general obligation debt for street, equipment, and municipal building improvements, and new facilities as well as revenue bonded debt for water and sewer improvements.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

The City maintains ten governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Grants Special Revenue, Quality of Life Corporation (4B Sales Tax) Special Revenue and Bond Finance Capital Project funds, all of which are to be considered major funds. Data from the other six funds are combined into a single, aggregated presentation. Individual fund data for these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Mesquite, assets exceeded liabilities by \$331.9 million as of September 30, 2008.

The largest portion of the City's net assets (85.4 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, infrastructure and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-type Activities		Total	
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
Current and other assets	\$ 91,677	\$ 100,341	\$ 41,348	\$ 38,313	\$ 133,025	\$ 138,654
Capital assets	232,351	199,900	181,150	176,711	413,501	376,611
Total assets	324,028	300,241	222,498	215,024	546,526	515,265
Long-term liabilities outstanding	126,519	119,956	71,512	67,560	198,031	187,516
Other liabilities	11,608	8,470	4,942	5,076	16,550	13,546
Total liabilities	138,127	128,426	76,454	72,636	214,581	201,062
Invested in capital assets, net of related debt	155,270	137,669	128,354	122,377	283,624	260,046
Restricted net assets	13,776	19,717	4,300	7,484	18,076	27,201
Unrestricted net assets	16,855	14,429	13,390	12,527	30,245	26,956
Total net assets	\$ 185,901	\$ 171,815	\$ 146,044	\$ 142,388	\$ 331,945	\$ 314,203

An additional portion of the City's net assets (5.4 percent) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$30 million may be used to meet the government's ongoing obligation to citizens and creditors.

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

Analysis of the City's Operations. Governmental and Business-type activities increased the City's net assets by \$17.7 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	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 27,794	\$ 25,819	\$ 38,856	\$ 33,086	\$ 66,650	\$ 58,905
Operating grants and contributions	12,603	13,351	-	-	12,603	13,351
Capital grants and contributions	6,977	7,934	6,018	7,221	12,995	15,155
General revenues:						
Ad valorem taxes	40,577	37,705	-	-	40,577	37,705
Gross receipts taxes	7,677	7,333	-	-	7,677	7,333
Sales taxes	35,339	35,996	-	-	35,339	35,996
Sale of capital assets	2	79	11	23	13	102
Investment income	3,402	4,397	1,220	1,659	4,622	6,056
Total revenues	134,371	132,614	46,105	41,989	180,476	174,603
Expenses:						
General government	19,410	18,562	-	-	19,410	18,562
Fire services	24,670	22,245	-	-	24,670	22,245
Police services	32,265	30,850	-	-	32,265	30,850
Field services	13,970	13,424	-	-	13,970	13,424
Public works	4,529	3,539	-	-	4,529	3,539
Community development	3,636	3,731	-	-	3,636	3,731
Housing & community services	12,684	10,883	-	-	12,684	10,883
Library services	2,127	2,198	-	-	2,127	2,198
Parks and recreation	9,446	10,993	-	-	9,446	10,993
Interest on long-term debt	4,519	3,740	-	-	4,519	3,740
Water and sewer	-	-	31,939	29,341	31,939	29,341
Drainage utility	-	-	1,817	1,736	1,817	1,736
Municipal airport	-	-	1,721	1,521	1,721	1,521
Total expenses	127,256	120,165	35,477	32,598	162,733	152,763
Increase in net assets before transfers	7,115	12,449	10,628	9,391	17,743	21,840
Transfers	6,971	3,943	(6,971)	(3,943)	-	-
Increase in net assets	14,086	16,392	3,657	5,448	17,743	21,840
Net assets - October 1, 2007	171,815	155,423	142,387	136,939	314,202	292,362
Net assets - September 30, 2008	\$ 185,901	\$ 171,815	\$ 146,044	\$ 142,387	\$ 331,945	\$ 314,202

Governmental Activities

Governmental activities increased the City of Mesquite's net assets by \$14.1 million or 79.4 percent of the total growth in net assets.

The City's program revenues from governmental activities increased slightly by approximately \$0.3 million (0.6 percent) during the year. Charges for services increased almost \$2 million while operating grants/contributions decreased by approximately \$0.7 million and capital grants/contributions decreased by approximately \$1.0 million. The increase in charges for services is due to higher user charges for ambulance fees, waste collection and grass and weed charges. Operating grants/contributions decreased due to the City's

intergovernmental revenues in support of the U.S. Department of Housing and Urban Development (HUD) housing assistance program being down by almost \$1.2 million. This decrease is offset by other slight increases in this category. Capital grants/contributions are down due to a decrease in developer's contributions by approximately \$3.5 million which is offset by an increase in the amount of reimbursements received for joint venture projects of approximately \$2.0 million and other slight increases.

General revenues of the City's governmental activities increased \$1.5 million during the year. Property tax revenue increased almost \$2.9 million due to increased property valuations, addition of new property throughout the City, and a property tax rate increase of 2 cents per every \$100 of assessed valuation. General revenue from sales taxes was 1.8 percent lower for the year, a decrease of \$657 thousand. Investment income decreased by almost \$1 million due to the major downturn in the market during the year. Gross receipts taxes increased slightly by \$344 thousand.

Expenses for the City's governmental activities increased \$7.1 million compared with the prior fiscal year. The major increases were in General Government (\$848 thousand), Fire services (\$2.4 million), Police services (\$1.4 million), Field services (\$546 thousand), Public works (\$990 thousand), Housing (\$1.8 million) and interest on long-term debt (\$779 thousand). These increases were offset by decreases in Community Development, Library services and Parks and Recreation. For all of the categories that have personal service expenditures for salaries and related benefits there was an overall 3% wage increase for all city employees. Along with the wage increase there were 18 new full time positions authorized in the 2007/08 budget. These included 7 positions in Police services, 5 positions in General Government, 3 positions in Housing & Community services, 2 positions in Field services and 1 position in Community Development. Total salaries and related benefit expenses were up approximately \$5 million (7%) over the prior year. In the Field services category a new residential solid waste collection route was added (2 driver/collectors) to keep up with the number of new homes added in south Mesquite. The new route was funded by a \$1.00 rate increase in the garbage collection rate. Several of the other new positions added will provide support roles for the *Project Renewal* efforts set forth by City Council. There was a reorganization of Animal services from the Community Development category to Housing & Community services. Information Technology was also split out into its own department within General government. These organizational realignments will help create better program efficiencies and will increase staff productivity. Interest on long-term debt increased due to issuance of new bonded debt for infrastructure and facility projects as well as equipment needed for City operations.

Business-type Activities

Business-type activities increased the City of Mesquite's net assets by \$3.7 million or 20.6 percent of the total growth in net assets.

The City's program revenues for business-type activities increased by approximately \$4.5 million during the fiscal year. The majority of the program revenues for the City's business-type activities are from its water and sewer operations. Water and sewer customer charges increased by \$5.5 million due to rate increases for both water (\$0.50 per 1,000 gallons) and sewer (\$0.40 per 1,000 gallons) charges. Consumption increased as well due to a more moderate summer compared to a very wet summer in 2007. Capital grants and contributions decreased by \$1.2 million due to fewer contributions by developers in the Drainage Utility District fund.

Expenses attributable to the business-type activities increased by approximately \$2.9 million (8.8%) this fiscal year. The increase is primarily due to higher personal services expenditures related to the 3% wage increase City wide, a 6% rate increase from North Texas Municipal Water District for treated water, and an increase in engineering services related to projects planned that are not capitalized as an asset in the Water and Sewer fund. Transfers out in the Water and Sewer fund for 2007/08 were higher than 2006/07 by \$3 million as well. Due to a change in Water and Sewer bond covenant requirements, the City was able to

purchase bond insurance that satisfied the revenue reserve requirement and freed up \$2.9 million in the Water and Sewer Revenue Reserve fund. This money was transferred to the Capital Projects Reserve fund to be used for future projects.

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 \$71.7 million. Approximately 81 percent of this total amount (\$58 million) constitutes unreserved fund balance. The remainder of the fund balance is reserved to indicate that it is not available to pay for new spending because it has already been committed to pay for encumbrances, prepaids, and inventory of \$13.2 million and debt service of \$538 thousand. The fund balance for all governmental funds decreased by \$13 million from the previous fiscal year. This decrease is explained below individually by fund.

The General Fund is the chief operating fund of the City of Mesquite. At the end of the current fiscal year, unreserved fund balance of the General fund was almost \$14.2 million while the total fund balance was at \$17.4 million. The total fund balance decreased by \$682 thousand. Expenditures exceeded revenues by \$682 thousand largely due to a \$690 thousand decrease in investment income. The decrease in investment income was a result of the major decline in the market. 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 13.7 percent of total General Fund expenditures and transfers out, while the total fund balance represents 16.7 percent of that same amount. By the City's adopted fund balance policy, fund balance is required to exceed expenditures and transfers out by 15 percent. As noted earlier, \$2.4 million of the fund balance is reserved for encumbrances of which \$1.8 million is for encumbrances related to expenditures that will be reimbursed by the Quality of Life (4B Sales Tax) fund once the items are received in 2008/09.

In the General Fund, total revenues increased almost 4% from the prior year. The original budget was optimistic that ad valorem taxes, gross receipts tax and sales tax would show a modest increase. Ad valorem taxes increased 7.4% because of a rate increase and increases in the value of properties. Sales tax declined \$485 thousand which is attributed to the construction around the Town East Mall, tougher competition from surrounding retail areas and the declining economy. On the expenditure side, the actual expenditures increased approximately \$6.5 million. Most of the increase in actual expenditures was in general government, police and fire services, field services and public works. The increase related mostly to the 3% wage increase City wide, additional staff positions and some changes in operations. Savings in most functional areas allowed for overall budget to actual savings of over \$348 thousand. Expenditures in excess of budget in parks and recreation of \$1 million are due to work order credit reimbursements from Quality of Life (4B Sales Tax) fund that did not take place. This reimbursement is based on actual expenditures which came in less than originally budgeted. Expenditures in excess of budget in housing and community services of \$757 thousand are off-set by a savings in community development of \$503 thousand. Animal services actual activity is reported in housing and community services while it was budgeted in community development.

The Housing Grants Fund is a major special revenue fund used to account for funds awarded the City by the U. S. Department of Housing and Urban Development under their housing assistance program. The fund balance is approximately \$3.1 million at the end of the year. Fund balance decreased by \$571 thousand. This decrease was due to a reduction in intergovernmental revenue received of approximately \$1.05 million

coupled with an increase in expenditures of approximately \$1.58 million. In the future it is anticipated that more program participants will be qualified or future funding from the federal government will be reduced.

The Mesquite Quality of Life Corporation (4B Sales Tax) Special Revenue Fund is used to account for funds received from a one-half cent general sales tax, which can be utilized for public safety, transportation or parks and recreation purposes. The fund balance at year end is \$10.1 million, \$1.4 million of which is reserved for encumbrances. Fund balance decreased almost \$5 million which is the result of capital project spending in 2007/08 on projects funded in the prior year. This amount was in reserve for encumbrances at the end of 2006/07. \$1.8 million of this fund balance will be transferred to the General Fund in 2008/09 for reimbursement of planned expenditures as noted above in the General Fund discussion.

The Bond Finance capital projects fund is a major fund used to account for capital project expenditures from the proceeds of governmental debt. Fund balance at year end is \$22.8 million, \$7.9 million of which is reserved for encumbrances and \$14.9 million is unreserved for capital projects. The fund balance decreased by \$9.1 million which is the result of capital project spending in 2007/08 on projects funded in the prior year. This amount was in reserve for encumbrances at the end of 2006/07.

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 \$12.1 million and those for the Drainage Utility District amounted to \$1.6 million. The total change in net assets for both funds was \$2.1 million and \$1.6 million, respectively. The factors concerning the finances of the Water and Sewer fund have already been addressed in the discussion of the City of Mesquite's business-type activities. The Drainage Utility District fund operating results were consistent with prior year except for a decrease in contributions from developers of \$1.2 million.

Capital Assets

At the end of fiscal year 2008, the City had over \$413 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 9.8 percent for the current fiscal year.

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

	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 19,852	\$ 18,505	\$ 7,129	\$ 6,759	\$ 26,981	\$ 25,264
Construction in progress	48,534	25,655	5,381	7,852	53,915	33,507
Buildings	33,275	32,389	3,000	3,085	36,275	35,474
Infrastructure	104,158	98,035	163,618	157,049	267,776	255,084
Improvements	8,368	8,989	294	314	8,662	9,303
Equipment	18,165	16,327	1,728	1,652	19,893	17,979
Totals	\$ 232,352	\$ 199,900	\$ 181,150	\$ 176,711	\$ 413,502	\$ 376,611

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

- Almost \$38 million was expended for capital projects in 2008 and \$17.8 million was completed and placed in service.
- Over \$12.8 million was expended for transportation and street and alley projects including continuing work on Military Parkway, Tripp Road, Town East and US 80 Interchange construction and traffic signal progression.
- Progress continued on upgrading City facilities with over \$14 million being expended toward the new police facility and \$3 million being expended on various other municipal improvements. Work on the police facilities building should be close to completion in 2009.
- Almost \$2.9 million was spent on Parks and Recreation capital projects for items such as playground replacements, Valley Creek shade structure, recreation facility parking lots, regional recreation center, highway corridor maintenance, and building renovations.
- Current year outlay for the water and sewer system was \$2.3 million and infrastructure and equipment amounting to \$5.1 million was placed into service.
- Current year outlay for drainage utility was \$111 thousand and \$366 thousand in capital projects were placed in service including \$308 thousand for Berry Road property acquisitions for anticipated drainage improvements.
- Improvements continued at the Mesquite Municipal Airport with current year expenditures of \$516 thousand for hangar acquisition and construction and completion of the airport terminal building signage. City bond proceeds were made available to the airport to fund these projects. These projects should be complete at the beginning of fiscal year 2008/09.

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 \$170.6 million in net bonded debt outstanding. Of this total amount, \$100.4 million or 59 percent is comprised of bonded debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specified revenue sources (i.e., revenue bonds).

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General obligation	\$ 37,568	\$ 41,007	\$ -	\$ -	\$ 37,568	\$ 41,007
Certificates of obligation	55,250	47,540	-	-	55,250	47,540
Public property finance contractual obligations	7,610	5,845	-	-	7,610	5,845
Revenue bonds	<u>-</u>	<u>-</u>	<u>70,137</u>	<u>66,149</u>	<u>70,137</u>	<u>66,149</u>
Totals	<u>\$ 100,428</u>	<u>\$ 94,392</u>	<u>\$ 70,137</u>	<u>\$ 66,149</u>	<u>\$ 170,565</u>	<u>\$ 160,541</u>

During the fiscal year, there were the following debt issuances: \$2.1 million in general obligation debt to advance refund prior tax exempt bonds; \$10.1 million of certificate of obligation debt for the police facility, fiber optic communications, acquisition of land for future municipal facilities, street, alley and transportation projects and other improvements; \$3.5 million in contractual obligations for equipment; \$8 million of revenue bonds for water and sewer improvements; and \$3.6 million of revenue bonds to advance refund prior debt issuances.

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

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

Economic Factors and Next Year's Budgets and Rates

The economic outlook for next year is looking tough as we face perhaps the longest economic recession since the Great Depression. Earlier this year in anticipation of a continued slowdown in the economy, the City Manager initiated a hiring freeze and asked each department to reduce their budget requests by as much as 10 percent. Despite these efforts the City continues to witness dramatic declines in interest earnings, sales tax and property tax revenues. In order to present a balanced budget for the new year with no property tax increase, it was necessary to eliminate funding for 31 full-time and part-time vacant positions, eliminate pay increases for all employees, and eliminate four program areas that either did not meet critical needs of the community or could be served by agencies outside the City.

Downturns in the economy are to be expected, and in fact they are actually necessary to sustain long-term economic growth. At this time last year, the City launched *Project Renewal*, a bold, strategic initiative to bring about real change and enhance Mesquite's competitive position in the commercial, retail and residential arenas. The 2008-09 budget does not back away from that commitment and provides the necessary resources to continue *Project Renewal*. The goal of *Project Renewal* is to achieve long-term economic vitality through reinvestment and restoration throughout the City. Even in this tough economy, we are beginning to see remarkable success from *Project Renewal* efforts.

In the 2008-09 budget General Fund revenues and transfers in are projected to decrease by 2.9 percent from the 2007-08 final budget with general property taxes making up nearly 40 percent of the total revenues. Ad valorem tax revenue is determined by two major factors: the total assessed property value established by the Dallas Central Appraisal District and the tax rate set by City Council. Certified assessed valuations increased 1.06 percent over the preceding year while the City tax rate will remain the same at \$.64 per \$100 of assessed valuation. The 2008-09 budget does include modest increases to some user fees so that the City's services remain competitive as compared with other cities in the area. General Fund expenditures are budgeted at a 2.9 percent decrease over the 2007-08 final budget as well. This decrease is attributable to the expenditure reductions noted above.

