

City of Mesquite, Texas

Welcome to Open Government Mesquite

The City of Mesquite is committed to transparent government operations. The tiles below provide detailed information in various areas of City operations. Come explore the charts, graphs and detailed information provided.



Open Budget



Open Checkbook



Financials



Open Performance



Contracts and Procurement



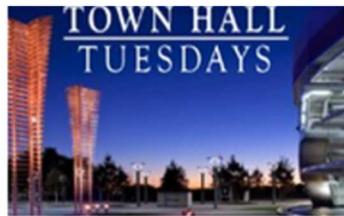
Business and Economy



Debt and Pension



City Government



Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2017



About the Cover:

City of Mesquite Open Government Transparency Portal

The City of Mesquite is committed to transparent government operations and is taking steps every day to make city government more accessible, transparent, and engaging for its citizens. On October 17, 2016, the City of Mesquite publicly launched the Open Government Mesquite transparency portal with Open Budget and Open Checkbook. Through Open Budget Mesquite, citizens have an opportunity to interact with the budget like never before, exploring the Revenue and Expenditure budgets in a variety of ways including by fund, department and division, category and detailed account level. Information is updated on a weekly basis to provide up-to-date details of city operations. Through Open Checkbook Mesquite, citizens have an opportunity to interact with the city's accounts payable check register, exploring payments to vendors, suppliers, outside agencies, etc. in a variety of ways. The City of Mesquite is committed to continually engaging its citizens through transparency and will continue to develop the Open Government Mesquite transparency portal regarding all aspects of the City. The Open Government Mesquite transparency portal can be found by clicking on Government Transparency on the City of Mesquite's website at www.cityofmesquite.com.



CITY OF MESQUITE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2017

Prepared by:

Finance Department

MESQUITE

T E X A S

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City of Mesquite, Texas

Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2017

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City of Mesquite, Texas

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CITY OF MESQUITE, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2017

CITY COUNCIL

Stan Pickett, Mayor

Jeff Casper, Mayor Pro Tem

Dan Aleman, Deputy Mayor Pro Tem

Bruce Archer, Council Member

Tandy Boroughs, Council Member

Robert Miklos, Council Member

Greg Noschese, Council Member

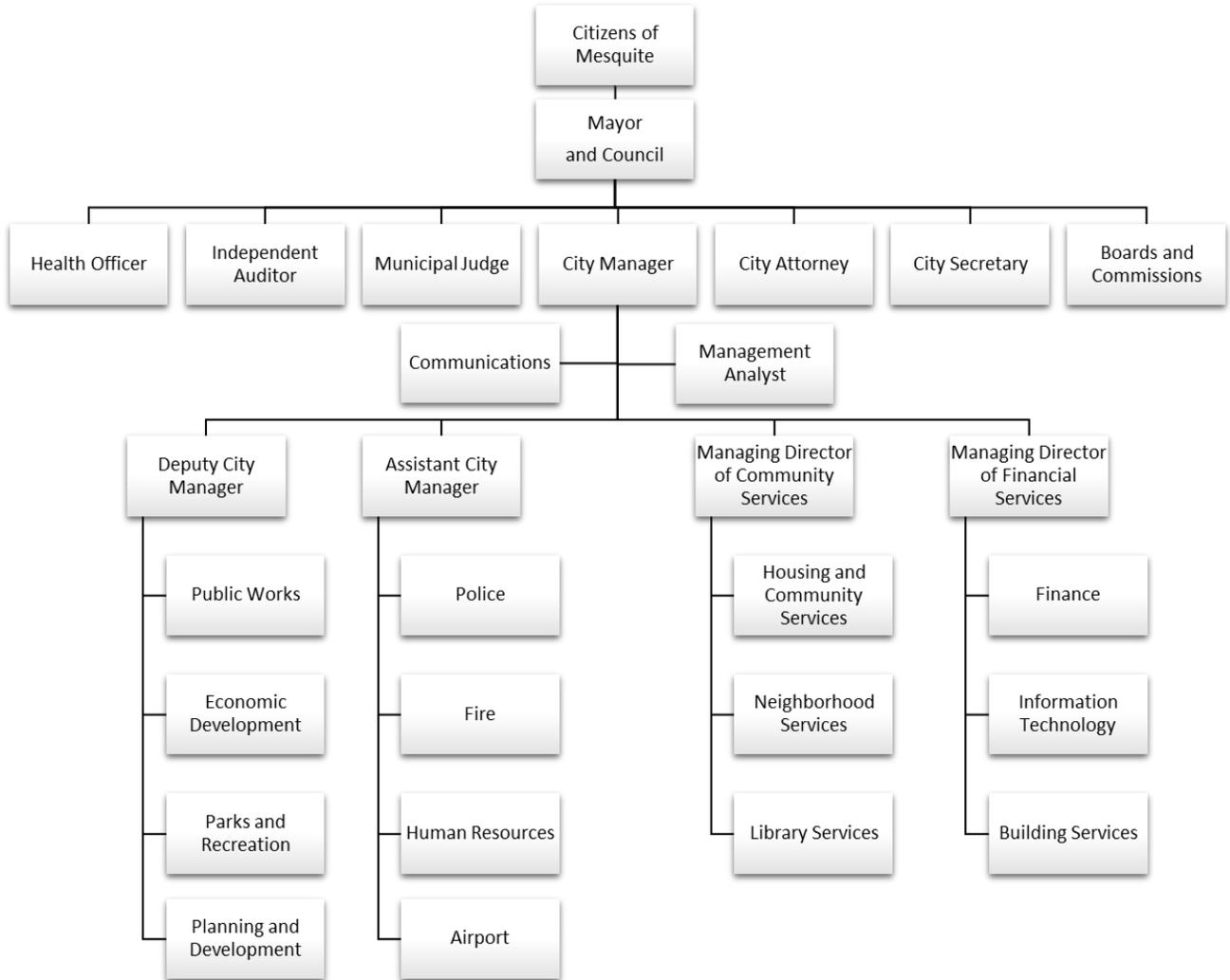
Cliff Keheley, City Manager

Deborah Mol, CPA, Director of Finance

Sheree Haynes, Manager of Accounting Services

City of Mesquite, Texas

Organizational Chart October 1, 2017





April 12, 2018

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

The Comprehensive Annual Financial Report (“CAFR”) of the City of Mesquite, Texas (the City), for the fiscal year ended September 30, 2017, 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.

BKD LLP has issued an unmodified (“clean”) opinion on the City’s financial statements for the year ending September 30, 2017. The independent auditor’s 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 auditor’s report and provides a narrative introduction, overview and analysis of the basic financial statements.