The Dallas-Fort Worth metroplex had experienced an exceptionally strong and expanding economy until recent years when signs of economic weakness have surfaced. Decreased consumer spending, increasing high energy costs, unemployment, the downturn in the housing market and a slowdown in regional growth have all impacted the City budget for the upcoming fiscal year. General sales tax receipts are projected to decline this year by nearly 1 percent due to the continued slow economy and increased competition from surrounding

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

It is anticipated that under the proposed budget that the City will be able to maintain service levels and goals developed in the strategic plan and continue the major initiatives under *Project Renewal*. The adopted 2008-09 General Fund budget totals \$101.7 million in expenditures and transfers out, a decrease of \$3 million (2.9 percent). Total fund balance is projected to remain unchanged in fiscal year 2009.

Contacting the City's Financial Management

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

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City of Mesquite, Texas

**Statement of Net Assets
September 30, 2008**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
ASSETS:			
Pooled cash and investments	\$ 74,346,581	\$ 33,778,076	\$ 108,124,657
Receivables (net of allowance for uncollectibles)	14,384,618	6,242,876	20,627,494
Internal balances	245,691	(245,691)	-
Inventory	674,786	412,074	1,086,860
Prepays and other assets	1,752,319	1,073,158	2,825,477
Accrued interest	272,028	87,029	359,057
Capital assets-			
Land and construction in progress	68,385,856	12,509,848	80,895,704
Other capital assets (net of accumulated depreciation)	<u>163,966,322</u>	<u>168,640,467</u>	<u>332,606,789</u>
Total Assets	<u>324,028,201</u>	<u>222,497,837</u>	<u>546,526,038</u>
LIABILITIES:			
Accounts payable	\$ 10,006,578	\$ 1,474,626	\$ 11,481,204
Accrued interest payable	716,851	245,402	962,253
Deposits	884,257	3,222,387	4,106,644
Long-term liabilities:			
Due within one year:			
Capital lease payable	48,224	68,225	116,449
Bonds payable	7,720,000	4,625,000	12,345,000
Notes payable	454,361	-	454,361
Accrued compensated absences	6,519,833	258,039	6,777,872
Estimated claims payable	1,467,147	-	1,467,147
Due in more than one year:			
Capital lease payable	32,200	87,420	119,620
Bonds payable	92,707,674	65,512,297	158,219,971
Notes payable	4,895,392	-	4,895,392
Accrued compensated absences	11,758,201	960,751	12,718,952
Estimated claims payable	<u>916,294</u>	<u>-</u>	<u>916,294</u>
Total Liabilities	<u>138,127,012</u>	<u>76,454,147</u>	<u>214,581,159</u>
NET ASSETS:			
Invested in capital assets, net of related debt	155,269,991	128,354,436	283,624,427
Restricted for:			
Capital projects	10,122,806	-	10,122,806
Housing grants	3,115,196	-	3,115,196
Debt service	537,527	4,299,694	4,837,221
Unrestricted	<u>16,855,669</u>	<u>13,389,560</u>	<u>30,245,229</u>
Total Net Assets	<u>\$ 185,901,189</u>	<u>\$ 146,043,690</u>	<u>\$ 331,944,879</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Activities

For the Year Ended September 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTION / PROGRAM ACTIVITIES:				
Governmental activities:				
General government	\$ 19,410,019	\$ 4,903,956	\$ 111,615	\$ -
Fire services	24,670,060	2,096,417	427,559	-
Police services	32,265,388	4,644,264	396,408	-
Field services	13,969,740	6,590,702	-	6,427,571
Public works	4,529,380	1,040,182	80,333	-
Community development	3,635,773	6,942,119	627,850	-
Housing & community services	12,684,167	90,252	10,801,228	549,769
Library services	2,126,949	83,853	73,301	-
Parks and recreation	9,445,569	1,402,285	84,253	-
Interest on long-term debt	4,519,538	-	-	-
Total governmental activities	<u>127,256,583</u>	<u>27,794,030</u>	<u>12,602,547</u>	<u>6,977,340</u>
Business-type activities:				
Water and sewer	31,939,256	35,395,889	-	4,841,414
Drainage utility	1,816,587	2,143,020	-	1,176,110
Municipal airport	1,720,760	1,317,360	-	-
Total business-type activities	<u>35,476,603</u>	<u>38,856,269</u>	<u>-</u>	<u>6,017,524</u>
Total function / program activities	<u>\$ 162,733,186</u>	<u>\$ 66,650,299</u>	<u>\$ 12,602,547</u>	<u>\$ 12,994,864</u>
General revenues:				
Ad valorem taxes				
Gross receipts taxes				
Sales taxes				
Sale of capital assets				
Investment income				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The accompanying notes are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (14,394,448)	\$ -	\$ (14,394,448)
(22,146,084)	-	(22,146,084)
(27,224,716)	-	(27,224,716)
(951,467)	-	(951,467)
(3,408,865)	-	(3,408,865)
3,934,196	-	3,934,196
(1,242,918)	-	(1,242,918)
(1,969,795)	-	(1,969,795)
(7,959,031)	-	(7,959,031)
<u>(4,519,538)</u>	<u>-</u>	<u>(4,519,538)</u>
<u>(79,882,666)</u>	<u>-</u>	<u>(79,882,666)</u>
-	8,298,047	8,298,047
-	1,502,543	1,502,543
-	<u>(403,400)</u>	<u>(403,400)</u>
-	<u>9,397,190</u>	<u>9,397,190</u>
<u>(79,882,666)</u>	<u>9,397,190</u>	<u>(70,485,476)</u>
40,577,490	-	40,577,490
7,677,395	-	7,677,395
35,338,877	-	35,338,877
1,746	11,193	12,939
3,401,752	1,219,607	4,621,359
<u>6,971,218</u>	<u>(6,971,218)</u>	<u>-</u>
<u>93,968,478</u>	<u>(5,740,418)</u>	<u>88,228,060</u>
14,085,812	3,656,772	17,742,584
171,815,377	142,386,918	314,202,295
<u>\$ 185,901,189</u>	<u>\$ 146,043,690</u>	<u>\$ 331,944,879</u>

City of Mesquite, Texas

**Balance Sheet - Governmental Funds
September 30, 2008**

	<u>General</u>	<u>Housing Grants</u>	<u>Quality of Life Corporation (4B Sales Tax)</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:						
Pooled cash and investments	\$ 12,471,402	\$ 3,126,978	\$ 9,455,144	\$ 26,748,271	\$ 19,002,257	\$ 70,804,052
Receivables (net of allowance):						
Accounts receivable	4,070,991	233,151	-	45,082	12,231	4,361,455
Ad valorem taxes	1,187,385	-	-	-	-	1,187,385
Other taxes receivable	1,765,203	-	-	-	-	1,765,203
Assessments	-	-	-	318,297	-	318,297
Intergovernmental	4,377,624	5,698	1,435,357	-	933,599	6,752,278
Due from other funds	1,044,575	-	-	-	-	1,044,575
Inventory	674,786	-	-	-	-	674,786
Prepays	31,298	-	-	-	-	31,298
Accrued interest	64,111	9,754	55,059	102,678	31,230	262,832
	<u>\$ 25,687,375</u>	<u>\$ 3,375,581</u>	<u>\$ 10,945,560</u>	<u>\$ 27,214,328</u>	<u>\$ 19,979,317</u>	<u>\$ 87,202,161</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ 4,085,516	\$ 27,234	\$ 143,279	\$ 167,007	\$ 307,623	\$ 4,730,659
Contracts payable	-	-	679,475	3,891,087	3,264	4,573,826
Deposits	427,337	-	-	-	456,920	884,257
Due to other funds	-	-	-	-	936,303	936,303
Deferred revenues	3,811,048	233,151	-	347,697	5,000	4,396,896
	<u>8,323,901</u>	<u>260,385</u>	<u>822,754</u>	<u>4,405,791</u>	<u>1,709,110</u>	<u>15,521,941</u>
Fund Balances:						
Reserved for:						
Encumbrances	2,434,580	-	1,446,323	7,909,818	654,856	12,445,577
Prepays	31,298	-	-	-	-	31,298
Inventory	674,786	-	-	-	-	674,786
Debt retirement	-	-	-	-	537,527	537,527
Unreserved reported in:						
General fund	14,222,810	-	-	-	-	14,222,810
Special revenue funds	-	3,115,196	8,676,483	-	3,465,820	15,257,499
Capital project funds	-	-	-	14,898,719	13,612,004	28,510,723
	<u>17,363,474</u>	<u>3,115,196</u>	<u>10,122,806</u>	<u>22,808,537</u>	<u>18,270,207</u>	<u>71,680,220</u>
Total Liabilities and Fund Balances	<u>\$ 25,687,375</u>	<u>\$ 3,375,581</u>	<u>\$ 10,945,560</u>	<u>\$ 27,214,328</u>	<u>\$ 19,979,317</u>	<u>\$ 87,202,161</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, 2008**

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

Total fund balance per balance sheet	\$ 71,680,220
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	232,352,178
Other long-term assets less related uncollectibles are not available to pay for current period expenditures and therefore are offset by deferred revenues in the governmental funds.	4,396,896
Internal service funds are used by management to charge the costs of health claims and general liability to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.	1,214,414
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.	(716,851)
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	(38,320,000)
Certificate of obligation bonds payable	(55,250,000)
Public property finance contractual obligations payable	(7,610,000)
Notes Payable	(5,349,753)
Capital lease payable	(80,424)
Less: deferred amounts	1,862,543
Accrued compensated absences	<u>(18,278,034)</u>
	<u>(123,025,668)</u>
Net assets of governmental activities	<u>\$ 185,901,189</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, 2008

	General	Housing Grants	Quality of Life Corporation (4B Sales Tax)	Bond Finance	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes-						
Ad valorem	\$ 40,501,740	\$ -	\$ -	\$ -	\$ -	\$ 40,501,740
Gross receipts	7,568,854	-	-	-	108,541	7,677,395
Sales	25,711,793	-	8,508,046	-	1,119,038	35,338,877
Licenses and permits	1,292,019	-	-	-	1,550	1,293,569
Fines and forfeitures	2,407,304	-	-	-	865,450	3,272,754
Investment income	951,867	128,516	549,025	1,165,496	476,549	3,271,453
Charges for services	10,732,333	-	-	121,885	6,272,094	17,126,312
Intergovernmental	803,169	9,801,410	-	-	1,541,814	12,146,393
Contributions and donations	112,320	-	2,661,382	-	657,952	3,431,654
Other Revenues	1,320,443	41,942	-	172,776	128,339	1,663,500
Total Revenues	91,401,842	9,971,868	11,718,453	1,460,157	11,171,327	125,723,647
EXPENDITURES:						
Current-						
General government	11,025,503	-	194,965	-	3,281,810	14,502,278
Fire services	23,610,226	-	(8,570)	-	423,062	24,024,718
Police services	30,529,370	-	-	-	923,577	31,452,947
Field services	10,593,428	-	-	-	-	10,593,428
Public works	3,000,432	-	577,791	-	98,329	3,676,552
Community development	2,866,867	-	-	-	749,289	3,616,156
Library services	2,140,246	-	-	-	72,023	2,212,269
Parks and recreation	8,616,358	-	117,089	-	97,656	8,831,103
Housing and community services	2,032,365	10,357,371	-	-	362,629	12,752,365
Capital outlay	-	35,584	15,866,075	19,124,264	591,591	35,617,514
Debt service						
Principal	-	-	-	-	8,011,805	8,011,805
Interest and fiscal charges	-	-	-	-	4,200,862	4,200,862
Bond issuance costs	26,357	-	-	280,422	-	306,779
Total Expenditures	94,441,152	10,392,955	16,747,350	19,404,686	18,812,633	159,798,776
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(3,039,310)	(421,087)	(5,028,897)	(17,944,529)	(7,641,306)	(34,075,129)
OTHER FINANCING SOURCES (USES):						
Transfers in	8,741,301	-	654,675	-	14,796,038	24,192,014
Transfers out	(9,839,204)	(150,000)	(615,124)	(1,271,177)	(4,829,675)	(16,705,180)
Issuance of debt	3,455,000	-	-	10,111,215	-	13,566,215
Total Other Financing Sources (Uses)	2,357,097	(150,000)	39,551	8,840,038	9,966,363	21,053,049
NET CHANGE IN FUND BALANCES	(682,213)	(571,087)	(4,989,346)	(9,104,491)	2,325,057	(13,022,080)
FUND BALANCES AT BEGINNING OF YEAR	18,045,687	3,686,283	15,112,152	31,913,028	15,945,150	84,702,300
FUND BALANCES AT END OF YEAR	\$ 17,363,474	\$ 3,115,196	\$ 10,122,806	\$ 22,808,537	\$ 18,270,207	\$ 71,680,220

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, 2008**

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

Net change in fund balance - total governmental funds	\$ (13,022,080)
<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	39,223,762
Depreciation expense	<u>(10,537,573)</u>
	28,686,189
<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>	
	3,766,189
<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>	
	895,090
<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	(15,640,000)
Refunded bond debt amortization	(94,842)
Principal amount of debt paid to bondholders	9,665,000
Principal amount of capital lease paid	60,834
Principal amount of notes paid	436,980
Net change in accrued interest payable	(12,260)
Net deferred offering costs and related debt issuance items	<u>211,660</u>
	(5,372,628)
<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>	
	(456,230)
<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>(410,718)</u>
Change in net assets of governmental activities	<u>\$ 14,085,812</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes-				
Ad valorem	\$ 41,006,385	\$ 40,627,650	\$ 40,501,740	\$ (125,910)
Gross receipts	7,536,500	7,471,050	7,568,854	97,804
Sales	26,877,000	25,544,000	25,711,793	167,793
Licenses and permits	1,361,975	1,323,375	1,292,019	(31,356)
Fines and forfeitures	2,497,018	2,542,500	2,407,304	(135,196)
Investment income	3,060,000	2,801,700	951,867	(1,849,833)
Charges for services	10,134,496	10,503,280	10,732,333	229,053
Intergovernmental	583,991	738,878	803,169	64,291
Contributions & donations	-	-	112,320	112,320
Other revenues	1,441,263	2,767,749	1,320,443	(1,447,306)
TOTAL REVENUES	<u>94,498,628</u>	<u>94,320,182</u>	<u>91,401,842</u>	<u>(2,918,340)</u>
EXPENDITURES:				
General government	11,112,367	10,942,370	11,025,503	(83,133)
Fire services	22,664,137	24,534,105	23,610,226	923,879
Police services	30,544,368	31,113,823	30,529,370	584,453
Field services	10,987,505	10,717,925	10,593,428	124,497
Public works	3,119,809	2,966,962	3,000,432	(33,470)
Community development	3,680,626	3,370,011	2,866,867	503,144
Library services	2,246,992	2,189,512	2,140,246	49,266
Parks and recreation	8,214,921	7,604,216	8,616,358	(1,012,142)
Housing and community services	1,188,502	1,275,116	2,032,365	(757,249)
Debt service:				
Bond issuance costs	94,950	75,000	26,357	48,643
TOTAL EXPENDITURES	<u>93,854,177</u>	<u>94,789,040</u>	<u>94,441,152</u>	<u>347,888</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>644,451</u>	<u>(468,858)</u>	<u>(3,039,310)</u>	<u>(2,570,452)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,755,000	6,855,000	8,741,301	1,886,301
Transfers out	(9,797,104)	(9,839,204)	(9,839,204)	-
Issuance of debt	3,400,000	3,455,000	3,455,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(642,104)</u>	<u>470,796</u>	<u>2,357,097</u>	<u>1,886,301</u>
NET CHANGE IN FUND BALANCES	<u>\$ 2,347</u>	<u>\$ 1,938</u>	<u>(682,213)</u>	<u>\$ (684,151)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>18,045,687</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 17,363,474</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Housing Grants Special Revenue Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ 50,000	\$ 50,000	\$ 128,516	\$ 78,516
Intergovernmental	10,504,630	9,953,887	9,801,410	(152,477)
Other revenues	<u>15,000</u>	<u>15,000</u>	<u>41,942</u>	<u>26,942</u>
TOTAL REVENUES	<u>10,569,630</u>	<u>10,018,887</u>	<u>9,971,868</u>	<u>(47,019)</u>
EXPENDITURES:				
Current-				
Housing & community services	10,419,630	10,468,887	10,357,371	111,516
Capital Outlay	<u>-</u>	<u>-</u>	<u>35,584</u>	<u>(35,584)</u>
TOTAL EXPENDITURES	<u>10,419,630</u>	<u>10,468,887</u>	<u>10,392,955</u>	<u>75,932</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>150,000</u>	<u>(450,000)</u>	<u>(421,087)</u>	<u>28,913</u>
OTHER FINANCING USES:				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ (600,000)</u>	<u>(571,087)</u>	<u>\$ 28,913</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>3,686,283</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 3,115,196</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Mesquite Quality of Life Corporation (4B Sales Tax) Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Sales tax	\$ 8,900,000	\$ 8,450,000	\$ 8,508,046	58,046
Investment income	300,000	700,000	549,025	(150,975)
Contributions and donations	-	671,400	2,661,382	1,989,982
	<u>9,200,000</u>	<u>9,821,400</u>	<u>11,718,453</u>	<u>1,897,053</u>
TOTAL REVENUES				
EXPENDITURES:				
Current-				
General government	40,000	40,000	194,965	(154,965)
Fire services	-	-	(8,570)	8,570
Public works	-	-	577,791	(577,791)
Parks and recreation	-	-	117,089	(117,089)
Capital Projects				
Public safety projects	623,100	564,300	77,030	487,270
Transportation Projects	4,030,000	4,794,400	12,808,111	(8,013,711)
Parks and recreation projects	5,036,000	4,975,000	2,980,934	1,994,066
	<u>9,729,100</u>	<u>10,373,700</u>	<u>16,747,350</u>	<u>(6,373,650)</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(529,100)</u>	<u>(552,300)</u>	<u>(5,028,897)</u>	<u>(4,476,597)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	654,675	654,675	654,675	-
Transfers out	-	-	(615,124)	(615,124)
	<u>654,675</u>	<u>654,675</u>	<u>39,551</u>	<u>(615,124)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	<u>\$ 125,575</u>	<u>\$ 102,375</u>	<u>(4,989,346)</u>	<u>\$ (5,091,721)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>15,112,152</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 10,122,806</u>	

The accompanying notes are an integral part of this statement.

MESQUITE
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City of Mesquite, Texas

Statement of Net Assets

Proprietary Funds

September 30, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
ASSETS:					
Current assets:					
Pooled cash and investments	\$ 10,003,739	\$ 1,479,328	\$ 100	\$ 11,483,167	\$ 3,542,529
Restricted pooled cash and investments	19,993,579	400,489	12,985	20,407,053	-
Accrued interest	36,038	142	-	36,180	-
Receivables (net of allowance for uncollectibles)	6,101,240	132,693	8,943	6,242,876	-
Inventory	333,836	-	78,238	412,074	-
Prepays and other assets	995,995	77,163	-	1,073,158	610,804
Accrued interest	44,112	6,737	-	50,849	9,196
Total current assets	<u>37,508,539</u>	<u>2,096,552</u>	<u>100,266</u>	<u>39,705,357</u>	<u>4,162,529</u>
Noncurrent assets:					
Revenue bond reserve-					
Pooled cash and investments	1,163,675	724,181	-	1,887,856	-
Capital assets-					
Land and construction in progress	4,626,800	1,958,914	5,924,134	12,509,848	-
Other capital assets (net of accumulated depreciation)	<u>130,793,606</u>	<u>29,835,519</u>	<u>8,011,342</u>	<u>168,640,467</u>	-
Total noncurrent assets	<u>136,584,081</u>	<u>32,518,614</u>	<u>13,935,476</u>	<u>183,038,171</u>	-
Total Assets	<u>174,092,620</u>	<u>34,615,166</u>	<u>14,035,742</u>	<u>222,743,528</u>	<u>4,162,529</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	1,103,997	25,692	56,007	1,185,696	702,093
Estimated claims payable	-	-	-	-	1,467,147
Due to other funds	-	-	108,272	108,272	-
Deposits and other liabilities	3,203,566	1,056	17,765	3,222,387	-
Capital lease payable	68,225	-	-	68,225	-
Accrued compensated absences	226,694	31,345	-	258,039	-
Total current liabilities	<u>4,602,482</u>	<u>58,093</u>	<u>182,044</u>	<u>4,842,619</u>	<u>2,169,240</u>
Current liabilities payable from restricted assets:					
Accounts payable	288,930	-	-	288,930	-
Accrued interest payable	218,432	26,970	-	245,402	-
Bonds payable	<u>3,740,000</u>	<u>885,000</u>	-	<u>4,625,000</u>	-
Total current liabilities payable from restricted assets	<u>4,247,362</u>	<u>911,970</u>	-	<u>5,159,332</u>	-
Total current liabilities	<u>8,849,844</u>	<u>970,063</u>	<u>182,044</u>	<u>10,001,951</u>	<u>2,169,240</u>
Noncurrent liabilities:					
Estimated claims payable	-	-	-	-	916,294
Capital lease payable	87,420	-	-	87,420	-
Bonds payable	58,762,045	6,750,252	-	65,512,297	-
Accrued compensated absences	840,535	75,484	44,732	960,751	-
Total noncurrent liabilities	<u>59,690,000</u>	<u>6,825,736</u>	<u>44,732</u>	<u>66,560,468</u>	<u>916,294</u>
Total Liabilities	<u>68,539,844</u>	<u>7,795,799</u>	<u>226,776</u>	<u>76,562,419</u>	<u>3,085,534</u>
NET ASSETS:					
Invested in capital assets, net of related debt	90,221,248	24,184,727	13,948,461	128,354,436	-
Restricted for debt service	3,227,399	1,072,295	-	4,299,694	-
Unrestricted	<u>12,104,129</u>	<u>1,562,345</u>	<u>(139,495)</u>	<u>13,526,979</u>	<u>1,076,995</u>
Total Net Assets	<u>\$ 105,552,776</u>	<u>\$ 26,819,367</u>	<u>\$ 13,808,966</u>	<u>\$ 146,181,109</u>	<u>\$ 1,076,995</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(137,419)	
Total Net Assets for Business Type Activities				<u>\$ 146,043,690</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, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
Operating revenues:					
Customer charges	\$ 35,395,889	\$ 2,143,020	\$ 1,317,360	\$ 38,856,269	\$ -
Contributions - City	-	-	-	-	10,454,431
Contributions - other	-	-	-	-	3,141,044
Total operating revenues	<u>35,395,889</u>	<u>2,143,020</u>	<u>1,317,360</u>	<u>38,856,269</u>	<u>13,595,475</u>
Operating expenses:					
Personal services	5,261,351	490,912	291,059	6,043,322	-
Supplies	750,536	62,869	792,304	1,605,709	-
Contractual services	19,261,869	159,586	212,466	19,633,921	14,273,910
Depreciation	3,871,486	711,247	424,931	5,007,664	-
Total operating expenses	<u>29,145,242</u>	<u>1,424,614</u>	<u>1,720,760</u>	<u>32,290,616</u>	<u>14,273,910</u>
Operating income (loss)	<u>6,250,647</u>	<u>718,406</u>	<u>(403,400)</u>	<u>6,565,653</u>	<u>(678,435)</u>
Nonoperating revenues (expenses):					
Investment income	1,124,501	95,106	-	1,219,607	130,299
Gain (loss) on sale of capital assets	16,384	(5,191)	-	11,193	-
Interest expense	(2,545,901)	(350,514)	-	(2,896,415)	-
Other nonoperating expenses	(110,694)	(41,459)	-	(152,153)	-
Total nonoperating revenues (expenses)	<u>(1,515,710)</u>	<u>(302,058)</u>	<u>-</u>	<u>(1,817,768)</u>	<u>130,299</u>
Income (loss) before contributions and transfers	4,734,937	416,348	(403,400)	4,747,885	(548,136)
Capital contributions	4,841,414	1,176,110	515,616	6,533,140	-
Transfers in	-	-	85,250	85,250	-
Transfers out	(7,456,280)	-	(115,804)	(7,572,084)	-
Change in net assets	2,120,071	1,592,458	81,662	3,794,191	(548,136)
Total net assets - beginning	<u>103,432,705</u>	<u>25,226,909</u>	<u>13,727,304</u>		<u>1,625,131</u>
Total net assets - ending	<u>\$ 105,552,776</u>	<u>\$ 26,819,367</u>	<u>\$ 13,808,966</u>		<u>\$ 1,076,995</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(137,419)	
Change in net assets of business-type activities				<u>\$ 3,656,772</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, 2008

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 36,036,645	\$ 2,127,955	\$ 1,351,159	\$ 39,515,759	\$ -
Cash received from City funds	-	-	-	-	10,454,431
Cash received from other operating sources	-	-	-	-	3,141,044
Cash paid to suppliers for goods and services	(20,163,112)	(222,224)	(287,452)	(20,672,788)	(3,781,991)
Cash paid to employees for services	(5,186,910)	(479,748)	(1,033,053)	(6,699,711)	-
Cash paid to claimants	-	-	-	-	(9,823,744)
Net cash provided by (used in) operating activities	<u>10,686,623</u>	<u>1,425,983</u>	<u>30,654</u>	<u>12,143,260</u>	<u>(10,260)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in from other funds	-	-	85,250	85,250	-
Transfers out to other funds	(7,456,280)	-	(115,804)	(7,572,084)	-
Net cash used for noncapital financing activities	<u>(7,456,280)</u>	<u>-</u>	<u>(30,554)</u>	<u>(7,486,834)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the sale of revenue bonds	11,585,000	-	-	11,585,000	-
Premium from the sale of revenue bonds	13,448	-	-	13,448	-
Proceeds from the sale of capital assets	17,859	-	-	17,859	-
Acquisition and construction of capital assets	(2,893,743)	(130,455)	-	(3,024,198)	-
Principal paid on revenue bond maturities	(6,806,129)	(855,000)	-	(7,661,129)	-
Interest paid on revenue bonds	(2,534,224)	(352,779)	-	(2,887,003)	-
Principal paid on capital lease obligation	(80,514)	-	-	(80,514)	-
Bond issuance costs and other debt related expense	(350,960)	(7,500)	-	(358,460)	-
Net cash used for capital and related financing activities	<u>(1,049,263)</u>	<u>(1,345,734)</u>	<u>-</u>	<u>(2,394,997)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	<u>1,193,052</u>	<u>100,419</u>	<u>-</u>	<u>1,293,471</u>	<u>137,637</u>
Net cash provided by investing activities	<u>1,193,052</u>	<u>100,419</u>	<u>-</u>	<u>1,293,471</u>	<u>137,637</u>
NET INCREASE IN POOLED CASH AND CASH EQUIVALENTS	3,374,132	180,668	100	3,554,900	127,377
POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>27,786,861</u>	<u>2,423,330</u>	<u>12,985</u>	<u>30,223,176</u>	<u>3,415,152</u>
POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 31,160,993</u>	<u>\$ 2,603,998</u>	<u>\$ 13,085</u>	<u>\$ 33,778,076</u>	<u>\$ 3,542,529</u>

(Continued on following page)

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

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

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 6,250,647	\$ 718,406	\$ (403,400)	\$ 6,565,653	\$ (678,435)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities-					
Depreciation	3,871,486	711,247	424,931	5,007,664	-
Changes in assets and liabilities-					
(Increase)decrease in accounts receivable	493,147	(1,533)	22,318	513,932	-
(Increase)decrease in inventory	(12,170)	-	(44,259)	(56,429)	-
(Increase)decrease in prepaid items	-	-	-	-	(13,016)
Increase (decrease) in accounts payable	(140,533)	4,134	18,145	(118,254)	111,772
Increase(decrease) in estimated claims payabl	-	-	-	-	569,419
Increase(decrease) in deposits	189,808	(13,531)	11,480	187,757	-
Increase(decrease) in accrued compensated absences	34,238	7,260	1,439	42,937	-
Total adjustments	4,435,976	707,577	434,054	5,577,607	668,175
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 10,686,623	\$ 1,425,983	\$ 30,654	\$ 12,143,260	\$ (10,260)
NONCASH CAPITAL ACTIVITIES:					
Contribution of capital assets from developers	\$ 4,841,414	\$ 1,176,110	\$ -	\$ 6,017,524	\$ -
Contribution of capital assets from government	-	-	515,616	515,616	-
Total noncash capital activities	\$ 4,841,414	\$ 1,176,110	\$ 515,616	\$ 6,533,140	\$ -

(Concluded)

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
September 30, 2008**

	<u>Agency Fund</u> Tax Clearing Fund
ASSETS:	
Current assets:	
Pooled cash and investments	\$ 141,176
Taxes receivable levied for other government (net of allowance for uncollectibles)	<u>4,079,030</u>
Total Assets	<u>\$ 4,220,206</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 141,176
Due to other governments	<u>4,079,030</u>
Total Liabilities	<u>\$ 4,220,206</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2008**

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City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2008

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

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

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

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2008

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

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

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

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements

September 30, 2008

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

The City of Mesquite reports the following major governmental funds:

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

The City of Mesquite reports the following major proprietary funds:

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2008

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

Between the time the budget is made available to the public and the time it is legally adopted, the City Council provides for several public hearings to gather input from the public. During the public hearings, citizens are encouraged to offer their suggestions and ideas of what programs they would like to be included (or not included) in the budget. During the preparation of the 2007-2008 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 2007-2008 the City Council amended the budget in May and again in September. Individual amendments were not material in relation to the original appropriations. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that would increase total fund appropriations must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the fund level.

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

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2008

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

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

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

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

Prepaid Items- Payments made to vendors for services that will benefit periods beyond September 30, 2008, are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for on the consumption basis in governmental funds.

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

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2008

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, 2008, is accrued based on past claims experience.

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

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2008

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

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

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

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

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, 2008, the carrying amount of the City's demand deposits was \$(1,463,899) and the bank balance was \$1,291,865. The demand deposits balance for the blended component units was \$92,490. Cash on hand for the City was \$15,100. The carrying value of the City's investment annuity was \$421,709. The remaining cash balance of \$58,625 represents accrued interest received at purchase and a miscellaneous outstanding adjustment.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2008

Investments

The City's investments at September 30, 2008, are:

Investment type	Fair Value	Weighted Average Maturity (Years)
Managed Pools:		
Texpool	\$23,746,296	0.00061
Texstar	16,559,895	0.00042
Money Market:		
Fidelity Investments	3,550,496	0.00009
US Agency Notes	50,614,206	0.83562
US Agency Discounts	13,379,050	0.04032
Total	<u>\$107,849,943</u>	<u>0.87810</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 at the date of purchase. The investment in Texas Local Government Pools (Texpool and Texstar) carried a credit rating of AAAM by Standard and Poor's as of September 30, 2008. 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, 2008.

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, 2008, the City's total investments are in the following: Agency issues (59.3%) consisting of FHLB (22.2%), FNMA (12.0%), FFCB (11.2%) and FHLMC (13.9%), investment pools (37.4%), and money market funds (3.3%).

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2008

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, 2007, upon which the 2008 fiscal year levy was based, was \$6,521,210,410. 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, 2008, were 98.38% of the tax levy and total tax collections were 99.47% 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, 2008, the City had a tax margin of \$1.86000 for every \$100 of valuation based upon a maximum ad valorem tax rate of \$2.50 for every \$100 of valuation imposed by Texas Constitutional law.