Article IV, Section 32 of the City Charter requires an annual audit of the books of account and transactions of all city departments be conducted by an independent certified public accountant selected by City Council. The City is also required to undergo an annual single audit in conformity with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Information related to the single audit, including the supplemental schedule of federal awards, schedules of findings and questioned costs, and independent auditor’s reports on internal controls and compliance are included at the end of this report.

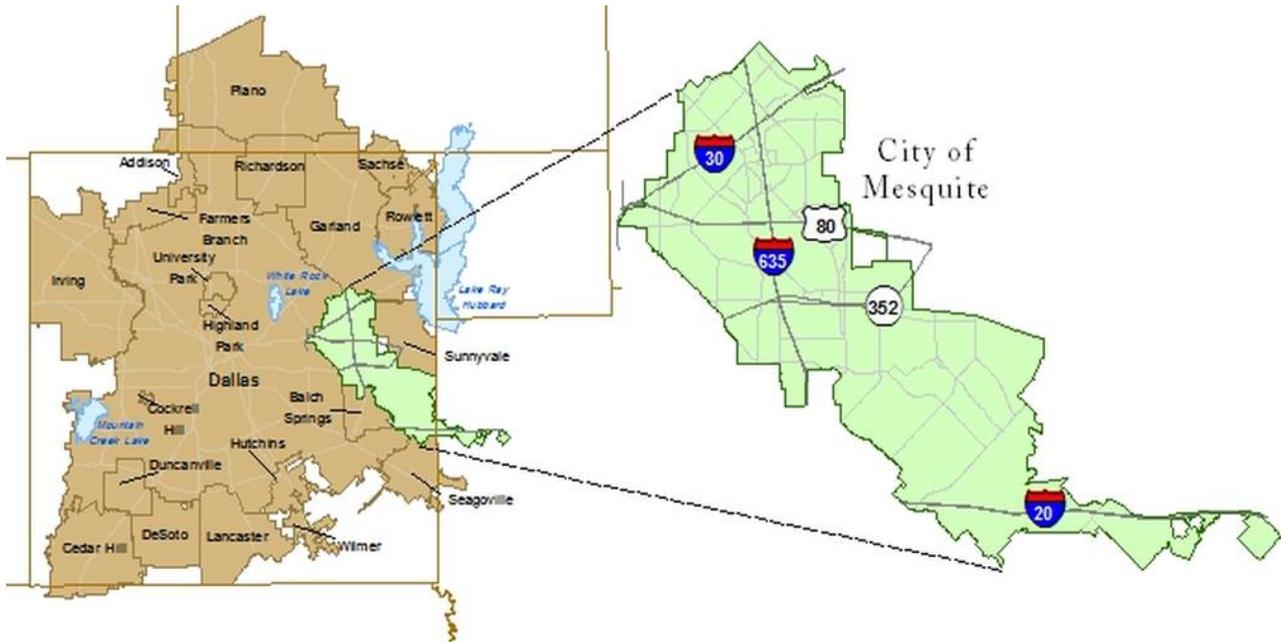
Profile of the City of Mesquite, Texas

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 47.3 square miles.

Mesquite celebrated its 130th birthday on December 3, 2017. 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 also 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 143,060, 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, municipal airport and the municipal golf course 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 of Mesquite is a Home Rule City operating under a Council/Manager form of government. 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. The City Manager serves as the administrative head of the municipal government and is responsible for carrying out policies and for daily management of the City.

The City's financial statements include ten component units, which are discussed in Note 1 of the Notes to The Financial Statements. Component units are legally separate entities for which the primary government is financially accountable.

Local Economy

A positive factor for the City of Mesquite over the years has been the strength of the Dallas area economy. The Metroplex has ranked 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.

Mesquite has several other factors which help foster an optimistic economic outlook for the City including the availability of affordable housing, a well-educated work force, and a retail and service-oriented marketplace. 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 for corporate and general aviation.

Mesquite continues to see growth in all sectors of the commercial, industrial and retail markets. Industrial activity is led by new projects and significant expansion. Strong leasing growth has significantly reduced the available space and thus created a demand for new construction in the industrial and retail sectors. Retail activity is led by shopping center expansion and redevelopment of existing centers. New brands of retail stores and restaurants are entering the market and existing brands are in need of additional space. Ashley Furniture broke ground for construction of an 850,000 square foot state-of-the-art manufacturing distribution facility to open by year-end 2018, which is expected to create 347 new jobs. FedEx Ground completed their redevelopment of the former Big Town Mall site for a 375,000 square foot logistics center, which opened in Fall 2017 and created 350 new jobs. Bronco Packaging Corporation, Orora Visual (formerly Integra Color), Skyline Trade Center and GMan Properties are all expanding or upgrading their current Mesquite operations. Town East Mall continued to operate at 97% occupancy throughout the year. Dick's Sporting Goods became the fifth anchor store for Town East Mall when it opened for business in March 2018. Market East Shopping Center added 75,000 square feet of new retail space that features Home Goods, Michaels and Ulta. The project created 60 new jobs overall. Several new restaurants have also been added to Mesquite's retail sector. On the residential side, Mesquite's newest development in the IH-20 corridor called Hagan Hill, which features 125 new homes by Bloomfield Homes with prices ranges from the \$280's to \$400's, sold out the 57 lots in phase one and is now selling phase two. Bloomfield Homes announced a second development, Ridge Ranch on Mesquite's south end, which will have 750 lots with homes priced from \$260's to \$400's. Mesquite's medical community remains a strong economic driver for the city. Construction of a new medical facility on IH-30 is underway with anticipated completion in 2018. The City also has a new hotel facility, Towne Place by Marriott, under construction near the Convention Center and Rodeo Arena with an anticipated opening in Spring 2018.

In fiscal year 2017, the City continued to experience a turnaround in its fiscal condition. Sales tax revenues were at an all-time high and property tax revenues saw a significant increase due to a nine percent growth in taxable values.

Major Initiatives

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. We encourage you to visit us at <http://www.cityofmesquite.com>.

The City continued its residential street reconstruction project, which is part of a \$125 million general obligation street bond authorization that was approved by voters in November 2015. The Neighborhood Services department added a division entitled Neighborhood Vitality. The mission of Neighborhood Vitality is to create a level of engagement and participation to connect local Mesquite residents to the appropriate resources in order to maintain safe and sustainable neighborhoods. The City also completed a Downtown Market Analysis and held meetings with a citizens visioning group in order to launch a plan for revitalization of Mesquite's historic downtown. The MD&A section of this report provides further review of the current year operating results.

Long Term Financial Planning

In December 2017 and March 2018 City Council met to review their current policy issues and goals for the City. The policy issues identified relate to public safety, neighborhood appearance and condition, job creation, downtown redevelopment, shopping center revitalization, IH-20 corridor development, small business retention, sharing our story, minority citizen involvement, infrastructure maintenance and retail vitality. City staff continued to utilize the budgeting for outcomes process for development of the fiscal year 2018 budget. The budgeting for outcomes process allows the City to better allocate limited resources to the highest priorities citizens want which is better alignment with Council goals to help improve accountability and public trust.

Capital projects such as new roads, continued traffic improvements along the Interstate 635 interchange 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 the City's general infrastructure. To address these goals, the City maintains a five-year capital projects plan that provides a framework for the development and maintenance of infrastructure to meet current and future needs.

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 its citizens. To preserve the value of its 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 City introduced a new initiative in the fall of 2015 called Helping Others in Mesquite Everyday (HOME), which also supports neighborhood revitalization and redevelopment in the Mesquite Community. The HOME program is made possible through a collaborative partnership between Keep Mesquite Beautiful, Inc., the City of Mesquite and community volunteers and businesses. The new Neighborhood Vitality division of Neighborhood Services will also help achieve the overall objectives identified in this area.

The City Council also recognizes that the need to attract and retain a qualified workforce is dependent upon a competitive compensation and benefit package for City 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 survey of peer cities. The City Council is also committed to regular reviews of employee benefits such as insurance, retirement, paid holidays, and working conditions to ensure that Mesquite is providing an attractive work environment.

Relevant Financial Policies

Internal Controls. 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 is 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 assigned fund balance 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 Managing Director of Financial Services, Finance Director and Manager of Budget and Financial Analysis. 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 Manager of Budget and Financial Analysis, Finance Director, Managing Director of Financial Services, 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 prepared. The monthly financial reports are presented to the City Council on a quarterly basis.

Revenue Policy. The City will strive to maintain a diversified and stable revenue system to shelter it from unforeseeable short-run fluctuations in any one-revenue source.

Transfers between funds shall only be authorized by City Council and only to the extent that the basis and justification for the transfer can be quantified. Fund transfers may occur when surplus fund balances are used to support non-recurring capital expenses or when needed to satisfy debt service obligations.

One-time revenues will not be used for funding on-going appropriations. One-time revenues should be used to fund capital improvements, capital equipment or other one-time appropriations.

Charges for services, or user fees, shall be reviewed at least every two years for the effects of inflation and revised subject to City Council approval.

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 (“CAFR”) for the fiscal year ended September 30, 2016. This was the thirty-eighth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR 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,

A handwritten signature in blue ink that reads "Deborah A. Whit". The signature is written in a cursive, flowing style.

Director of Finance



Government Finance Officers Association

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for Excellence
in Financial
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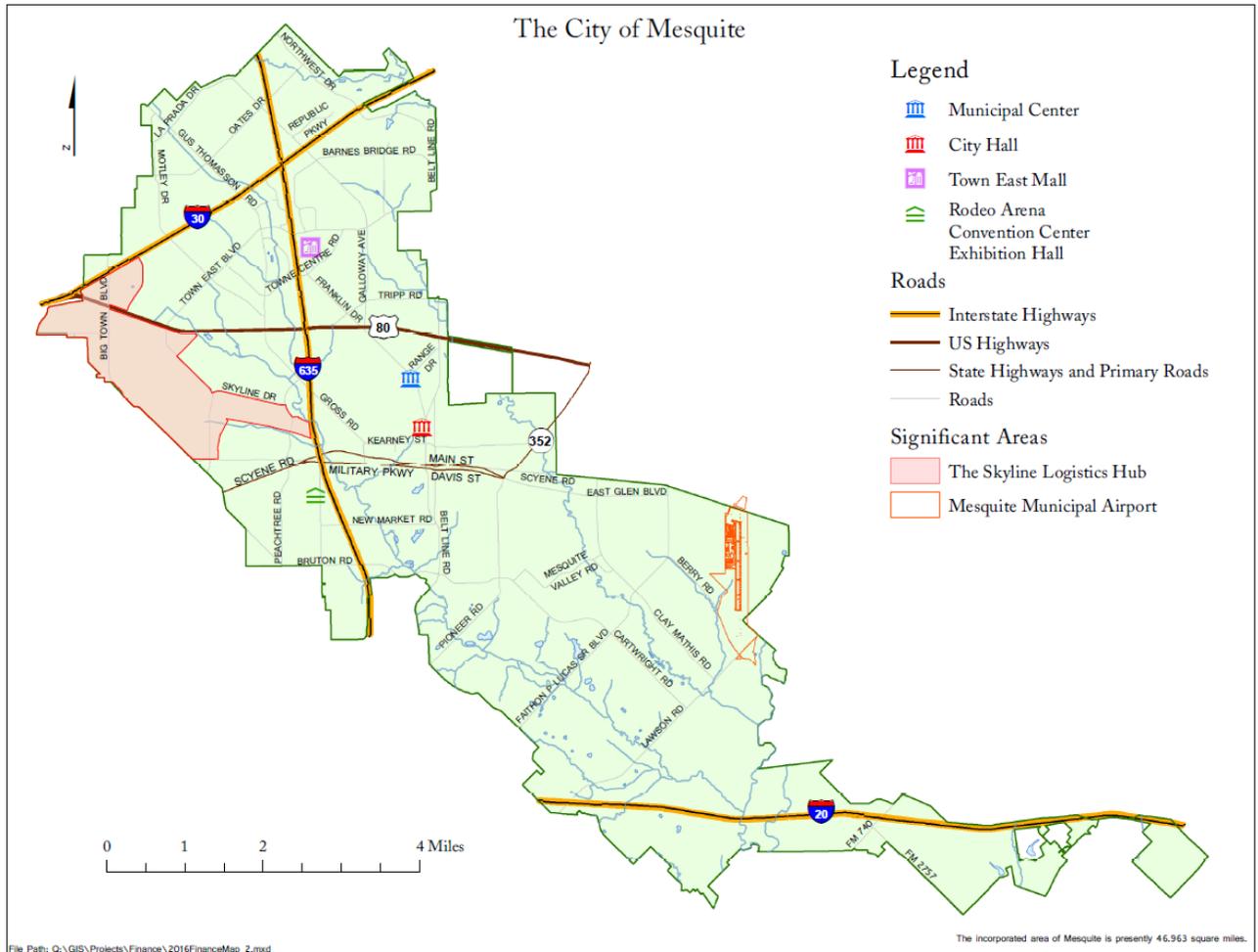
**City of Mesquite
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO



Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of Mesquite, Texas
Mesquite, Texas

Report on the Financial Statements

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 (City) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the housing grants special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements, budget and actual schedules, statistical section, the schedule of expenditures of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the schedule of expenditures of state awards, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budget and actual schedules and schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements, budget and actual schedules and schedule of expenditures of federal awards information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections and schedule of expenditures of state awards have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated April 12, 2018, 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 solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
April 12, 2018