4. RECEIVABLES

Receivables at September 30, 2008 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, 2008

	<u>General</u>	<u>Grants</u>	<u>Quality of Life Corporation (4B Sales Tax)</u>	<u>Bond Finance</u>	<u>Water and Sewer</u>	<u>Drainage Utility District</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:								
Accounts	\$ 9,376,184	\$ 233,151	\$ -	\$ 52,575	\$6,310,112	\$ 132,693	\$ 21,233	\$16,125,948
Ad valorem taxes	1,881,578	-	-	-	-	-	-	1,881,578
Other taxes	1,765,203	-	-	-	-	-	-	1,765,203
Assessments	-	-	-	318,297	-	-	-	318,297
Intergovernmental	4,377,624	5,698	1,435,357	-	-	-	992,809	6,811,488
Gross receivables	17,400,589	238,849	1,435,357	370,872	6,310,112	132,693	1,014,042	26,902,514
Less: allowance for uncollectibles	<u>(5,999,386)</u>	<u>-</u>	<u>-</u>	<u>(7,493)</u>	<u>(208,872)</u>	<u>-</u>	<u>(59,269)</u>	<u>(6,275,020)</u>
Net total receivables	<u>\$11,401,203</u>	<u>\$ 238,849</u>	<u>\$1,435,357</u>	<u>\$ 363,379</u>	<u>\$6,101,240</u>	<u>\$ 132,693</u>	<u>\$ 954,773</u>	<u>\$20,627,494</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	\$ 1,252,659
General fund - ad valorem taxes receivable	1,064,523
General fund - court fines receivable	576,533
General fund - accounts receivable, grass and weed mowing	736,517
General fund - accounts receivable, TXU settlement	180,816
Housing Grants fund - HUD vouchers	233,151
Bond Finance capital projects fund - assessments receivable	318,297
Bond Finance capital projects fund - other receivable	29,400
Nonmajor Special Revenue Funds	<u>5,000</u>
Total deferred revenues for governmental funds	<u>\$ 4,396,896</u>

5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2008:

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2008

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 18,504,580	\$ 1,378,295	\$ 31,250	\$ 19,851,625
Construction in progress	25,655,225	35,237,430	12,358,424	48,534,231
Total capital assets, not being depreciated	<u>44,159,805</u>	<u>36,615,725</u>	<u>12,389,674</u>	<u>68,385,856</u>
Capital assets, being depreciated:				
Buildings	44,757,196	2,036,590	-	46,793,786
Infrastructure	202,378,203	10,845,333	-	213,223,536
Improvements	13,680,036	110,448	454,040	13,336,444
Equipment	37,028,759	5,994,911	4,062,319	38,961,351
Total capital assets, being depreciated	<u>297,844,194</u>	<u>18,987,282</u>	<u>4,516,359</u>	<u>312,315,117</u>
Less accumulated depreciation for:				
Buildings	12,368,094	1,156,097	4,695	13,519,496
Infrastructure	104,343,137	4,722,291	-	109,065,428
Improvements	4,691,462	654,919	378,143	4,968,238
Equipment	20,701,506	4,008,961	3,914,834	20,795,633
Total accumulated depreciation	<u>142,104,199</u>	<u>10,542,268</u>	<u>4,297,672</u>	<u>148,348,795</u>
Total capital assets, being depreciated, net	<u>155,739,995</u>	<u>8,445,014</u>	<u>218,687</u>	<u>163,966,322</u>
Governmental activities capital assets, net	<u>\$ 199,899,800</u>	<u>\$ 45,060,739</u>	<u>\$ 12,608,361</u>	<u>\$ 232,352,178</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 6,759,015	\$ 369,720	\$ -	\$ 7,128,735
Construction in progress	7,851,760	2,967,031	5,437,678	5,381,113
Total capital assets, not being depreciated	<u>14,610,775</u>	<u>3,336,751</u>	<u>5,437,678</u>	<u>12,509,848</u>
Capital assets, being depreciated:				
Buildings	4,256,108	9,427	-	4,265,535
Infrastructure	215,055,780	11,076,057	-	226,131,837
Improvements	366,008	-	-	366,008
Equipment	4,250,794	468,786	208,586	4,510,994
Total capital assets, being depreciated	<u>223,928,690</u>	<u>11,554,270</u>	<u>208,586</u>	<u>235,274,374</u>
Less accumulated depreciation for:				
Buildings	1,170,557	94,816	-	1,265,373
Infrastructure	58,006,466	4,507,161	-	62,513,627
Improvements	52,103	19,721	-	71,824
Equipment	2,599,038	385,966	201,921	2,783,083
Total accumulated depreciation	<u>61,828,164</u>	<u>5,007,664</u>	<u>201,921</u>	<u>66,633,907</u>
Total capital assets, being depreciated, net	<u>162,100,526</u>	<u>6,546,606</u>	<u>6,665</u>	<u>168,640,467</u>
Business-type activities capital assets, net	<u>\$ 176,711,301</u>	<u>\$ 9,883,357</u>	<u>\$ 5,444,343</u>	<u>\$ 181,150,315</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2008**

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

Governmental activities:	
General government	\$ 1,292,487
Fire services	1,060,693
Police services	1,509,154
Field services	4,443,365
Public works	1,033,705
Community development	78,798
Library services	16,420
Parks and recreation	902,707
Housing and community services	200,244
Total governmental activities	<u>\$ 10,537,573</u>
Business-type activities:	
Water and sewer	\$ 3,871,486
Drainage utility	424,931
Municipal airport	711,247
Total business-type activities	<u>\$ 5,007,664</u>

The City has active construction projects as of September 30, 2008. Projects include street construction primarily in the southeast section of Mesquite, various traffic signalization projects throughout the City, as well as improvements in water storage and distribution facilities. Construction in progress has been categorized by the primary revenue source being used to fund the construction as follows:

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2008

	<u>Spent-to-date</u>	<u>Construction Commitments</u>
Governmental activities:		
Projects funded by general obligation bonds:		
Street	\$ 3,000,155	\$ 747,053
Public safety	84,562	36,297
Municipal building	24,328,281	6,968,174
Library	73,074	151,927
Traffic signal	7,723	-
Projects funded by local finance sources:		
Street	169,942	190,937
Public safety	538,881	161,119
Municipal building	144,386	135,713
Projects funded by general sales tax (4B portion):		
Public safety	42,900	-
Transportation	16,445,030	1,104,241
Parks and recreation	3,489,429	329,392
Projects funded by general fund:		
Public safety	<u>209,868</u>	<u>419,735</u>
Total governmental activities	<u>\$ 48,534,231</u>	<u>\$ 10,244,588</u>
Business-type activities:		
Projects funded by revenue bonds:		
Water and sewer	\$ 3,670,373	\$ 1,266,036
Drainage utility district	365,768	21,032
Projects funded by general obligation bonds:		
Municipal airport	1,331,824	6,365
Projects funded by general sales tax (4B portion):		
Municipal airport	<u>13,148</u>	<u>12,690</u>
Total business-type activities	<u>\$ 5,381,113</u>	<u>\$ 1,306,123</u>

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds-

These amounts represent intergovernmental revenue accrued but not received in the Other Grants special revenue fund in the "Other Governmental Funds" and an amount for a loan to the Airport to cover additional cash needed. The current portion of lending/ borrowing arrangements outstanding at September 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Grants Special Revenue Fund	\$936,303
General Fund	Airport Fund	\$108,272

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2008**

Transfers-

Transfers were as follows for the fiscal year ended September 30, 2008:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 8,741,301	\$ 9,839,204
Housing Grants	-	150,000
4B Sales Tax Special Revenue	654,675	615,124
Bond Finance	-	1,271,177
Non-Major Governmental Funds	14,796,038	4,829,675
Water and Sewer	-	7,456,280
Non-Major Enterprise Fund	85,250	115,804
	<u>\$ 24,277,264</u>	<u>\$ 24,277,264</u>

The transfers were for the following purposes:

<u>Transfer from Fund / Purpose</u>	<u>Transfer to Fund</u>	<u>Amount</u>
General Fund-		
Property tax debt service levy	Debt Service	\$ 9,093,954
Operating subsidy	Municipal Airport Enterprise	85,250
Unreserved Council Funds	Capital Projects- Local Finance	660,000
Grants Fund-		
Indirect cost charge	General	150,000
4B Sales Tax Special Revenue -		
Operating Subsidy - Parks & Recreation	General	615,124
Bond Finance Fund-		
Interest Income Allocation	General	1,271,177
Non-Major Governmental Funds-		
Hotel / Motel Tax General Obligation Debt Allocation	Debt service	158,000
Other Special Revenue -		
9-1-1 Operations Subsidy	General	840,000
Local Finance Capital Project -		
Roadway Impact Fees Debt Service	Debt service	467,000
TIF Special Revenue Capital Projects Funding	4B Sales Tax Special Revenue	654,675
Unreserved Council Funds	General	1,315,000
Capital Projects Funding	Debt service	1,395,000
Water and Sewer Enterprise Fund-		
Nonoperating administrative and overhead charge	General	4,550,000
Capital Projects Funding	Capital Projects	2,906,280
Non-Major Enterprise Fund-		
Airport general obligation debt allocation	Debt service	115,804
	Total	<u>\$ 24,277,264</u>

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2008

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

In the government wide statement of activities an additional transfer is shown for assets purchased by the City's governmental type funds for the airport enterprise fund in the amount of \$515,616. In the fund level statements it is shown as a capital contribution in the airport fund.

7. LONG-TERM DEBT

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

- General obligation bonds are issued pursuant to voter authorization for infrastructure and facility projects accounted for in a governmental capital project fund. General obligation bonds have also been issued in previous fiscal years to refund prior debt issues. During the year \$2,115,000 was issued to advance refund prior tax-exempt bonds. The City intends to retire this debt, plus interest, from ad valorem taxes.
- Certificate of obligation debt is similar to general obligation bonds in their usage and retirement but do not require voter authorization and are not used for refunding debt. Included in the May 2008 bond sale was \$10,070,000 for police facility expansion, acquisition of land for future municipal facilities, fiber optic communications, major repairs and improvements to existing municipal buildings, and other street, alley, and sidewalk improvements.
- Contractual obligations are issued to acquire equipment and will also be repaid from ad valorem property taxes. During the year, \$3,455,000 in contractual obligations were issued to purchase computer equipment, motor vehicles, video, multimedia and communications equipment for the police department, and other equipment used in General fund operations.
- Water and sewer revenue bonds are issued to provide funds for certain improvements to the water distribution and wastewater collection systems as well as to refund prior water and sewer debt issues. These bonds are reported in the Water and Sewer fund as the debt will be repaid from revenues of this enterprise fund operation. Included in the May 2008 bond sale was \$8,015,000 for various capital improvements and \$3,570,000 to advance refund prior debt issuances.
- Municipal drainage utility system revenue bonds are issued to provide funds for drainage improvements, including the acquisition and construction of structures, equipment, and facilities for the Drainage Utility District. Debt for this enterprise operation is being repaid from revenues generated from customer charges.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2008**

Long-term bonded debt at September 30, 2008, includes the following individual issues:

<u>Governmental Activities</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
General Obligation Bonds-				
Series 1999 improvements	3.90-6.00	02/15/10	\$ 85,000	\$ 40,000
Series 2000 improvements	4.40-5.50	02/15/14	315,000	45,000
Series 2001 refunding and improvements	3.00-5.00	02/15/21	3,855,000	600,000
Series 2002 improvements	2.875-4.90	02/15/22	4,510,000	240,000
Series 2004A refunding and improvements	2.50-4.625	02/15/24	9,830,000	1,085,000
Taxable Series 2004B refunding	1.40-4.65	02/15/15	3,875,000	515,000
Series 2005 refunding and improvement	3.25-5.00	02/15/25	11,960,000	790,000
Series 2006 improvements	4.00-5.00	02/15/26	1,775,000	-
Series 2008 refunding	3.50-3.625	02/15/21	2,115,000	420,000
			<u>38,320,000</u>	<u>3,735,000</u>
Certificate of Obligation Bonds-				
Series 1999	3.90-5.30	02/15/11	550,000	175,000
Series 2000	4.40-5.00	02/15/12	350,000	80,000
Series 2001	3.00-4.25	02/15/13	185,000	35,000
Series 2002	2.25-4.20	02/15/14	520,000	80,000
Series 2004	2.00-4.625	02/15/24	5,330,000	245,000
Series 2004A	2.00-5.00	02/15/24	1,830,000	85,000
Series 2005	3.25-5.00	02/15/25	7,635,000	340,000
Series 2006	4.00-5.00	02/15/26	8,910,000	-
Series 2007	4.00-5.00	02/15/27	19,870,000	705,000
Series 2008	3.50-4.00	02/15/28	10,070,000	205,000
			<u>55,250,000</u>	<u>1,950,000</u>
Public Property Finance Contractual Obligations-				
Series 2004	2.00-2.90	02/15/10	505,000	250,000
Series 2005	3.25-4.00	02/15/10	725,000	355,000
Series 2006	4.00-4.125	02/15/11	1,085,000	350,000
Series 2007	3.65-3.75	02/15/12	1,840,000	435,000
Series 2008	3.50-3.375	02/15/13	3,455,000	645,000
			<u>7,610,000</u>	<u>2,035,000</u>
Total governmental activities long-term bonded debt			101,180,000	7,720,000
Less: deferred amount on refunding			<u>(752,326)</u>	<u>-</u>
Net governmental activities long-term bonded debt			<u>\$100,427,674</u>	<u>\$ 7,720,000</u>

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2008

	Interest Rate (%)	Maturity Date	Amount Outstanding	Due Within One Year
<u>Business-type Activities-</u>				
Water and Sewer Revenue Bonds-				
Series 2001 refunding and improvements	2.25-5.00	03/01/21	\$ 5,995,000	\$ 655,000
Series 2002 improvements	2.00-5.00	03/01/22	5,880,000	315,000
Series 2004 refunding and improvements	2.625-5.00	03/01/24	10,645,000	790,000
Series 2005 refunding and improvements	3.25-5.25	03/01/25	13,015,000	450,000
Series 2006 improvements	4.00-5.00	03/01/26	8,200,000	215,000
Series 2007 improvements	4.00-5.00	03/01/27	7,475,000	215,000
Series 2008 refunding and improvements	3.50-4.50	03/01/28	11,585,000	1,100,000
			<u>62,795,000</u>	<u>3,740,000</u>
Drainage Utility System Revenue Bonds-				
Series 1998 refunding and improvements	4.25-5.50	03/01/18	1,810,000	240,000
Series 2000 improvements	4.40-5.50	03/01/20	1,465,000	90,000
Series 2002 improvements	2.00-5.00	03/01/22	2,700,000	145,000
Series 2004 refunding	2.00-5.00	03/01/12	1,735,000	410,000
			<u>7,710,000</u>	<u>885,000</u>
Total business-type activities long-term debt			70,505,000	4,625,000
Less: premium and deferred amount on refunding			(367,703)	-
Net business-type activities long-term debt			<u>70,137,297</u>	<u>4,625,000</u>
Net long-term bonded debt			<u>\$ 170,564,971</u>	<u>\$ 12,345,000</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>
2009	\$ 7,720,000	\$ 4,150,236	\$ 4,625,000	\$ 2,980,464
2010	7,530,000	3,863,496	4,825,000	2,809,202
2011	7,345,000	3,573,311	5,065,000	2,620,147
2012	6,905,000	3,285,943	5,310,000	2,409,474
2013	6,410,000	3,012,337	4,965,000	2,193,534
2014-2018	24,865,000	11,598,348	21,070,000	8,000,301
2019-2023	24,920,000	6,264,530	16,585,000	3,537,329
2024-2028	15,485,000	1,280,624	8,060,000	692,907
Total	<u>\$ 101,180,000</u>	<u>\$ 37,028,825</u>	<u>\$ 70,505,000</u>	<u>\$ 25,243,358</u>

City of Mesquite, Texas

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Equipment	\$ 277,321	\$ 382,655
Less: Accumulated depreciation	<u>(194,656)</u>	<u>(224,707)</u>
 Total	 <u>\$ 82,665</u>	 <u>\$ 157,948</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008, were as follows:

<u>Year ending September 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2009	50,284	72,714
2010	19,948	41,530
2011	13,299	38,377
2012	<u>-</u>	<u>11,308</u>
 Total minimum future lease payments	 83,531	 163,929
 Less: Amount representing interest	 <u>(3,107)</u>	 <u>(8,284)</u>
 Present value of minimum lease payments	 <u>\$ 80,424</u>	 <u>\$ 155,645</u>

Notes Payable- The City entered into a loan agreement with the State Infrastructure Bank in the original amount of \$5,615,287 for Mesquite's participation with the State of Texas for the LBJ Corridor Improvements. The interest rate on the note is 4.1%. Debt service payments are being made through available revenues from the Towne Center TIF. The outstanding balance at year end is \$4,856,910.

The City entered into a revolving loan agreement in the amount of \$555,328 with the State Energy Conservation Office to implement conservation improvements at the Municipal Center. Construction was completed on July 19, 2007 and the loan was set up to amortize over 9.75 years beginning August 31, 2007. The interest rate on the note is 3%. Debt service payments will be made from available operating funds of the government. The outstanding balance at year end is \$492,843.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2008**

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

<u>Fiscal Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 454,361	\$ 213,341
2010	472,439	195,263
2011	491,241	176,461
2012	510,797	156,905
2013	531,136	136,565
2014-2018	<u>2,889,779</u>	<u>349,874</u>
Total	<u>\$ 5,349,753</u>	<u>\$ 1,228,409</u>

Long-term liability activity for the year ended September 30, 2008, 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	\$ 41,820,000	\$ 2,115,000	\$ 5,615,000	\$ 38,320,000	\$ 3,735,000
Certificates of obligation	47,540,000	10,070,000	2,360,000	55,250,000	1,950,000
Public property finance contractual obligations	<u>5,845,000</u>	<u>3,455,000</u>	<u>1,690,000</u>	<u>7,610,000</u>	<u>2,035,000</u>
Total bonds payable	95,205,000	15,640,000	9,665,000	101,180,000	7,720,000
Less deferred amount on refunding	<u>(813,020)</u>	<u>(34,148)</u>	<u>(94,842)</u>	<u>(752,326)</u>	<u>-</u>
Net bonds payable	94,391,980	15,605,852	9,570,158	100,427,674	7,720,000
Other General Fund long-term liability:					
Notes Payable	5,786,733	-	436,980	5,349,753	454,361
Capital leases	141,259	-	60,835	80,424	48,224
Accrued compensated absences	<u>17,821,804</u>	<u>888,290</u>	<u>432,060</u>	<u>18,278,034</u>	<u>6,519,833</u>
Total governmental activities	<u>118,141,776</u>	<u>16,494,142</u>	<u>10,500,033</u>	<u>124,135,885</u>	<u>14,742,418</u>
Business-type activities:					
Bonds payable:					
Revenue bonds -water/sewer	57,945,000	11,585,000	6,735,000	62,795,000	3,740,000
Revenue bonds -drainage	<u>8,565,000</u>	<u>-</u>	<u>855,000</u>	<u>7,710,000</u>	<u>885,000</u>
Total revenue bonds payable	66,510,000	11,585,000	7,590,000	70,505,000	4,625,000
Less premium and deferred amount on refunding	<u>(361,358)</u>	<u>(57,651)</u>	<u>(51,306)</u>	<u>(367,703)</u>	<u>-</u>
Net revenue bonds payable	66,148,642	11,527,349	7,538,694	70,137,297	4,625,000
Capital leases	236,159	-	80,514	155,645	68,225
Accrued compensated absences	<u>1,175,853</u>	<u>74,682</u>	<u>31,745</u>	<u>1,218,790</u>	<u>258,039</u>
Total business-type activities	<u>67,560,654</u>	<u>11,602,031</u>	<u>7,650,953</u>	<u>71,511,732</u>	<u>4,951,264</u>
Total long-term liabilities	<u>\$ 185,702,430</u>	<u>\$ 28,096,173</u>	<u>\$ 18,150,986</u>	<u>\$ 195,647,617</u>	<u>\$ 19,693,682</u>

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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 827 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing TMRS, P. O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677.

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

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

Plan provisions for the City were as follows:

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2008

the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2006, valuation is effective for rates beginning January 2008).

Annual Pension Cost- For fiscal year 2008, the City's annual pension cost of \$9,831,841 was equal to the City's required and actual contributions at a contribution rate of 16% of covered payroll. The required contribution was determined as part of the December 31, 2006, actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return (net of administrative expenses), (b) no projected salary increases, (c) no cost of living adjustment, and (d) 3.5% inflation rate adjustment. The actuarial value of assets is amortized cost. The City's unfunded actuarial accrued liability is being amortized over a 25-year open period as a level percentage of payroll.

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

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2008	\$ 9,831,841	100%	-
9/30/2007	9,067,506	100%	-
9/30/2006	8,276,438	100%	-

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

Future Funding Requirements- In early December 2007, the TMRS Board of Trustees met and adopted actuarial changes that include a change from the Unit Credit actuarial cost method to the Projected Unit Credit actuarial cost method for all TMRS city plans as well as a closed amortization period of 30 years. The effect of these changes resulted in an increase in city contribution rates for most Texas cities. Cities have the option to increase their contributions over an eight-year phase-in period. These changes are intended to help the TMRS system remain well-funded, to preserve members' benefits, and to give cities a more complete picture of the cost of benefits currently adopted. The City's rate under the new actuarial cost method was determined to be 16.93%, using the phase-in rate, and is effective January 1, 2009. The City's full rate under the new actuarial cost method was determined to be 23.14% which will be phased in over an eight year period. Management believes that while these increases will present additional challenges to the City during the budget process the City will be able to make necessary changes to mitigate any adverse financial impact to the City.

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

9. REGIONAL SYSTEMS FOR WATER SUPPLY AND WASTEWATER TREATMENT

The City secures substantially all of its water supply and sewer services from the North Texas Municipal Water District (the "District"). The District has police, taxation, and eminent domain powers and is authorized

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2008

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 \$8.634 million for the fiscal year ended September 30, 2008.

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, 2008, was approximately \$4.861 million.

10. SELF-INSURANCE

Group Health Insurance- The City established the Health Claims internal service fund in 1984 to account for the provision of group life and health insurance coverage for employees and their dependents. The City's health insurance program is a "self-insured" plan funded by both the City and participating employees. The City makes a predetermined contribution to the plan each biweekly payroll for group life and health insurance coverage for qualifying City employees and a subsidy toward employee dependent coverage. Employees contribute through payroll deductions for the balance of dependent health insurance coverage. The City's health insurance program includes stop loss coverage with a \$200,000 deductible per individual with a \$1,500,000 liability limit per claim. The coverage is consistent with prior years and settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

The Health Claims internal service fund began the fiscal year with \$963,354 in unrestricted net assets after inclusion of \$704,000 of estimated outstanding health claims payable. During the year, operating and non-operating revenues exceeded operating expenses by \$418,759 after inclusion of a \$305,000 increase in estimated claims payable resulting in a \$1,382,113 balance in unrestricted net assets at year-end. Actual claims paid totaled \$8,696,628. The increase in net assets was due to an increase in City contributions for employee and dependent coverage and employee contribution rates along with a very minimal increase in

City of Mesquite, Texas

**Notes to Basic Financial Statements
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operating expenses. 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 \$1,009,000 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 2007 and 2008 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2007	\$ 1,198,000	\$ 8,989,143	\$ 9,483,143	\$ 704,000
2008	\$ 704,000	\$ 9,001,628	\$ 8,696,628	\$ 1,009,000

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

General Liability Insurance- The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1985, the City established the General Liability internal service fund to account for the provision of property, general liability, and workers' compensation insurance. The City's insurance coverage is through scheduled specific policies with large deductibles with the primary carrier being the Texas Municipal League Risk Pool. Under this program, the General Liability Fund provides coverage for up to a maximum of \$10,000 retention for each real & personal property claim and a scheduled limit on coverage, \$10,000 retention for each mobile equipment claim and a scheduled limit on coverage, \$10,000 retention for each auto physical damage claim and a scheduled limit on coverage, \$100,000 retention for each auto catastrophe claim and a \$7,700,000 limit on coverage, \$100,000 retention for each law enforcement claim and a \$5,000,000 limit on coverage, \$100,000 retention for each general liability claim and a \$1,000,000 limit on coverage, \$2,500 retention for each airport hangarkeeper claim and a \$1,000,000 limit on coverage, \$100,000 retention for each auto liability claim and a \$1,000,000 limit on coverage, \$100,000 retention for each errors and omission claim and a \$5,000,000 limit on coverage with a \$10,000,000 annual aggregate, \$300,000 retention for each worker's compensation claim, \$10,000 retention for each crime coverage claim with a \$500,000 limit on coverage, and \$10,000 retention for each storage tank pollution claim with a \$1,000,000 limit on coverage. The General Liability Fund is funded through revenues from participating governmental and proprietary funds of the City. The above coverage is consistent with prior years and settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

The General Liability fund began the fiscal year with unrestricted net assets of \$661,777. During the year, operating expenses exceeded operating and non-operating revenues by \$966,895 after inclusion of a \$264,419 increase in estimated claims payable, resulting in a (\$305,118) net assets balance at fiscal year-end. The City has planned an additional transfer in 2008/2009 from the General fund and Water and Sewer fund to cover this deficit in net assets. Actual claims paid were \$809,365. The estimated claims payable of \$1,374,441 reported in the General Liability internal service fund is based on the requirements of GASB No. 10. The

City of Mesquite, Texas

**Notes to Basic Financial Statements
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liability for unpaid claims includes allocated loss adjustment expenses. Changes in the fund's claims liability amount in fiscal years 2007 and 2008 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>
2007	\$ 1,320,646	\$ 727,310	\$ 937,934	\$ 1,110,022
2008	\$ 1,110,022	\$ 1,073,784	\$ 809,365	\$ 1,374,441

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

11. POSTEMPLOYMENT BENEFITS

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

The City paid approximately \$1,706,497 for 246 retirees' premiums in fiscal year 2008. City paid claims for retired employees and their dependents approximated \$1.87 million. Retiree health care activity is reported in the Health Claims Internal Service Fund.

Effective for fiscal year 2008, the City implemented Governmental Accounting Standards Board (GASB) Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)" prospectively (no beginning Net OPEB Obligation).

Funding Policy – current retirees contribute to the retiree health care program the total blended premium for active and retired participants. The City contribution to the retiree health care program consists of pay-as-you-go claims in excess of the retiree contributions. Retiree contribution rates for fiscal year 2008 were \$3,880 to \$6,440 per year depending on coverage levels selected. In fiscal year 2008, total retiree contributions were \$671,308. The City contributions to the plan for fiscal year 2008, which are equal to claims and premiums paid in excess of premiums collected, were \$2,913,408.

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

City of Mesquite, Texas

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Annual required contribution	\$ 2,591,340
Interest adjustment to net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	<u>2,591,340</u>
Contributions made	<u>(2,913,408)</u>
Increase in net OPEB asset	(322,068)
Net OPEB asset - beginning of year	-
Net OPEB asset - end of year	<u><u>\$ (322,068)</u></u>

The following table shows the assumed annual OPEB cost and net OPEB obligation for the current year.

Fiscal Year Ended	Discout Rate	Annual OPEB Cost	Cost Contributed	% of Cost Contributed	Net OPEB Asset
9/30/2008	6.60%	\$ 2,591,340	\$ 2,913,408	112.4%	\$ (322,068)

Funding Status and Funding Progress – As of October 1, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$28,797,834, and there was not an actuarial value of net assets. During the fiscal year the City contributed \$2,913,408 to the plan, resulting in an unfunded actuarial accrued liability (UAAL) of \$25,884,426. The covered payroll was \$42,613,979 and the ratio of UAAL to the covered payroll was 61%.

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

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

Actuarial Methods and Assumptions – In the October 1, 2007 actuarial valuation, the entry age cost method was used. The actuarial assumptions included a 6.6% investment rate of return which is a blended rate of the expected long-term investment returns on the plan assets and on the employer’s own investments. An annual aggregate payroll increase of 3% was assumed. There is no healthcare trend increase assumed as all increases to insured plan premiums and self-funded plan funding are assumed to be borne by the retirees. The UAAL is being amortized at a level percentage of projected payroll on an open basis. The remaining amortization period at October 1, 2007 was thirty years.

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

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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 January 16, 2008. No rebate liability was due to the federal government. Information for the next computation period is due in July of 2009. Management does not anticipate there will be a material liability once the computation is completed.

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

Conduit Debt Obligations- From time to time, various legally separate component units of the City have issued bonded debt obligations to provide financial assistance to private-sector entities. The bonds were issued to acquire and construct industrial and commercial facilities (Mesquite Industrial Development Corporation); or to construct medical and health facilities (Mesquite Health Facilities Corporation). The bonds are secured by the property financed and are payable solely from payments received on the underlying debt obligations. Upon repayment of the bonds, ownership of the acquired capital assets transfers to the private-sector entity served by the bond issuance. Even though some of the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit debt by component unit at September 30, 2008, is as follows.

<u>Series</u>	<u>Mesquite Industrial Development Corporation</u>	<u>Mesquite Health Facilities Corporation</u>	<u>Total</u>
1995	\$ 630,000	\$ -	\$ 630,000
1997	1,800,000	-	1,800,000
2000B	-	2,459,269	2,459,269
2000C	-	7,162,949	7,162,949
2003A	888,923	-	888,923
2003B	600,000	-	600,000
2005	-	19,341,978	19,341,978
2005	-	11,014,017	11,014,017
2005	-	3,581,381	3,581,381
2005	-	1,376,155	1,376,155
Total	<u>\$ 3,918,923</u>	<u>\$ 44,935,749</u>	<u>\$ 48,854,672</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2008**

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

End of Notes to Basic Financial Statements

City of Mesquite, Texas

**Required Supplemental Information (Unaudited)
September 30, 2008**

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

As of <u>12/31</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability (AAL)</u>	Unfunded Actuarial Accrued <u>Liability (UAAL)</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	UAAL as a Percent of Covered <u>Payroll</u>
2005	\$ 152,862,118	\$ 215,014,600	\$ 61,152,482	71.1%	\$ 51,588,343	118.5%
2006	158,532,987	225,572,028	67,039,041	70.3	54,796,225	122.3
2007	165,879,358	278,689,637	112,810,279	59.5	59,115,956	190.8

Source: Texas Municipal Retirement System Comprehensive Annual Financial Reports.

Notes:

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

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

As of <u>9/30</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability (AAL)</u>	Unfunded Actuarial Accrued <u>Liability (UAAL)</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	UAAL as a Percent of Covered <u>Payroll</u>
2008	\$ -	\$ 28,797,834	\$ 25,884,426	10.1%	\$ 42,613,979	60.7%

Source: Actuarial report dated August 3, 2006.

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

MESQUITE
T E X A S
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Combining and Individual Fund

Statements and Schedules

MESQUITE
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City of Mesquite, Texas

Non-Major Governmental Funds

Special Revenue Funds:

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

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

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

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

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

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

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

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

City of Mesquite, Texas

**Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2008**

	Special Revenue			
	Hotel/Motel <u>Tax</u>	Confiscated <u>Drug</u>	Other <u>Grants</u>	Other Special <u>Revenue</u>
ASSETS:				
Pooled cash and investments	\$ 227,311	\$ 2,341,555	\$ -	\$ 1,234,467
Receivables (net of allowance for uncollectibles):				
Accounts receivable	12,231	-	-	-
Intergovernmental	-	-	933,599	-
Accrued interest	<u>(413)</u>	<u>5,961</u>	<u>-</u>	<u>735</u>
 Total Assets	 <u>\$ 239,129</u>	 <u>\$ 2,347,516</u>	 <u>\$ 933,599</u>	 <u>\$ 1,235,202</u>
 LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 16,190	\$ 70,983	\$ 37,461	\$ 14,857
Contracts payable	-	-	-	2,850
Deposits	-	183,466	-	18,365
Due to other funds	-	-	936,303	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
 Total Liabilities	 <u>16,190</u>	 <u>254,449</u>	 <u>978,764</u>	 <u>36,072</u>
 Fund Balances:				
Reserved for:				
Encumbrances	-	4,151	-	-
Debt retirement	-	-	-	-
Unreserved, reported in:				
Special revenue funds	222,939	2,088,916	(45,165)	1,199,130
Capital project funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Fund Balances	 <u>222,939</u>	 <u>2,093,067</u>	 <u>(45,165)</u>	 <u>1,199,130</u>
 Total Liabilities and Fund Balances	 <u>\$ 239,129</u>	 <u>\$ 2,347,516</u>	 <u>\$ 933,599</u>	 <u>\$ 1,235,202</u>

<u>Debt Service</u>	<u>Capital Projects Local Finance</u>	<u>Total Other Governmental Funds</u>
\$ 537,527	\$ 14,661,397	\$ 19,002,257
-	-	12,231
-	-	933,599
-	<u>24,947</u>	<u>31,230</u>
<u>\$ 537,527</u>	<u>\$ 14,686,344</u>	<u>\$ 19,979,317</u>

\$ -	\$ 168,132	\$ 307,623
-	414	3,264
-	255,089	456,920
-	-	936,303
-	-	<u>5,000</u>
-	<u>423,635</u>	<u>1,709,110</u>

-	650,705	654,856
537,527	-	537,527
-	-	3,465,820
-	<u>13,612,004</u>	<u>13,612,004</u>
<u>537,527</u>	<u>14,262,709</u>	<u>18,270,207</u>
<u>\$ 537,527</u>	<u>\$ 14,686,344</u>	<u>\$ 19,979,317</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, 2008**

	Special Revenue			
	Hotel/Motel Tax	Confiscated Drug	Other Grants	Other Special Revenue
REVENUES:				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ 108,541
Sales tax	1,119,038	-	-	-
Licenses and permits	-	-	-	1,550
Fines and forfeitures	-	801,678	-	63,772
Investment income	9,642	75,020	-	11,403
Charges for services	-	-	490	983,795
Intergovernmental	-	(6,995)	1,548,809	-
Contributions and donations	21,003	-	-	87,180
Other revenues	-	57,319	6,844	10,000
Total Revenues	<u>1,149,683</u>	<u>927,022</u>	<u>1,556,143</u>	<u>1,266,241</u>
EXPENDITURES:				
Current-				
General government	635,730	-	-	102,877
Fire services	-	-	160,369	18,890
Police services	-	541,909	204,671	176,997
Public works	-	-	98,329	-
Community development	118,083	-	631,206	-
Library services	-	-	71,396	627
Parks and recreation	-	-	51,222	42,078
Housing and community services	140,083	-	212,385	10,056
Capital outlay	-	-	243,803	-
Debt service-				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>893,896</u>	<u>541,909</u>	<u>1,673,381</u>	<u>351,525</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>255,787</u>	<u>385,113</u>	<u>(117,238)</u>	<u>914,716</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	<u>(158,000)</u>	<u>-</u>	<u>-</u>	<u>(840,000)</u>
Total Other Financing Sources (Uses)	<u>(158,000)</u>	<u>-</u>	<u>-</u>	<u>(840,000)</u>
NET CHANGE IN FUND BALANCES	97,787	385,113	(117,238)	74,716
FUND BALANCES AT BEGINNING OF YEAR	<u>125,152</u>	<u>1,707,954</u>	<u>72,073</u>	<u>1,124,414</u>
FUND BALANCES AT END OF YEAR	<u>\$ 222,939</u>	<u>\$ 2,093,067</u>	<u>\$ (45,165)</u>	<u>\$ 1,199,130</u>