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City of Mesquite, Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2017

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, 2017. 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 and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$219.9 million (net position). Within the total net position, unrestricted is a \$46.7 million deficit.
- The City's total net position increased by \$3.1 million this fiscal year. Governmental activities which receive taxes and other non-exchange revenues, decreased \$10.0 million and business type activities increased by \$13.1 million.
- As of the close of the current fiscal year, the City of Mesquite's governmental funds reported combined ending fund balances of \$78.1 million, a decrease of \$16.6 million from the prior year due primarily to increased activities for capital improvements. Of this amount, \$18.3 million is available for spending subject to the City's self-imposed limitations by management for intended use.
- At year-end, the unassigned fund balance for the General Fund was \$18.3 million and total fund balance was \$20.2 million. Total fund balance represents approximately 18.3 percent of expenditures and transfers out and exceeds the 15 percent required by the City's adopted fund balance policy. On a current financial resources basis, total fund balance for the General Fund increased \$2.0 million which was primarily the result of revenue resources coming in higher than budgeted.
- The City's debt, excluding premiums, decreased by \$1.3 million during this current fiscal year. The City issued government obligation refunding and certificate of obligation debt for street reconstruction, capital replacement, municipal building improvements, as well as revenue bonded debt for water and sewer improvements. Scheduled payments, and refundings in 2017 exceeded current year issuances.
- The Group Medical Insurance Internal Service fund continued to experience high claims while working on recovering from a negative fund balance. The City implemented a multi-year strategy for major plan changes to bring the fund balance back to a positive position. In addition to the previous year's changes which included changing the plan administrator, the City increased deductibles and out-of-pocket maximums, provided no City contribution to pre-65 retiree HSA accounts and implemented a spousal surcharge when a spouse is available to be covered by another plan but instead selects the City's plan.
- The City experienced lower number of claims this year in its General Liability Internal Service fund. The City will continue to work on eliminating the deficit fund balance through increased insurance rates to user departments.

OVERVIEW OF 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 position presents information on all of the City's assets and liabilities and deferred inflows/outflow of resources with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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, municipal airport services, and municipal golf course.

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 balance 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 funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Housing Grants Special Revenue, Local Finance Capital Project, and Bond Finance Capital Project funds, all of which are major funds. Data from the other six governmental funds are combined into a single, aggregated presentation titled Other Governmental Funds. Individual fund data for these non-major other governmental funds is provided in the form of combining statements and individual statements and schedules section of this report.

The City adopts an annual appropriated budget for the General and the Housing Grants Special Revenue funds, which are presented 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, municipal golf course 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. The non-major funds are the Municipal Golf Course and the Municipal Airport. 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 non-major funds and 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 and other post employment benefits. Required supplementary information immediately follows the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Mesquite, assets and deferred outflows exceeded liabilities and deferred inflows by \$219.9 million as of September 30, 2017.

The largest portion of the City's net position (116 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 Position (in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 93,350	\$ 108,505	\$ 61,495	\$ 53,175	\$ 154,845	\$ 161,680
Capital assets	253,606	236,496	201,732	192,107	455,338	428,603
Total assets	<u>346,956</u>	<u>345,001</u>	<u>263,227</u>	<u>245,282</u>	<u>610,183</u>	<u>590,283</u>
Deferred outflow of resources	27,698	32,797	3,751	3,381	31,449	36,178
Long-term liabilities outstanding	306,585	301,066	91,131	87,942	397,716	389,008
Other liabilities	11,718	9,892	8,550	6,848	20,268	16,740
Total liabilities	<u>318,303</u>	<u>310,958</u>	<u>99,681</u>	<u>94,790</u>	<u>417,984</u>	<u>405,748</u>
Deferred inflow of resources	3,163	3,599	567	286	3,730	3,885
Net investment in capital assets	119,708	119,854	139,837	131,551	259,545	251,405
Restricted net position	23,620	9,199	3,507	3,387	27,127	12,586
Unrestricted net position	(90,141)	(65,812)	23,387	18,647	(66,754)	(47,165)
Total net position	<u>\$ 53,187</u>	<u>\$ 63,241</u>	<u>\$ 166,731</u>	<u>\$ 153,585</u>	<u>\$ 219,918</u>	<u>\$ 216,826</u>

Within the total net position, unrestricted is a \$46.7 million deficit. An additional portion of the City's net position (5 percent) represents resources that are subject to external restriction on how they may be used.

The current and other assets decreased in the governmental activities by \$15.2 million and in the business-type activities increased by \$8.3 million. The decrease in the governmental activities assets is primarily due to a reduction in pooled cash and investments used in the construction of assets and partially offset by an increase in net receivables. Increase in the business-type activities is primarily due to an increase in pooled cash and investments and net receivables as a result of current year operations..

The City's total liabilities increased by \$12.2 million due primarily to the increase in net pension liability and payables related to construction, and the majority of the deferred amounts are for pension related items.

Analysis of the City's Operations. Governmental and Business-type activities increased the City's net position by \$3.1 million. The key elements of this decrease and the prior year results are as follows:

**City of Mesquite's Change in Net Position
(in Thousands)**

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 33,586	\$ 33,936	\$ 70,112	\$ 65,020	\$ 103,698	\$ 98,956
Operating grants and contributions	14,995	14,052	66	23	15,061	14,075
Capital grants and contributions	1,125	603	1,025	674	2,150	1,277
General revenues:						
Ad valorem taxes	44,479	38,328	-	-	44,479	38,328
Gross receipts taxes	7,698	7,806	-	-	7,698	7,806
Sales taxes	45,476	44,761	-	-	45,476	44,761
Sale of capital assets	257	-	60	38	317	38
Investment income	741	391	339	180	1,080	571
Total revenues	<u>148,357</u>	<u>139,877</u>	<u>71,602</u>	<u>65,935</u>	<u>219,959</u>	<u>205,812</u>
Expenses:						
General government	38,015	35,751	-	-	38,015	35,751
Fire services	28,820	27,167	-	-	28,820	27,167
Police services	36,382	35,090	-	-	36,382	35,090
Public works	20,007	19,722	-	-	20,007	19,722
Planning & community development	3,294	2,991	-	-	3,294	2,991
Housing & community services	15,981	15,425	-	-	15,981	15,425
Library services	2,168	2,064	-	-	2,168	2,064
Parks and recreation	9,805	12,252	-	-	9,805	12,252
Interest on long-term debt	6,081	5,092	-	-	6,081	5,092
Water and sewer	-	-	51,545	49,822	51,545	49,822
Drainage utility	-	-	1,829	1,876	1,829	1,876
Non major funds	-	-	2,940	1,900	2,940	1,900
Total expenses	<u>160,553</u>	<u>155,554</u>	<u>56,314</u>	<u>53,598</u>	<u>216,867</u>	<u>209,152</u>
Increase (decrease) in net position before transfers	(12,196)	(15,677)	15,288	12,337	3,092	(3,340)
Transfers	<u>2,142</u>	<u>5,235</u>	<u>(2,142)</u>	<u>(5,235)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(10,054)	(10,442)	13,146	7,102	3,092	(3,340)
Net position - Beginning	<u>63,241</u>	<u>73,683</u>	<u>153,585</u>	<u>146,483</u>	<u>216,826</u>	<u>220,166</u>
Net position - Ending	<u>\$ 53,187</u>	<u>\$ 63,241</u>	<u>\$ 166,731</u>	<u>\$ 153,585</u>	<u>\$ 219,918</u>	<u>\$ 216,826</u>

Governmental Activities

Governmental activities decreased the City of Mesquite's net position by \$10.1 million.