	<u>Debt Service</u>	<u>Capital Projects Local Finance</u>	<u>Total Other Governmental Funds</u>
\$	-	\$ -	\$ 108,541
	-	-	1,119,038
	-	-	1,550
	-	-	865,450
	-	380,484	476,549
	-	5,287,809	6,272,094
	-	-	1,541,814
	-	549,769	657,952
	-	<u>54,176</u>	<u>128,339</u>
	-	<u>6,272,238</u>	<u>11,171,327</u>
	-	2,543,203	3,281,810
	-	-	179,259
	-	-	923,577
	-	-	98,329
	-	-	749,289
	-	-	72,023
	-	4,356	97,656
	-	105	362,629
	-	591,591	835,394
	<u>7,625,000</u>	<u>386,805</u>	<u>8,011,805</u>
	<u>3,985,870</u>	<u>214,992</u>	<u>4,200,862</u>
	<u>11,610,870</u>	<u>3,741,052</u>	<u>18,812,633</u>
	<u>(11,610,870)</u>	<u>2,531,186</u>	<u>(7,641,306)</u>
	11,229,758	3,566,280	14,796,038
	-	<u>(3,831,675)</u>	<u>(4,829,675)</u>
	<u>11,229,758</u>	<u>(265,395)</u>	<u>9,966,363</u>
	(381,112)	2,265,791	2,325,057
	<u>918,639</u>	<u>11,996,918</u>	<u>15,945,150</u>
\$	<u>537,527</u>	\$ <u>14,262,709</u>	\$ <u>18,270,207</u>

City of Mesquite, Texas

Hotel/Motel Tax Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2008
 With Comparative Actual Totals for the Year Ended September 30, 2007

	2008				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>	<u>2007 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Sales tax	\$ 1,130,000	\$ 1,145,221	\$ 1,119,038	\$ (26,183)	\$ 1,144,758
Investment income	5,000	6,000	9,642	3,642	-
Contributions and donations	-	-	21,003	21,003	6,499
TOTAL REVENUES	1,135,000	1,151,221	1,149,683	(1,538)	1,151,257
EXPENDITURES:					
Other-					
Administration projects-					
Personal services	50,500	50,500	55,966	(5,466)	43,070
Supplies	4,100	4,100	711	3,389	2,189
Contractual services	137,600	127,600	167,242	(39,642)	136,476
	192,200	182,200	223,919	(41,719)	181,735
Convention and Visitor Bureau					
Personal services	127,143	132,175	103,056	29,119	-
Supplies	5,085	5,280	1,511	3,769	-
Contractual services	376,344	391,243	307,244	83,999	492,609
	508,572	528,698	411,811	116,887	492,609
Arts Council projects					
Contractual services	127,143	132,174	118,083	14,091	123,125
	127,143	132,174	118,083	14,091	123,125
Beautification Commission projects-					
Contractual services	22,000	22,000	22,000	-	22,000
	22,000	22,000	22,000	-	22,000
Historic Commission projects-					
Contractual services	127,143	132,174	118,083	14,091	123,125
	127,143	132,174	118,083	14,091	123,125
TOTAL EXPENDITURES	977,058	997,246	893,896	103,350	942,594
EXCESS OF REVENUES OVER EXPENDITURES	157,942	153,975	255,787	101,812	208,663
OTHER FINANCING USES:					
Transfers out	(158,000)	(158,000)	(158,000)	-	(158,000)
TOTAL OTHER FINANCING USES	(158,000)	(158,000)	(158,000)	-	(158,000)
NET CHANGE IN FUND BALANCES	\$ (58)	\$ (4,025)	97,787	\$ 101,812	50,663
FUND BALANCE AT BEGINNING OF YEAR			125,152		74,489
FUND BALANCE AT END OF YEAR			<u>\$ 222,939</u>		<u>\$ 125,152</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, 2008
 With Comparative Actual Totals for the Year Ended September 30, 2007**

	2008				2007 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
REVENUES:					
Fines and forfeitures	\$ 400,000	\$ 525,000	\$ 801,678	\$ 276,678	\$ 308,258
Investment income	80,000	86,200	75,020	(11,180)	95,395
Intergovernmental	-	7,400	(6,995)	(14,395)	2,264
Other revenues	50,000	57,000	57,319	319	140,638
TOTAL REVENUES	530,000	675,600	927,022	251,422	546,555
EXPENDITURES:					
Police services-					
Supplies	138,000	218,895	157,919	60,976	155,674
Contractual services	100,400	171,734	76,358	95,376	100,203
Capital outlay	257,150	594,550	307,632	286,918	371,816
TOTAL EXPENDITURES	495,550	985,179	541,909	443,270	627,693
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	34,450	(309,579)	385,113	694,692	(81,138)
NET CHANGE IN FUND BALANCES	\$ 34,450	\$ (309,579)	385,113	\$ 694,692	(81,138)
FUND BALANCE AT BEGINNING OF YEAR			1,707,954		1,789,092
FUND BALANCE AT END OF YEAR			\$ 2,093,067		\$ 1,707,954

City of Mesquite, Texas

Other Grants Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2008

With Comparative Actual Totals for the Year Ended For the Year Ended September 30, 2007

	2008				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Charges for services	\$ -	\$ -	\$ 490	\$ 490	\$ 1,560
Intergovernmental	1,501,369	2,541,971	1,548,809	(993,162)	2,005,191
Other revenues	1,500	500	6,844	6,344	-
TOTAL REVENUES	<u>1,502,869</u>	<u>2,542,471</u>	<u>1,556,143</u>	<u>(986,328)</u>	<u>2,006,751</u>
EXPENDITURES:					
Current-					
General government	-	-	-	-	-
Fire services	341,669	1,177,061	160,369	1,016,692	343,780
Police services	73,800	108,312	204,671	(96,359)	128,299
Public works	-	98,700	98,329	371	196,642
Housing and community services	309,900	338,484	212,385	126,099	631,394
Parks and recreation	-	-	51,222	(51,222)	32,166
Library services	43,000	72,039	71,396	643	74,524
Community Development	733,700	766,830	631,206	135,624	567,705
Capital Outlay	-	-	243,803	(243,803)	-
TOTAL EXPENDITURES	<u>1,502,069</u>	<u>2,561,426</u>	<u>1,673,381</u>	<u>888,045</u>	<u>1,974,510</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>800</u>	<u>(18,955)</u>	<u>(117,238)</u>	<u>(98,283)</u>	<u>32,241</u>
NET CHANGE IN FUND BALANCES	\$ <u>800</u>	\$ <u>(18,955)</u>	<u>(117,238)</u>	\$ <u>(98,283)</u>	<u>32,241</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>72,073</u>		<u>39,832</u>
FUND BALANCE AT END OF YEAR			\$ <u>(45,165)</u>		\$ <u>72,073</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, 2008

With Comparative Actual Totals for the Year Ended September 30, 2007

	2008				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	<u>2007 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
EXPENDITURES:					
Debt service-					
Principal	\$ 7,205,000	\$ 7,625,000	\$ 7,625,000	\$ -	\$ 6,775,000
Interest and fiscal charges	<u>4,642,658</u>	<u>4,066,006</u>	<u>3,985,870</u>	<u>80,136</u>	<u>3,441,973</u>
TOTAL EXPENDITURES	<u>11,847,658</u>	<u>11,691,006</u>	<u>11,610,870</u>	<u>80,136</u>	<u>10,216,973</u>
EXCESS (DEFICIENCY) OF EXPENDITURES OVER (UNDER) REVENUES	<u>(11,847,658)</u>	<u>(11,691,006)</u>	<u>(11,610,870)</u>	<u>80,136</u>	<u>(10,216,973)</u>
OTHER FINANCING SOURCES:					
Transfers in	<u>11,847,658</u>	<u>11,229,758</u>	<u>11,229,758</u>	<u>-</u>	<u>10,551,906</u>
TOTAL OTHER FINANCING SOURCES	<u>11,847,658</u>	<u>11,229,758</u>	<u>11,229,758</u>	<u>-</u>	<u>10,551,906</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ (461,248)</u>	<u>(381,112)</u>	<u>\$ 80,136</u>	<u>334,933</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>918,639</u>		<u>583,706</u>
FUND BALANCE AT END OF YEAR			<u>\$ 537,527</u>		<u>\$ 918,639</u>

City of Mesquite, Texas

Combining Statement of Net Assets

Internal Service Funds

September 30, 2008

With Comparative Totals for September 30, 2007

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2008</u>	<u>2007</u>
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 2,509,336	\$ 1,033,193	\$ 3,542,529	\$ 3,415,152
Prepays and other assets	490,804	120,000	610,804	597,787
Accrued interest	<u>4,815</u>	<u>4,381</u>	<u>9,196</u>	<u>16,535</u>
Total Assets	<u>3,004,955</u>	<u>1,157,574</u>	<u>4,162,529</u>	<u>4,029,474</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	613,842	88,251	702,093	590,321
Estimated claims payable	<u>1,009,000</u>	<u>458,147</u>	<u>1,467,147</u>	<u>1,069,022</u>
Total current liabilities	<u>1,622,842</u>	<u>546,398</u>	<u>2,169,240</u>	<u>1,659,343</u>
Noncurrent liabilities:				
Estimated claims payable	-	916,294	916,294	745,000
Total noncurrent liabilities	<u>-</u>	<u>916,294</u>	<u>916,294</u>	<u>745,000</u>
Total Liabilities	<u>1,622,842</u>	<u>1,462,692</u>	<u>3,085,534</u>	<u>2,404,343</u>
NET ASSETS:				
Unrestricted	<u>1,382,113</u>	<u>(305,118)</u>	<u>1,076,995</u>	<u>1,625,131</u>
Total Net Assets	<u>\$ 1,382,113</u>	<u>\$ (305,118)</u>	<u>\$ 1,076,995</u>	<u>\$ 1,625,131</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, 2008
With Comparative Totals for September 30, 2007**

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2008</u>	<u>2007</u>
Operating revenues:				
Contributions - City				
Medical insurance	\$ 8,249,038	\$ -	\$ 8,249,038	\$ 8,059,165
Life and dental insurance	929,787	-	929,787	649,724
General liability	-	805,000	805,000	805,000
Workers' compensation	-	470,606	470,606	373,121
Total contributions - City	<u>9,178,825</u>	<u>1,275,606</u>	<u>10,454,431</u>	<u>9,887,010</u>
Contributions - Other				
Employees - medical insurance	2,101,211	-	2,101,211	1,952,430
Retirees - medical insurance	671,308	-	671,308	592,194
COBRA - medical insurance	19,532	-	19,532	29,336
Stop loss and other contributions	178,444	-	178,444	1,067,249
Other Revenues	-	170,549	170,549	189,138
Total contributions - other	<u>2,970,495</u>	<u>170,549</u>	<u>3,141,044</u>	<u>3,830,347</u>
Total operating revenues	<u>12,149,320</u>	<u>1,446,155</u>	<u>13,595,475</u>	<u>13,717,357</u>
Operating expenses:				
Claims incurred	9,001,628	1,073,784	10,075,412	9,716,453
Insurance premiums	1,477,113	708,163	2,185,276	1,939,812
Administrative fees	955,477	618,074	1,573,551	1,676,246
Other Expenses	371,592	68,079	439,671	523,256
Total operating expenses	<u>11,805,810</u>	<u>2,468,100</u>	<u>14,273,910</u>	<u>13,855,767</u>
Operating income (loss)	<u>343,510</u>	<u>(1,021,945)</u>	<u>(678,435)</u>	<u>(138,410)</u>
Nonoperating revenues:				
Investment income	75,249	55,050	130,299	142,036
Total nonoperating revenues	<u>75,249</u>	<u>55,050</u>	<u>130,299</u>	<u>142,036</u>
Change in net assets	418,759	(966,895)	(548,136)	3,626
Total net assets - beginning	<u>963,354</u>	<u>661,777</u>	<u>1,625,131</u>	<u>1,621,505</u>
Total net assets - ending	<u>\$ 1,382,113</u>	<u>\$ (305,118)</u>	<u>\$ 1,076,995</u>	<u>\$ 1,625,131</u>

City of Mesquite, Texas

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended September 30, 2008

With Comparative Actual Totals for the Year ended September 30, 2007

	Health Claims	General Liability	Totals	
			<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from City funds	\$ 9,178,825	\$ 1,275,606	\$ 10,454,431	\$ 9,887,011
Cash received from other operating sources	2,970,495	170,549	3,141,044	3,874,165
Cash paid to suppliers for goods and services	(2,395,162)	(1,386,829)	(3,781,991)	(3,729,098)
Cash paid to claimants	<u>(9,014,379)</u>	<u>(809,365)</u>	<u>(9,823,744)</u>	<u>(9,768,738)</u>
Net cash provided by (used for) operating activities	<u>739,779</u>	<u>(750,039)</u>	<u>(10,260)</u>	<u>263,340</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	<u>77,986</u>	<u>59,651</u>	<u>137,637</u>	<u>142,813</u>
Net cash provided by investing activities	<u>77,986</u>	<u>59,651</u>	<u>137,637</u>	<u>142,813</u>
NET INCREASE (DECREASE) IN POOLED CASH AND INVESTMENTS				
	817,765	(690,388)	127,377	406,153
POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR				
	<u>1,691,571</u>	<u>1,723,581</u>	<u>3,415,152</u>	<u>3,008,999</u>
POOLED CASH AND INVESTMENTS AT END OF YEAR				
	<u><u>\$ 2,509,336</u></u>	<u><u>\$ 1,033,193</u></u>	<u><u>\$ 3,542,529</u></u>	<u><u>\$ 3,415,152</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 343,510	\$ (1,021,945)	\$ (678,435)	\$ (138,410)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-				
Changes in assets and liabilities-				
(Increase) decrease in accounts receivable	-	-	-	43,819
(Increase) decrease in prepaid items	(13,016)	-	(13,016)	652,289
Increase (decrease) in accounts payable	104,285	7,487	111,772	410,266
Increase (decrease) in claims payable	<u>305,000</u>	<u>264,419</u>	<u>569,419</u>	<u>(704,624)</u>
Total adjustments	<u>396,269</u>	<u>271,906</u>	<u>668,175</u>	<u>401,750</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
	<u><u>\$ 739,779</u></u>	<u><u>\$ (750,039)</u></u>	<u><u>\$ (10,260)</u></u>	<u><u>\$ 263,340</u></u>

City of Mesquite, Texas

**Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended September 30, 2008**

	Agency Fund - Tax Clearing Fund			
	Balance October 1, 2007	Additions	Deductions	Balance September 30, 2008
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 191,367	\$ 139,478,448	\$ 139,528,639	\$ 141,176
Taxes receivable levied for other government	<u>4,360,150</u>	<u>96,131,106</u>	<u>96,412,226</u>	<u>4,079,030</u>
Total Assets	<u>\$ 4,551,517</u>	<u>\$ 235,609,554</u>	<u>\$ 235,940,865</u>	<u>\$ 4,220,206</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 191,367	\$ 239,894,962	\$ 239,945,153	\$ 141,176
Due to other governments	<u>4,360,150</u>	<u>96,131,106</u>	<u>96,412,226</u>	<u>4,079,030</u>
Total Liabilities	<u>\$ 4,551,517</u>	<u>\$ 336,026,068</u>	<u>\$ 336,357,379</u>	<u>\$ 4,220,206</u>

MESQUITE
T E X A S
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City of Mesquite, Texas

Statistical Section (Unaudited)

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

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

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

City of Mesquite, Texas

Net Assets by Component Last Seven Fiscal Years

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

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

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

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

City of Mesquite, Texas

Change in Net Assets Last Seven Fiscal Years

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

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

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

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

(Continued Next Page)

City of Mesquite, Texas

Change in Net Assets Last Five Fiscal Years

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

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

Schedule 2
(Continued)

Fiscal Year			
<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ (69,636)	\$ (75,808)	\$ (73,061)	\$ (79,883)
<u>9,647</u>	<u>15,886</u>	<u>7,708</u>	<u>9,397</u>
<u>\$ (59,989)</u>	<u>\$ (59,922)</u>	<u>\$ (65,353)</u>	<u>\$ (70,486)</u>
\$ 33,073	\$ 35,505	\$ 37,705	\$ 40,577
7,416	7,551	7,333	7,677
35,663	36,880	35,996	35,339
1,343	3,204	4,397	3,402
-	-	80	2
<u>4,514</u>	<u>4,519</u>	<u>3,943</u>	<u>6,971</u>
<u>82,009</u>	<u>87,659</u>	<u>89,454</u>	<u>93,968</u>
636	1,251	1,660	1,220
-	-	23	11
<u>(4,514)</u>	<u>(4,519)</u>	<u>(3,943)</u>	<u>(6,971)</u>
<u>(3,878)</u>	<u>(3,268)</u>	<u>(2,260)</u>	<u>(5,740)</u>
<u>\$ 78,131</u>	<u>\$ 84,391</u>	<u>\$ 87,194</u>	<u>\$ 88,228</u>
\$ 12,373	\$ 11,851	\$ 16,393	\$ 14,085
<u>5,769</u>	<u>12,618</u>	<u>5,448</u>	<u>3,657</u>
<u>\$ 18,142</u>	<u>\$ 24,469</u>	<u>\$ 21,841</u>	<u>\$ 17,742</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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General Fund:					
Reserved	\$ 222	\$ 132	\$ 618	\$ 192	\$ 1,848
Unreserved	<u>11,899</u>	<u>12,508</u>	<u>14,061</u>	<u>15,148</u>	<u>14,712</u>
Total General Fund	<u>\$ 12,121</u>	<u>\$ 12,640</u>	<u>\$ 14,679</u>	<u>\$ 15,340</u>	<u>\$ 16,560</u>
All other governmental funds:					
Reserved for:					
Encumbrances	\$ 3,482	\$ 3,125	\$ 3,748	\$ 5,895	\$ 3,342
Debt service	636	289	295	327	337
Unreserved, reported in:					
Special revenue funds	2,349	4,733	6,476	6,084	5,063
Capital projects	<u>6,324</u>	<u>6,361</u>	<u>8,576</u>	<u>8,871</u>	<u>9,868</u>
Total all other governmental funds	<u>\$ 12,791</u>	<u>\$ 14,508</u>	<u>\$ 19,095</u>	<u>\$ 21,177</u>	<u>\$ 18,610</u>