The City's program revenues from governmental activities increased approximately \$1.1 million (2.3 percent) as compared to the prior year. Charges for services decreased approximately \$350 thousand, operating grants and contributions increased approximately \$943 thousand and capital grants and contributions increased approximately \$522 thousand.

Operating grants and contributions increased \$943 thousand primarily due to increased funding for the Housing Voucher Program. The increase of \$522 thousand in capital grants and contributions is due to additional developer contributions received in fiscal year 2017.

General revenues of the City's governmental activities increased \$7.4 million (8.1 percent) during the year. General revenue from property taxes increased \$6.1 million due to increased property tax values for the year. Sales tax revenues increased \$715 thousand due to improvements in the economy. Gross receipts tax revenue decreased \$108 thousand due to decreased activity from electricity, gas and cable.

Expenses for the City's governmental activities experienced a net increase of \$5.0 million (3.2 percent) compared with the prior fiscal year. The major increases were in General Government, \$2.3 million, Police Services, \$1.3 million, and Fire Services, \$1.7 million.

- General government increased primarily due to the net pension expense adjustment required by the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* reporting requirement and a 2 percent merit increase to all employees.
- Police services increased due to a 2 percent merit increase to all employees, and overtime due to vacant positions.
- Fire services increased due to a 2 percent merit increase to all employees, training for new recruits and overtime due to vacant positions.
- Parks and recreation services decreased primarily due to moving the municipal golf operations to a separate fund that is no longer a governmental activity.

Business-type Activities

Business-type activities increased the City of Mesquite's net position by \$13.1 million.

The City's overall revenues for business-type activities increased by \$5.7 million (8.6 percent) during the fiscal year. The majority of the program revenues for the City's business-type activities are from its water and sewer operations. Water and sewer customer charges increased \$3.8 million due to an eight percent rate increase offset by a slight decrease in consumption of 5.49%. In addition, establishing an enterprise fund for the municipal golf fund increased customer charges by \$1.0 million. Capital grants and contributions increased \$324 thousand. The increase in capital grants and contributions was primarily due to more contributions from developer deposits for the Water Sewer fund and Drainage Utility District fund as a result of new development.

Expenses attributable to the business-type activities increased approximately \$2.7 million (5.1 percent) this fiscal year. The increase is mainly due to increased costs of \$1.8 million for purchasing treated water and wastewater pretreatment. The remainder of the increase is due to an increase pension expense of \$926

thousand as a result of GASB 68. Net transfers out for fiscal year 2017 were less than fiscal year 2016 by \$3.1 million due to the capital contributions to the golf fund from the general fund.

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, unassigned 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 \$78.1 million. Approximately 23.5 percent of this total amount (\$18.3 million) constitutes unassigned fund balance. The remainder of the fund balance is comprised of \$1.9 million for non-spendable, which represents funds committed to pay for prepaid and inventory items, \$55.8 million for restricted, which represents funds restricted for specific purposes by their providers (such as grantors, bondholders, and higher levels of government), and \$2.1 million for assigned, which represents amounts the City intends to use for specific purposes (such as encumbrances, promotion of tourism and capital projects). The fund balance for all governmental funds decreased by \$16.6 million from the previous fiscal year. This overall 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, unassigned fund balance of the General fund was \$18.3 million while the total fund balance was at \$20.2 million. The total fund balance increased by \$2.0 million. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures and net transfers in/out. Unassigned fund balance represents 17.5 percent of total General Fund expenditures and net transfers in/out, while the total fund balance represents 19.3 percent of that same amount. By the City's adopted fund balance policy, fund balance is required to be maintained at 15 percent of General Fund expenditures.

In the General Fund, total revenues increased \$5.1 million from the prior year.

- Ad valorem taxes increased \$6.1 million due to an increase in assessed property values.
- Charges for services decreased \$1.1 million mainly due to sales and user fees for the golf course removed from the General Fund and set up in an Enterprise Fund.

On the expenditure side, the actual expenditures increased \$2.2 million.

- Police services increased \$1.8 million due to a 2 percent merit increase to all employees, equipment purchases of Taser equipment, a WAVE portable alarm system, and overtime due to vacant positions.
- Fire services increased \$992 thousand due to overtime for vacant positions, required merit and step increases.
- Parks and Recreation decreased \$882 thousand due to setting up the new Enterprise Fund for the municipal golf course.
- Remaining increase due to 2 percent merit increase to other departments.

Net transfers out were more in fiscal year 2017 by \$2.8 million. This is due to an increase in transfer for scheduled debt service payments.

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 \$1.3 million at the end of the year. Fund balance increased by \$259 thousand due to increased funding from the grant program.

The Local Finance capital projects fund is reported as a major fund in fiscal year 2017 and is used to account for capital project expenditures from the proceeds of local revenue sources. Fund balance at year end is \$17.1 million, \$15.6 million of which is restricted for various capital projects and specified spending and \$1.6 million is assigned for other capital projects identified by the City. The fund balance increased \$2.4 million which is due to timing fluctuations of capital project spending from year to year. Project spending carries over from year to year depending on the scheduled activity.

The Bond Finance capital projects fund is a major fund used to account for capital project expenditures from the proceeds of governmental debt. See the Capital Asset section for highlights on project spending. Fund balance at year end is \$25.4 million, all of which is restricted for use for the capital projects approved within the various bond issues. The fund balance decreased \$19.5 million which is due to timing fluctuations of issuing of bonds versus capital project spending from year to year and the street bond rehabilitation program.