Schedule 3

Fiscal Year				
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$ 1,674	\$ 732	\$ 637	\$ 1,286	\$ 3,140
<u>14,840</u>	<u>16,644</u>	<u>18,884</u>	<u>16,760</u>	<u>14,223</u>
<u>\$ 16,514</u>	<u>\$ 17,376</u>	<u>\$ 19,521</u>	<u>\$ 18,046</u>	<u>\$ 17,363</u>
\$ 3,284	\$ 5,673	\$ 4,359	\$ 25,061	\$ 10,011
417	531	584	919	538
7,071	9,148	13,071	14,374	15,257
<u>17,107</u>	<u>23,896</u>	<u>30,225</u>	<u>26,302</u>	<u>28,511</u>
<u>\$ 27,879</u>	<u>\$ 39,248</u>	<u>\$ 48,239</u>	<u>\$ 66,656</u>	<u>\$ 54,317</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				
	1999	2000	2001	2002	2003
Revenues					
Taxes	\$ 55,335	\$ 63,681	\$ 68,171	\$ 69,195	\$ 71,352
Licenses and permits	1,217	1,171	1,475	1,487	1,418
Fines and forfeitures	2,335	2,264	2,551	2,524	3,092
Investment income	1,469	1,834	2,245	1,096	700
Charges for services	7,970	7,770	9,529	9,590	12,599
Intergovernmental	6,267	7,865	7,009	8,513	10,589
Other revenues	1,832	1,609	1,986	1,715	2,462
Contributions and donations	607	179	77	63	119
Total revenues	<u>77,032</u>	<u>86,373</u>	<u>93,043</u>	<u>94,183</u>	<u>102,331</u>
Expenditures					
General government	5,802	5,941	6,033	5,927	6,118
Fire services	13,204	14,780	15,245	16,306	17,200
Police services	18,759	20,444	21,352	22,662	23,254
Field services	6,991	7,599	7,684	8,738	8,764
Public works	1,929	1,909	1,925	1,988	2,268
Community development	2,032	2,442	2,637	2,733	2,715
Housing services	4,331	4,894	5,519	7,194	8,848
Library services	1,639	1,717	1,826	1,841	1,982
Parks and recreation	6,631	7,185	7,257	7,151	7,563
Community services	274	745	695	837	1,186
Other	4,933	3,195	3,702	4,190	9,612
Capital outlay	12,587	9,258	9,445	10,174	16,240
Debt service - principal	8,035	8,930	6,568	7,960	7,805
Debt service - interest	3,506	3,286	4,960	2,734	2,727
Total expenditures	<u>90,653</u>	<u>92,325</u>	<u>94,848</u>	<u>100,435</u>	<u>116,282</u>
Excess of revenues over (under) expenditures	<u>(13,621)</u>	<u>(5,952)</u>	<u>(1,805)</u>	<u>(6,252)</u>	<u>(13,951)</u>
Other financing sources (uses)					
Transfer in	24,034	19,502	18,232	17,571	17,248
Transfers out	(19,583)	(15,378)	(13,491)	(13,133)	(12,845)
Capital lease proceeds	-	-	-	-	-
Bond proceeds	1,710	4,065	3,690	4,500	8,480
Notes Payable Proceeds	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	6,850	-
Premium on debt	-	-	-	-	-
Payment to refunded bond agent	-	-	-	(6,793)	-
Total other financing sources (uses)	<u>6,161</u>	<u>8,189</u>	<u>8,431</u>	<u>8,995</u>	<u>12,883</u>
Net change in fund balances	<u>\$ (7,460)</u>	<u>\$ 2,237</u>	<u>\$ 6,626</u>	<u>\$ 2,743</u>	<u>\$ (1,068)</u>
Debt service as a percentage of noncapital expenditures	15.27%	15.10%	16.07%	13.43%	12.34%

Schedule 4

	Fiscal Year				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
\$	73,146	\$ 76,238	\$ 79,822	\$ 81,064	\$ 83,518
	1,347	1,249	1,661	1,396	1,294
	3,278	2,997	2,929	2,517	3,273
	492	1,242	3,006	4,255	3,271
	12,509	13,212	14,064	15,568	17,126
	11,997	14,611	13,491	13,459	12,146
	2,014	3,860	1,641	2,716	1,664
	86	107	104	185	3,432
	<u>104,869</u>	<u>113,516</u>	<u>116,718</u>	<u>121,160</u>	<u>125,724</u>
	6,752	6,649	17,958	12,667	14,502
	18,142	18,951	20,871	22,172	24,025
	24,245	25,647	27,346	30,464	31,453
	9,222	8,794	9,240	9,531	10,593
	2,387	2,384	2,763	2,589	3,677
	3,193	3,278	3,296	3,680	3,616
	11,063	10,774	10,345	8,808	10,357
	2,071	2,011	2,086	2,176	2,212
	8,612	7,542	9,853	10,106	8,831
	974	1,087	1,650	2,120	2,395
	7,589	8,269	-	-	-
	11,407	17,347	12,918	16,327	35,618
	7,830	8,350	7,480	7,147	8,012
	2,656	2,605	3,056	4,026	4,508
	<u>116,143</u>	<u>123,688</u>	<u>128,862</u>	<u>131,813</u>	<u>159,799</u>
	<u>(11,274)</u>	<u>(10,172)</u>	<u>(12,144)</u>	<u>(10,653)</u>	<u>(34,075)</u>
	16,704	18,154	18,655	20,202	24,192
	(11,933)	(13,640)	(14,136)	(15,621)	(16,705)
	203	-	-	74	-
	15,255	17,550	18,760	22,805	13,566
	-	-	-	135	-
	14,795	5,965	-	-	-
	-	433	-	-	-
	(14,805)	(6,059)	-	-	-
	<u>20,219</u>	<u>22,403</u>	<u>23,279</u>	<u>27,595</u>	<u>21,053</u>
\$	<u>8,945</u>	<u>\$ 12,231</u>	<u>\$ 11,135</u>	<u>\$ 16,942</u>	<u>\$ (13,022)</u>
	12.48%	11.63%	11.78%	11.47%	10.38%

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>
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 (1)	154	881
% Total	100.00	36.7	51.6	0.2	1.4
2001	68,171	24,589	34,993	170	953
% Total	100.00	36.1	51.3	0.2	1.4
2002	69,195	26,101	34,519	172	887
% Total	100.00	37.7	49.9	0.2	1.3
2003	71,352	28,480	34,270	169	853
% Total	100.00	39.9	48.0	0.2	1.2
2004	73,146	29,874	35,075	164	897
% Total	100.00	40.8	48.0	0.2	1.2
2005	76,238	33,159	34,518	174	972
% Total	100.00	43.5	45.3	0.2	1.3
2006	79,823	35,392	35,631	177	1,072
% Total	100.00	44.3	44.6	0.2	1.3
2007	80,972	37,735	34,616	235	1,145
% Total	100.00	46.6	42.7	0.3	1.4
2008	83,518	40,502	34,032	188	1,119
% Total	100.00	48.5	40.8	0.3	1.3

Notes:

- (1) 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.
- (2) A settlement was received for prior years' electric and gas gross receipts.

Schedule 5

Gross Receipts Taxes					
<u>Electrical</u>	<u>Gas</u>	<u>Telephone</u>	<u>Cable TV</u>	<u>Sanitation</u>	<u>Other</u>
\$ 3,691 6.7	\$ 453 0.8	\$ 787 1.4	\$ 577 1.0	\$ 619 1.1	\$ 25 0.0
3,705 5.8	488 0.8	896 1.4	659 1.0	620 1.0	24 0.0
4,235 6.2	1,000 1.5	812 1.2	742 1.1	654 1.0	23 0.0
4,558 6.6	590 0.9	827 1.2	847 1.2	670 1.0	24 0.0
4,153 5.8	868 1.2	826 1.2	740 1.0	683 1.0	310 (2) 0.4
4,057 5.5	818 1.1	787 1.1	753 1.0	695 1.0	26 0.0
4,061 5.3	1,104 1.4	784 1.0	754 1.0	692 0.9	20 0.0
4,170 5.2	1,133 1.4	780 1.0	757 0.9	691 0.9	20 0.0
4,082 5.0	1,088 1.3	585 0.7	770 0.9	701 0.9	15 0.0
4,188 5.0	1,185 1.4	650 0.8	934 1.1	697 0.8	23 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	
1999	\$ 2,528,542	\$ 841,027	\$ 132,903	\$ 90,010	\$ 577,155	\$ 4,169,637
2000	2,718,539	925,798	153,116	91,653	624,917	4,514,023
2001	3,042,793	939,537	159,058	96,716	662,920	4,901,024
2002	3,295,142	1,004,351	155,286	100,687	594,885	5,150,351
2003	3,795,150	1,101,811	146,711	104,321	642,527	5,790,520
2004	3,965,188	1,152,940	148,834	101,967	702,998	6,071,927
2005	4,091,199	1,159,083	141,971	101,599	682,109	6,175,961
2006	4,208,193	1,203,737	147,740	107,156	711,994	6,378,820
2007	4,367,859	1,344,688	154,227	107,582	676,953	6,651,309
2008	4,472,212	1,540,270	182,901	108,586	723,343	7,027,312

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) Total taxable valuation here is based on the certified roll and is net of Tax Incentive Financing Districts (TIF) in the amount of \$189,109. The taxable value upon which the tax levy was based, noted in footnote 3 in the Notes to Basic Financial Statements, includes the TIF value. Subsequent adjustments to the certified roll reduced the taxable value used for the levy by \$2,340.
- (4) Tax rate is per \$100 assessed valuation.

Less: Exemptions, Abatements, and TIFs (2)

<u>Exemptions Granted</u>	<u>Tax Abatements</u>	<u>Tax Incentive Financing Districts (TIF)</u>	<u>Total Exemptions</u>	<u>Total Taxable Valuation (3)</u>	<u>Tax Rate (4)</u>
\$ 158,682	\$ -	\$ -	\$ 158,682	\$ 4,010,955	.58148
212,620	746	19,139	232,505	4,281,518	.54148
382,240	684	27,989	410,913	4,490,111	.54148
325,168	6,635	56,811	388,614	4,761,737	.54148
425,066	9,201	81,160	515,427	5,275,093	.54148
430,846	26,110	91,203	548,159	5,523,768	.54148
435,502	37,838	98,351	571,691	5,604,270	.58148
402,275	24,191	108,179	534,645	5,844,175	.60148
425,235	25,111	146,325	596,671	6,054,638	.62000
486,038	17,724	189,109	692,871	6,334,441	.64000

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

Fiscal Year	City of Mesquite			Overlapping Rates (1)					Total Direct & Overlapping Rates
	General	Debt Service	Total	Dallas County	Dallas Hospital District	Dallas Community College District	Dallas County School Equalization	Mesquite Independent School District	
1999	.30471	.27677	.58148	.1972	.1799	.05	.005974	1.58	2.594554
2000	.29466	.24682	.54148	.196	.196	.05	.005699	1.58	2.569179
2001	.32717	.21431	.54148	.196	.254	.05	.005667	1.58	2.627147
2002	.35991	.18157	.54148	.196	.254	.06	.005525	1.58	2.637005
2003	.38571	.15577	.54148	.196	.254	.06	.0055	1.62	2.67698
2004	.38833	.15315	.54148	.2039	.254	.0778	.00546	1.67	2.75264
2005	.42325	.15823	.58148	.2039	.254	.0803	.00546	1.76	2.88514
2006	.44090	.16058	.60148	.2139	.254	.0816	.0053	1.7624	2.91868
2007	.46246	.15754	.62000	.2139	.254	.081	.005034	1.668	2.841934
2008	.48716	.15284	.64000	.2281	.254	.0804	.004714	1.3767	2.583914

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	2008			1999		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Town East Mall PS	\$ 150,110,440	1	2.37%	\$ 101,663,320	1	2.53%
Sun Life Asure Co of Can	54,947,630	2	0.87%			
Oncor Electric Delivery	48,802,510	3	0.77%			
Pepsi Cola	37,925,440	4	0.60%	25,292,200	7	0.63%
DDR MDT Marketplace	33,690,000	5	0.53%			
Barons Investors II LP	32,814,770	6	0.52%	-		
Camden Property Trust	31,463,920	7	0.50%	-		-
America Multicinema Inc	30,635,870	8	0.48%	20,057,520	9	0.50%
Alliance WE LP	30,168,000	9	0.48%	-		-
CURI Mesquite Prop LP	28,984,090	10	0.46%	-		-
Lucent Technologies	-		-	89,264,010	2	2.23%
Texas Utilities Services	-		-	43,847,730	3	1.09%
Southwestern Bell	-		-	34,946,700	4	0.87%
Market East Associates, Ltd. Inc	-		-	33,136,300	5	0.83%
Pep Boys	-		-	31,267,140	6	0.78%
Dalho Corporation (UPS)	-		-	23,928,490	8	0.60%
Sears & Roebuck	-		-	19,136,020	10	0.48%
Total	\$ 479,542,670		7.57%	\$ 422,539,430		11.89%

Source: Tax/Accounting Division and Dallas Central Appraisal District

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

(Unaudited)

Fiscal Year Ended September 30	Adjusted Current Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
1999	\$23,205,186	\$23,057,699	99.36 %	\$ 100,613	\$23,158,312	99.80 %
2000	23,163,476	23,036,809	99.45	65,431	23,102,240	99.74
2001	24,388,207	24,206,183	99.25	105,771	24,311,954	99.69
2002	25,855,016	25,656,864	99.23	132,215	25,789,079	99.74
2003	28,861,973	27,873,063	96.57	910,112	28,783,175	99.73
2004	30,501,206	29,200,767	95.74	1,195,239	30,396,006	99.66
2005	33,124,683	32,151,536	97.06	837,791	32,989,327	99.59
2006	35,132,527	34,433,390	98.01	463,159	34,896,549	99.33
2007	37,446,166	36,659,819	97.90	506,099	37,165,918	99.25
2008	40,274,065	39,602,124	98.33	-	39,602,124	98.33

Note: Collections do not include penalty and interest on delinquent taxes.
Collection are net of the amount collected for the Tax Incentive Financing Districts (TIF)
in the amount of \$1,210,298 for fiscal year 2008.

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

(Unaudited)

Fiscal Year	Governmental Activities						Total
	General Obligation Bonds	Certificates of Obligations	Public Property Finance Contractual Obligations	Notes Payable	Capital Lease Obligations		
1999	\$41,118,511	\$18,640,000	\$ 3,635,000	\$ -	\$ -		\$63,393,511
2000	36,388,511	18,460,000	3,680,000	-	-		58,528,511
2001	37,720,000	17,300,000	4,105,000	-	-		59,125,000
2002	36,000,000	15,585,000	4,390,000	-	-		55,975,000
2003	37,420,000	14,600,000	4,630,000	-	-		56,650,000
2004	45,340,000	14,775,000	4,535,000	-	191,215		64,841,215
2005	47,525,000	21,570,000	4,835,000	-	153,545		74,083,545
2006	45,590,000	28,495,000	5,090,000	6,035,453	114,144		85,324,597
2007	41,820,000	47,540,000	5,845,000	5,786,733	141,259		101,132,992
2008	38,320,000	55,250,000	7,610,000	5,349,753	80,424		106,610,177

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Effective Buying Income (1)	Per Capita (1)
	Water/Sewer Revenue Bonds	Drainage Utility District Revenue Bonds	Water/Sewer Capital Lease Obligations	Total			
1999	\$25,370,000	\$ 8,100,000	\$ -	\$33,470,000	\$ 96,863,511	4.58%	\$ 809.90
2000	28,655,000	7,695,000	-	36,350,000	94,878,511	4.19%	761.94
2001	31,845,000	9,260,000	-	41,105,000	100,230,000	3.96%	791.89
2002	35,040,000	8,745,000	-	43,785,000	99,760,000	3.83%	780.59
2003	40,340,000	11,565,000	-	51,905,000	108,555,000	4.54%	837.29
2004	45,715,000	11,015,000	196,565	56,926,565	121,767,780	5.03%	925.41
2005	47,635,000	10,225,000	157,841	58,017,841	132,101,386	5.29%	988.75
2006	53,225,000	9,405,000	117,338	62,747,338	148,071,935	6.22%	1,089.61
2007	57,945,000	8,565,000	236,159	66,746,159	167,879,151	6.66%	1,227.64
2008	62,795,000	7,710,000	155,645	70,660,645	177,270,822	6.80%	1,288.77

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

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

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

(Unaudited)

<u>Fiscal Year</u>	<u>Population(1)</u>	<u>Taxable Assessed Value (in 000s) (2)</u>	<u>General Bonded Debt</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Net General Bonded Debt</u>	<u>Percentage of Taxable Value of Property</u>	<u>Net General Bonded Debt Per Capita</u>
1999	119,600	\$ 4,010,955	\$63,393,511	\$ 636,476	\$62,757,035	1.56%	\$ 524.72
2000	124,523	4,281,518	58,528,511	289,195	58,239,316	1.36%	467.70
2001	126,570	4,490,111	59,125,000	295,125	58,829,875	1.31%	464.80
2002	127,800	4,761,737	55,975,000	327,063	55,647,937	1.17%	435.43
2003	129,650	5,275,093	56,650,000	336,646	56,313,354	1.07%	434.35
2004	131,582	5,523,768	64,650,000	416,834	64,233,166	1.16%	488.16
2005	133,605	5,604,270	73,930,000	530,789	73,399,211	1.31%	549.37
2006	135,894	5,844,175	79,175,000	583,706	78,591,294	1.34%	578.33
2007	136,750	6,054,638	95,205,000	918,369	94,286,631	1.56%	689.48
2008	137,550	6,334,441	101,180,000	537,527	100,642,473	1.59%	731.68

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, 2008**

(Unaudited)

<u>Taxing Jurisdiction</u>	Total Outstanding Bonded Debt (1)	Estimated Percent Applicable	Direct and Estimated Overlapping Bonded Debt
Direct- City of Mesquite	\$ 101,180,000	100.00%	\$ 101,180,000
Overlapping-			
Dallas County	186,401,551	4.33	8,071,187
Dallas County Community College District	305,460,000	4.33	13,226,418
Mesquite Independent School District	463,097,788	90.40	418,640,400
Dallas Independent School District	1,857,305,000	0.26	4,828,993
Garland Independent School District	407,805,741	0.04	163,122
 Total overlapping	 <u>3,220,070,080</u>		 <u>444,930,121</u>
 Total direct and estimated overlapping bonded debt	 <u>\$ 3,321,250,080</u>		 <u>\$ 546,110,121</u>
 Ratio, direct and estimated overlapping debt to fiscal 2008 taxable assessed valuation (2)			 <u>8.62%</u>
 Per capita direct and estimated overlapping bonded debt (3)			 <u>\$3,970</u>

Notes:

- (1) Excluding self-supporting debt. Source is most recent Texas Municipal Reports, publication of the Municipal Advisory Council of Texas
- (2) Fiscal 2008 taxable assessed valuation (Net of TIF): \$6,334,441,000
- (3) Based on 2008 population of 137,550

**Computation of Legal Debt Margin
September 30, 2008**

(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, 2008, is \$.64000 per \$100 of assessed valuation with assessed valuation being 100% of market value.

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

(Unaudited)

Year Ended <u>September</u>	Operating Revenue and Other (1)	Less: Operating Expense (2)	Net Available Revenue	Debt Service (3)		<u>Coverage (4)</u>
				<u>Principal</u>	<u>Interest</u>	
<u>WATER AND SEWER BONDS</u>						
1999	\$25,649,237	\$ 14,996,086	\$ 10,653,151	\$ 1,810,000	\$ 1,317,110	3.4
2000	28,375,760	15,744,659	12,631,101	1,760,000	1,481,313	3.9
2001	27,937,940	16,635,600	11,302,340	1,995,000	1,621,741	3.1
2002	26,606,963	17,664,168	8,942,795	2,025,000	1,617,073	2.5
2003	28,191,024	20,032,421	8,158,603	2,355,000	1,818,002	2.0
2004	28,057,312	20,664,239	7,393,073	2,740,000	1,949,843	1.6
2005	31,775,214	21,017,199	10,758,015	2,980,000	2,027,598	2.1
2006	33,798,839	21,179,825	12,619,014	2,950,000	2,307,939	2.4
2007	31,363,451	24,127,536	7,235,915	3,275,000	2,517,520	1.2
2008	36,536,774	25,273,756	11,263,018	3,740,000	2,659,364	1.8
<u>DRAINAGE UTILITY DISTRICT BONDS</u>						
1999	\$ 2,463,634	\$ 316,588	\$ 2,147,046	\$ 405,000	\$ 397,100	2.7
2000	2,262,958	420,771	1,842,187	430,000	374,913	2.3
2001	2,261,103	474,336	1,786,767	515,000	451,616	1.8
2002	2,090,833	521,407	1,569,426	550,000	425,213	1.6
2003	2,225,070	501,028	1,724,042	700,000	532,101	1.4
2004	2,124,677	541,703	1,582,974	790,000	426,154	1.3
2005	2,177,952	542,236	1,635,716	820,000	398,427	1.3
2006	2,262,875	523,139	1,739,736	840,000	376,343	1.4
2007	2,294,313	678,532	1,615,781	855,000	350,799	1.3
2008	2,232,935	713,367	1,519,568	885,000	321,000	1.3

Notes:

- (1) Includes operating and nonoperating revenues.
- (2) Includes operating expenses exclusive of depreciation.
- (3) Includes principal and interest of revenue bonds only. Principal and interest amounts represent the amounts payable in the subsequent fiscal year.
- (4) The Water and Sewer Bond coverage requirement is 1.5 and the Drainage Utility District Bond coverage requirement is 1.25.

**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>
1999	119,600	\$ 1,794,334	\$ 2,115,897	\$ 46,530	40,900	28,461	2.6%
2000	124,523	2,280,289	2,266,391	48,190	40,700	29,174	2.6%
2001	126,570	2,192,171	2,533,442	51,412	42,300	33,094	4.4%
2002	127,800	2,082,581	2,602,498	50,656	45,115	33,808	5.7%
2003	129,650	2,261,111	2,390,723	51,338	48,210	34,368	5.8%
2004	131,582	2,301,891	2,421,215	52,750	49,051	34,181	5.2%
2005	133,605	2,362,311	2,497,456	50,424	49,559	35,451	5.9%
2006	135,894	N/A	2,380,515	47,446	50,152	35,615	4.5%
2007	136,750	N/A	2,522,392	50,134	50,313	36,002	4.3%
2008	137,550	N/A	2,606,763	51,453	50,663	36,640	5.4%

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

Principal Employers
Current Year
(Unaudited)

<u>Employer</u>	<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percent of Total City Employment</u>
United Parcel Service Inc.	3,000	1	4.22%
Dallas Regional Medical Center (Formerly Mesquite Community Hospital)	1,150	2	1.62%
City of Mesquite	1,054	3	1.48%
Sears	450	4	0.63%
Texas Dept of Transportation - Dallas District	425	5	0.60%
Baker Drywall LTD	400	6	0.56%
Dallas County Community College	400	7	0.56%
Christian Care Center	400	8	0.56%
Integra Color	383	9	0.54%
Pepsi-Cola Metro Btlg Co Inc	<u>325</u>	10	<u>0.46%</u>
Total	<u>7,987</u>		<u>11.25%</u>
Total Estimated City Employment	<u>71,012</u>		<u>100.00%</u>

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

City of Mesquite, Texas

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

(Unaudited)

	Fiscal Year				
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
By Functions					
General government	86.25	86.25	84.25	84.25	90.00
Fire services	178.00	186.00	187.00	187.00	187.00
Police services	269.50	272.50	276.50	278.50	279.50
Field services	120.95	120.95	128.95	128.00	125.00
Public works	22.00	23.00	25.50	25.00	24.00
Community development	39.00	40.00	41.85	43.85	45.00
Housing services	6.75	6.75	6.75	8.75	8.75
Library services	36.57	36.57	36.57	35.55	35.55
Parks and recreation	114.83	122.77	123.85	124.85	122.85
Community services	17.23	17.09	20.65	20.40	19.25
Water and Sewer	88.50	89.50	95.57	101.07	101.57
Drainage utility district	4.00	4.00	7.00	7.00	7.00
Municipal airport	<u>8.38</u>	<u>7.88</u>	<u>7.88</u>	<u>7.38</u>	<u>7.38</u>
Total employees by function	<u>991.96</u>	<u>1,013.26</u>	<u>1,042.32</u>	<u>1,051.60</u>	<u>1,052.85</u>
By Departments					
Administration	8.00	8.00	8.00	8.00	10.00
City Secretary	3.00	3.00	3.00	3.00	3.00
City Attorney	7.00	7.00	6.00	6.00	6.00
Human Resources	14.00	14.00	15.00	15.00	14.00
Budget and Research	2.00	2.00	2.00	2.00	2.00
Finance	67.25	67.25	69.25	69.25	68.50
Information Technology	-	-	-	-	-
Fire service	178.00	186.00	187.00	187.00	187.00
Police Service	269.50	272.50	276.50	278.50	279.50
Public Works	220.45	222.45	238.02	242.07	244.07
Housing and community service	23.98	23.84	28.40	30.85	30.95
Community development	39.00	40.00	40.85	42.15	42.05
Parks/ Recreation/Building service	114.83	122.77	123.85	124.85	122.85
Library service	36.57	36.57	36.57	35.55	35.55
Airport service	<u>8.38</u>	<u>7.88</u>	<u>7.88</u>	<u>7.38</u>	<u>7.38</u>
Total employees by department	<u>991.96</u>	<u>1,013.26</u>	<u>1,042.32</u>	<u>1,051.60</u>	<u>1,052.85</u>
By Fund					
General	883.08	903.88	920.47	916.30	916.60
Grants	8.00	8.00	11.40	19.85	20.30
Water and Sewer	88.50	89.50	95.57	101.07	101.57
Drainage Utility District	4.00	4.00	7.00	7.00	7.00
Municipal Airport	<u>8.38</u>	<u>7.88</u>	<u>7.88</u>	<u>7.38</u>	<u>7.38</u>
Total employees by fund	<u>991.96</u>	<u>1,013.26</u>	<u>1,042.32</u>	<u>1,051.60</u>	<u>1,052.85</u>

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

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

Schedule 17

Fiscal Year				
<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
85.48	85.00	87.00	92.00	100.50
192.00	197.00	197.00	202.50	206.00
282.50	293.50	299.50	299.50	310.50
130.00	130.00	130.00	129.00	130.00
24.00	24.00	24.00	21.00	21.00
47.00	50.00	43.70	44.20	35.70
8.75	9.00	10.00	18.70	22.30
35.55	35.55	34.55	34.55	34.93
122.85	130.09	130.09	130.09	130.09
20.75	20.70	27.00	17.35	29.00
103.57	103.57	102.57	103.57	104.57
7.00	7.00	7.00	7.00	7.00
<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
<u>1,066.83</u>	<u>1,092.79</u>	<u>1,099.79</u>	<u>1,106.84</u>	<u>1,138.97</u>
10.00	9.00	10.00	11.00	12.00
3.00	3.00	3.00	3.00	3.00
6.00	6.00	6.00	6.00	7.00
14.48	14.00	14.00	14.00	15.00
2.00	2.00	2.00	2.00	2.00
68.50	68.50	68.50	68.50	55.00
-	-	-	-	19.00
192.00	197.00	197.00	202.50	206.00
282.50	293.50	299.50	299.50	310.50
248.07	248.07	247.07	248.07	250.07
33.45	37.00	37.00	36.05	51.30
42.05	42.70	43.70	44.20	35.70
122.85	130.09	130.09	130.09	130.09
34.55	34.55	34.55	34.55	34.93
<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
<u>1,066.83</u>	<u>1,092.79</u>	<u>1,099.79</u>	<u>1,106.84</u>	<u>1,138.97</u>
932.58	955.19	963.19	970.19	997.72
16.30	19.65	19.65	18.70	22.30
103.57	103.57	102.57	103.57	104.57
7.00	7.00	7.00	7.00	7.00
<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
<u>1,066.83</u>	<u>1,092.79</u>	<u>1,099.79</u>	<u>1,106.84</u>	<u>1,138.97</u>

City of Mesquite, Texas

Operating Indicators by Function Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Functions				
Fire services				
Number of calls answered	12,266	13,649	13,647	14,390
Inspections	4,410	3,810	5,317	3,948
Police services				
Reported index crimes	5,898	6,152	6,059	6,542
Criminal arrests - index crimes	2,049	1,664	1,606	2,105
Criminal arrests - non-index crimes	4,503	3,084	4,922	4,821
Traffic citations	29,615	29,714	39,261	35,552
Field services				
Residential solid waste customers	32,511	33,108	34,100	34,491
Annual tons recycled	19,624	21,010	17,771	19,280
Work hours per mile of streets and alleys	80.07	81.83	83.07	82.25
Public works				
Traffic studies conducted	60	104	128	145
Engineering Information requests	1,041	1,212	1,450	949
Housing services				
Number of HUD allocated unit months	10,159	9,691	12,250	15,060
Community development				
Residential building permits	2,091	2,015	2,050	2,133
Commercial building permits	690	665	723	750
Environmental code violations	35,912	36,106	37,856	35,012
Food inspections conducted	1,460	1,482	1,352	1,239
Animals processed by shelter	10,773	9,823	10,714	10,489
Library services				
Library visits per capita	2.77	2.62	2.60	2.76
Registered borrowers per capita	0.33	0.30	0.29	0.31
Parks and recreation				
Work hours per acre of park land	26.79	30.34	32.34	36.48
Athletic program participants	21,977	20,517	20,730	19,731
Aquatic program participants	N/A	67,511	58,619	67,380
Tennis program participants	N/A	7,700	8,000	7,450
Recreation centers programs offered	N/A	N/A	567	678
Community services				
Number of health clinic clients	6,381	6,695	7,265	7,128
Number of transportation service trips	36,106	36,250	39,223	36,623
Number of volunteer hours	42,382	24,544	19,849	19,133
Arts center events	1,150	1,161	1,162	1,174
Arts center participants	91,891	91,805	92,300	93,997
Water and Sewer				
Number of gallons of water pumped (000s)	7,298,815	7,857,950	7,228,597	6,511,114
Water main breaks	358	325	340	325
Miles of sewer mains cleaned	96	120	151	170
Municipal airport				
Number of airplanes fueled	5,768	5,595	5,021	4,558

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

* Information No Longer Available from Department

Schedule 18

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
14,063	10,661	12,945	11,746	11,898	13,156
4,070	2,647	5,841	6,736	6,800	8,811
6,480	6,652	6,582	5,554	6,118	6,120
1,632	1,590	1,561	1,198	1,535	1,492
3,106	3,555	3,400	3,262	3,508	3,294
33,261	42,587	42,523	36,372	35,620	36,563
34,077	34,477	34,830	36,000	37,000	37,500
19,770	20,430	20,520	23,678	22,608	29,000
84.24	84.24	73.88	81.85	81.19	80.19
454	332	333	346	327	328
1,010	1,245	995	85,146	75,846	86,603
15,708	15,258	16,308	16,308	16,308	16,308
2,192	2,196	2,053	2,175	1,635	1,394
554	601	566	738	294	316
47,593	32,839	46,980	31,553	67,793	33,488
1,033	1,374	1,193	1,407	998	1,417
10,491	10,164	11,873	13,141	14,474	9,705
2.90	3.11	3.13	3.00	2.65	2.97
0.27	0.28	0.29	0.28	0.40	0.31
37.01	46.12	50.50	52.15	55.02	56.95
21,535	18,325	18,700	13,527	16,276	16,500
79,078	62,432	63,000	82,605	65,000	61,500
7,315	7,525	7,800	7,700	7,964	7,800
764	800	803	838	904	824
5,445	4,845	5,000	5,534	5,624	5,573
35,202	36,900	32,318	39,700	38,130	39,580
15,517	18,274	20,000	30,093	22,324	25,209
752	920	717	757	575	611
61,732	70,267	68,463	104,128	130,229	105,951
6,929,350	6,223,119	6,500,000	6,800,000	5,641,217	6,521,600
300	177	170	360	240	190
150	115	155	130	130	130
3,860	4,299	5,700	5,700	5,700	*

City of Mesquite, Texas

Capital Asset Statistics by Function Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Functions				
Police services				
Police vehicles (sedans)	149	162	163	164
Field services				
Miles of streets	422	425	428	428
Miles of alleys	205	210	212	212
Number of vehicles in City fleet	580	592	588	592
Parks and recreation				
Parks acreage	1,356	1,347	1,371	1,373
Number of parks	62	62	62	63
Water and Sewer				
Water system miles	428	434	437	440
Water system connections	45,492	47,406	47,822	48,747
Sewer system miles	368	377	480	484
Sewer system connections	44,327	46,261	36,022	36,077

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

Schedule 19

Fiscal Year					
<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
168	166	184	192	196	218
432	432	435	400	440	440
213	213	215	220	220	220
601	600	624	636	651	677
1,373	1,422	1,422	1,422	1,422	1,422
63	66	66	67	67	67
445	448	450	538	566	567
48,885	49,136	50,313	50,598	51,903	53,109
488	491	492	476	492	492
36,311	36,564	36,756	36,900	50,658	50,658

MESQUITE

T E X A S

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