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 position of the Water and Sewer fund at the end of the year amounted to \$24.2 million and the Drainage Utility District amounted to \$4.9 million. The change in unrestricted net position for both funds was an increase of \$9.3 million in the Water/Sewer Fund and a decrease of \$294 thousand in the Drainage Utility District Fund. 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 an increase in customer charges of \$170 thousand. The increase in customer charges was due to updating the commercial account's impervious areas and billing for drainage only on inactive water/sewer accounts.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City made revisions to the original appropriations approved by the City Council. Overall, these changes resulted in an increase in budgeted revenues and transfers in by \$814 thousand and a decrease in expenditures and transfers outs of \$345 thousand from the original budget. The increase in budgeted revenues was to reflect increased collections of ad valorem tax revenue during the year by approximately \$45 thousand, an increase in Licenses and Permits activity of \$18 thousand, an increase in fines and forfeitures activity of \$55 thousand, an increase in investments activity of \$24 thousand, an increase in charges for services for \$152 thousand and an increase in other revenue for the Medicaid reimbursement program administered by the Texas Health and Human Services Commission of \$520 thousand.

The main increases in budgeted expenditures were in fire services of \$905 thousand, public works of \$628 thousand and housing and community services of \$67 thousand. These increases were offset with decreases in general government expenditures of \$2 million as a result of reallocation of the other expenditure category for Council funded budget initiatives to the proper spending category, police services of \$351 thousand and planning and community development of \$63 thousand. The increases in fire services is due to overtime to cover for vacancies in positions and the increases in public works and housing and community services is related to the City's initiative to improve neighborhood appearances and conditions.

The main budget variances as compared to actual were more revenues of \$1.5 million and more expenditures of \$379 thousand. The increase in revenues were in licenses and permits activity of \$184 thousand, fines and forfeitures of \$229 thousand, charges for services of \$530 thousand, intergovernmental of \$108 thousand and contributions and donations of \$93 thousand. These increases consisted of increased activity in ambulance services, waste collection/disposal services, engineering planning services, and building permits. The remaining increase was due to additional revenue in sales tax of \$501 thousand and ad valorem tax of \$129 thousand.

Reduction of expenditures were primarily due to a savings in general government of \$606 thousand by transferring costs related to the municipal golf course to an enterprise fund, and vacant positions. This savings was offset with increases in police services of \$1.2 million and fire services of \$174 thousand for overtime due to vacancies and training time of all staff regarding new software system for Police and Fire operations and parks and recreation of \$224 thousand primarily due to less funding from the Quality of Life 4B Fund for park operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the City had over \$455.3 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 net investment in capital assets was 6.2 percent for the current fiscal year.

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

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 23,549	\$ 24,849	\$ 12,183	\$ 10,503	\$ 35,732	\$ 35,352
Construction in progress	18,591	12,240	13,880	9,027	32,471	21,267
Buildings	69,237	72,214	6,826	6,486	76,063	78,700
Infrastructure	114,080	100,475	162,800	161,303	276,880	261,778
Improvements	10,700	9,613	1,778	262	12,478	9,875
Equipment	17,449	17,105	4,265	4,526	21,714	21,631
Totals	<u>\$ 253,606</u>	<u>\$ 236,496</u>	<u>\$ 201,732</u>	<u>\$ 192,107</u>	<u>\$ 455,338</u>	<u>\$ 428,603</u>

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

- Approximately \$33.9 million was expended for capital projects in 2017 and \$27.6 million was completed and placed into service.
- Over \$26 million was expended for residential street renovations, alley and sanitary sewer reconstruction projects, Franklin Drive micro-surfacing project, ambulance remount and engine replacement, a public safety radio system and CAD software upgrade as well as continuing work on the Gus Thomason project. Completed and placed into service was \$21.5 million.

- Approximately \$5.3 million was expended on Parks and Recreation capital projects for Florence Recreation Center and Vanston Park, renovations to Debusk Park and Range Park, shade structures for Camp Rorie and City Lake Aquatic Center, park system equipment, and transportation projects. Completed and placed into service was \$4.0 million.
- Over \$7.8 million of infrastructure, improvements, and equipment was expended on the water and sewer system capital projects and \$5.8 was completed and placed into service.

Additional information on the City of Mesquite's capital assets can be found in Note 6 of the Notes to the Basic Financial Statements.

Debt Administration

At year-end, the City had \$241.9 million in net bonded debt outstanding. Of this total amount, \$160.8 million or 66.5 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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation	\$ 82,210	\$ 79,340	\$ -	\$ -	\$ 82,210	\$ 79,340
Certificates of obligation	69,235	74,945	-	-	69,235	74,945
Premium on refunding	9,385	8,522	4,376	3,345	13,761	11,867
Revenue bonds	<u>-</u>	<u>-</u>	<u>76,725</u>	<u>75,165</u>	<u>76,725</u>	<u>75,165</u>
Totals	<u>\$ 160,830</u>	<u>\$ 162,807</u>	<u>\$ 81,101</u>	<u>\$ 78,510</u>	<u>\$ 241,931</u>	<u>\$ 241,317</u>

During the fiscal year, the City had three debt issuances. The first debt issue was for \$7.6 million in general obligation debt to advance refund prior tax exempt bonds. The second debt issue was for \$8.3 million of certificate of obligation debt for constructing and improving streets, roads, and alleys including related drainage, signalization, landscaping, lighting and signage, major repairs and renovations to existing municipal buildings, acquisition of equipment and vehicles for various City departments, acquisition of computer equipment and software for various City departments, and paying for legal, fiscal, engineering and other professional fees in connection with such projects. The third debt issue was for \$12.5 million of revenue bonds for water and sewer improvements as well as to refund prior water and sewer debt issues.

Standard and Poor's Rating Services assigned its 'AA' long-term rating to the city's series 2017 general obligation refunding bonds and series 2017 combination tax and limited surplus revenue certificates of obligation. In addition, Standard and Poor's affirmed its 'AA' long-term and underlying rating on the city's outstanding general obligation debt. Standard and Poor's Rating Services assigned its 'AA' rating and stable outlook to the city's series 2017 waterworks and sewer system revenue refunding and improvement bonds. At the same time, Standard and Poor's affirmed its 'AA' rating on the city's existing system revenue debt.

Moody's Investor Services, Inc. assigned its 'Aa2' long-term rating to the city's series 2017 general obligation refunding bonds and series 2017 combination tax and limited surplus revenue certificates of obligation. In addition, Moody's affirmed its 'Aa2' long-term and underlying rating on the city's outstanding general obligation debt. Moody's assigned its 'Aa2' rating to the city's series 2017 waterworks and sewer system revenue refunding and improvement bonds. At the same time, Moody's affirmed its 'Aa2' rating on the city's existing system revenue debt.

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

Pensions and Retiree Health Care

Pensions and retiree health care continue to receive negative media attention as governments around the nation struggle to properly fund these commitments. The City is committed to providing programs in these areas that are fair to both the employees and taxpayers and that can be sustained over the long term.

Effective for fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments around the nation. The funding valuation is important as the actuarial methods used including strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to and the effectiveness of its funding strategy. Information contained in the financial statements themselves including the first schedule of the Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation. On a reporting basis, the City's financial statements reflect a Net Pension Liability as of September 30, 2017 of \$125,826,170, which is 182.8 percent of the City's annual covered payroll of \$68,843,479.

Retiree health care's actuarially accrued liability has been calculated in accordance with GASB Statement No.45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", to be \$5,191,139 as of September 30, 2017, an increase of \$371,791 from the previous valuation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The financial forecast over the next five years calls for slow to moderate growth highlighted by a more stable housing market boosted by low inventories and high sales prices. With local sales tax collections remaining strong but expected to level off in 2018, new revenues will continue to depend on tax roll growth. The city's growth in property tax has averaged just under 5 percent.

Fiscal year 2018 marks the second year of implementing a hybrid form of the budgeting process known as Budgeting for Outcomes. The City has started to transform its operations and culture under a performance management framework with the next steps involving greater citizen participation and community engagement.

In the 2017-18 budget General Fund revenues and transfers in are projected to increase by 3.0 percent from the 2016-17 final budget with the majority of this increase coming from property tax. General property tax revenue (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 8.17 percent over the preceding year. The City's adopted tax rate is set at \$0.687 per \$100 of assessed valuation. General sales tax receipts have continued to trend upward from the 2016-17 budget. Based on historical patterns, it is expected to begin leveling off during fiscal year 2018 to an approximate growth of 1 percent per year. This revenue source comprises 28.5 percent of General Fund revenues and transfers in and is the most volatile and subject to change based on the economy. The 2017-18 budget includes other modest increases and decreases to some of the other revenue line items that make up the remaining change from the previous year.

General Fund expenditures and transfers out are budgeted at a 3.5 percent increase over the 2016-17 final budget. The 2017-18 budget includes a 2% raise for eligible General Government employees and eligible public safety employees. In addition, a TMRS contribution rate increase, 5% step increases for 32 firefighters and 45 police officers with less than five years of service have been included in the budget. The budget includes new service and programs such as a Neighborhood Vitality division, and a Multi-year plan for I-20 TIF/PID development. There are other increases and decreases between the expenditure categories that offset each other to create the overall budget increase.

Total fund balance for the General Fund is projected to increase by 1.19 percent in fiscal year 2018. The projected ending fund balance is approximately 16.48 percent of budgeted expenditures and transfers out which is greater than the required minimum set by the City's fund balance policy of 15 percent.

The Water and Sewer Fund budget includes rate increases for both water and sewer charges to cover increased costs for treated water and wastewater treatment charges. The water and sewer rates are set to increase by 6 percent in base rates and tiered consumption rates which will be sufficient to meet the City's 1.5 bond coverage requirement and 90-days working capital reserve.

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) 216-6219 or e-mail at shaynes@cityofmesquite.com.

City of Mesquite, Texas

**Statement of Net Position
September 30, 2017**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
ASSETS:			
Pooled cash and investments	\$ 70,557,811	\$ 50,613,942	\$ 121,171,753
Receivables (net of allowance for uncollectibles)	20,280,820	11,627,686	31,908,506
Internal balances	1,139,832	(1,139,832)	-
Inventory	974,026	372,917	1,346,943
Prepays and other assets	359,182	-	359,182
Accrued interest	38,607	20,268	58,875
Capital assets-			
Land and construction in progress	42,140,490	26,062,975	68,203,465
Other capital assets (net of accumulated depreciation)	<u>211,465,115</u>	<u>175,669,202</u>	<u>387,134,317</u>
Total Assets	<u>346,955,883</u>	<u>263,227,158</u>	<u>610,183,041</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refunding	2,602,435	1,245,624	3,848,059
Deferred pension contributions	5,923,948	480,466	6,404,414
Difference in expected and actual experience	-	4,941	4,941
Difference in assumption changes - pension	2,097,408	161,207	2,258,615
Difference in projected and actual earnings on pension assets	16,948,268	1,314,498	18,262,766
Change in proportional share	<u>125,810</u>	<u>544,671</u>	<u>670,481</u>
Total Deferred Outflows of Resources	<u>27,697,869</u>	<u>3,751,407</u>	<u>31,449,276</u>
LIABILITIES:			
Accounts payable	10,488,787	4,508,326	14,997,113
Accrued interest payable	719,283	252,058	971,341
Deposits and other liabilities	746,545	3,789,661	4,536,206
Long-term liabilities:			
Due within one year:			
Bonds payable	14,808,544	6,966,689	21,775,233
Notes payable	578,096	-	578,096
Accrued compensated absences	7,215,282	284,938	7,500,220
Estimated claims payable	1,921,060	-	1,921,060
Due in more than one year:			
Bonds payable	146,021,757	74,134,488	220,156,245
Net other post employment benefit (OPEB) liability	5,191,139	-	5,191,139
Net pension liability	116,916,581	8,909,589	125,826,170
Accrued compensated absences	12,236,904	835,275	13,072,179
Estimated claims payable	<u>1,459,412</u>	<u>-</u>	<u>1,459,412</u>
Total Liabilities	<u>318,303,390</u>	<u>99,681,024</u>	<u>417,984,414</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred gain on refunding	3,804	-	3,804
Difference in projected and actual earnings on pension assets	-	4,033	4,033
Difference in assumption changes - pension	-	36,448	36,448
Difference in expected and actual pension experience	2,788,914	226,058	3,014,972
Change in proportional share	<u>370,286</u>	<u>300,195</u>	<u>670,481</u>
Total Deferred Inflows of Resources	<u>3,163,004</u>	<u>566,734</u>	<u>3,729,738</u>
NET POSITION:			
Net investment in capital assets	119,707,816	139,837,286	259,545,102
Restricted for:			
Capital projects	6,086,768	-	6,086,768
Local finance projects	15,585,506	-	15,585,506
Housing grants	1,348,771	-	1,348,771
Debt service	599,174	3,507,105	4,106,279
Unrestricted	<u>(90,140,677)</u>	<u>23,386,416</u>	<u>(66,754,261)</u>
Total Net Position	<u>\$ 53,187,358</u>	<u>\$ 166,730,807</u>	<u>\$ 219,918,165</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Activities
For the Year Ended September 30, 2017**

	<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	\$ 38,014,718	\$ 7,158,428	\$ 232,045	\$ -
Fire services	28,820,398	2,185,335	12,537	-
Police services	36,381,699	5,222,557	198,425	110,331
Public works	20,006,902	9,002,211	-	830,122
Planning and community development	3,293,918	7,758,868	179,013	-
Housing and community services	15,981,035	168,042	14,124,733	-
Library services	2,168,598	72,146	14,347	-
Parks and recreation	9,804,985	2,018,033	234,284	184,323
Interest on long-term debt	6,081,038	-	-	-
Total governmental activities	<u>160,553,291</u>	<u>33,585,620</u>	<u>14,995,384</u>	<u>1,124,776</u>
Business-type activities:				
Water and sewer	51,545,558	63,465,144	64,901	729,339
Drainage utility	1,829,033	3,965,465	-	295,448
Non-major other enterprise funds	2,939,770	2,681,237	1,720	-
Total business-type activities	<u>56,314,361</u>	<u>70,111,846</u>	<u>66,621</u>	<u>1,024,787</u>
Total function / program activities	<u>\$ 216,867,652</u>	<u>\$ 103,697,466</u>	<u>\$ 15,062,005</u>	<u>\$ 2,149,563</u>
General revenues:				
Ad valorem taxes				
Gross receipts taxes				
Sales taxes				
Gain on sale of capital assets				
Investment income				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Net position - ending				

The accompanying notes are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (30,624,245)	\$ -	\$ (30,624,245)
(26,622,526)	-	(26,622,526)
(30,850,386)	-	(30,850,386)
(10,174,569)	-	(10,174,569)
4,643,963	-	4,643,963
(1,688,260)	-	(1,688,260)
(2,082,105)	-	(2,082,105)
(7,368,345)	-	(7,368,345)
<u>(6,081,038)</u>	<u>-</u>	<u>(6,081,038)</u>
<u>(110,847,511)</u>	<u>-</u>	<u>(110,847,511)</u>
-	12,713,826	12,713,826
-	2,431,880	2,431,880
-	<u>(256,813)</u>	<u>(256,813)</u>
<u>-</u>	<u>14,888,893</u>	<u>14,888,893</u>
<u>(110,847,511)</u>	<u>14,888,893</u>	<u>(95,958,618)</u>
44,478,511	-	44,478,511
7,697,720	-	7,697,720
45,476,442	-	45,476,442
257,074	60,052	317,126
741,295	339,370	1,080,665
<u>2,142,644</u>	<u>(2,142,644)</u>	<u>-</u>
<u>100,793,686</u>	<u>(1,743,222)</u>	<u>99,050,464</u>
(10,053,825)	13,145,671	3,091,846
<u>63,241,183</u>	<u>153,585,136</u>	<u>216,826,319</u>
<u>\$ 53,187,358</u>	<u>\$ 166,730,807</u>	<u>\$ 219,918,165</u>

City of Mesquite, Texas

**Balance Sheet - Governmental Funds
September 30, 2017**

	<u>General</u>	<u>Housing Grants</u>	<u>Local Finance</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:						
Pooled cash and investments	\$ 7,523,571	\$ 1,365,027	\$ 17,270,341	\$ 30,563,043	\$ 12,597,643	\$ 69,319,625
Receivables (net of allowance):						
Accounts receivable	7,550,117	82,185	249,629	-	51,162	7,933,093
Ad valorem taxes	1,487,423	-	-	-	-	1,487,423
Other taxes receivable	1,911,695	-	-	-	60,958	1,972,653
Note receivable	804,560	-	-	-	-	804,560
Intergovernmental	5,809,482	-	-	-	2,273,609	8,083,091
Due from other funds	3,950,667	-	-	-	-	3,950,667
Inventory	974,026	-	-	-	-	974,026
Prepays and other assets	34,507	-	-	-	-	34,507
Accrued interest	9,864	570	6,973	15,459	5,212	38,078
	<u>30,055,912</u>	<u>1,447,782</u>	<u>17,526,943</u>	<u>30,578,502</u>	<u>14,988,584</u>	<u>94,597,723</u>
Total Assets	\$ 30,055,912	\$ 1,447,782	\$ 17,526,943	\$ 30,578,502	\$ 14,988,584	\$ 94,597,723
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ 3,806,663	\$ 16,826	\$ 58,145	\$ 4,765,877	\$ 838,493	\$ 9,486,004
Retainage payable	-	-	-	379,641	59,009	438,650
Deposits	317,056	-	278,590	-	150,899	746,545
Due to other funds	-	-	-	-	49,941	49,941
	<u>4,123,719</u>	<u>16,826</u>	<u>336,735</u>	<u>5,145,518</u>	<u>1,098,342</u>	<u>10,721,140</u>
Total Liabilities	4,123,719	16,826	336,735	5,145,518	1,098,342	10,721,140
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue	<u>5,702,216</u>	<u>82,185</u>	<u>22,200</u>	<u>-</u>	<u>-</u>	<u>5,806,601</u>
Fund Balances:						
Nonspendable	1,813,093	-	-	-	101,112	1,914,205
Restricted	-	1,348,771	15,585,506	25,432,984	13,378,418	55,745,679
Assigned	104,595	-	1,582,502	-	410,712	2,097,809
Unassigned	<u>18,312,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,312,289</u>
Total Fund Balances	20,229,977	1,348,771	17,168,008	25,432,984	13,890,242	78,069,982
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 30,055,912	\$ 1,447,782	\$ 17,526,943	\$ 30,578,502	\$ 14,988,584	\$ 94,597,723

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 Position
As of September 30, 2017**

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

Total fund balance per balance sheet	\$ 78,069,982
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	253,605,605
Other long-term assets less related uncollectibles are not available to pay for current period expenditures and therefore are reported as unavailable revenues in the governmental funds.	5,806,601
Internal service funds are used by management to charge the costs of health claims and general liability to individual funds. A significant portion of the internal service fund's net position (deficit) is included in the governmental activities in the statement of net position.	(5,142,109)
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.	(719,283)
Long-term liabilities, including bonds payable and net pension liability (and the related deferred inflows and deferred outflows) are not due and payable in the current period and therefore are not reported as liabilities, deferred outflows or deferred inflows in the governmental funds. Long-term liabilities consist of:	
General obligation bonds payable	(82,210,000)
Certificate of obligation bonds payable	(69,235,000)
Notes Payable	(578,096)
Deferred charge on refunding	2,602,435
Deferred gain on refunding	(3,804)
Unamortized premiums/discounts on bonds	(9,385,301)
Net other post employment benefit (OPEB) liability	(5,191,139)
Net pension liability	(116,916,581)
Deferred pension contributions	5,923,948
Difference in assumption changes - pension	2,097,408
Difference in projected and actual earnings on pension plan assets	16,948,268
Difference in expected and actual pension experience	(2,788,914)
Net change in proportional share	(244,476)
Accrued compensated absences	<u>(19,452,186)</u>
	<u>(278,433,438)</u>
Net position of governmental activities	<u>\$ 53,187,358</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, 2017

	General	Housing Grants	Local Finance	Bond Finance	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes-						
Ad valorem	\$ 44,458,568	\$ -	\$ -	\$ -	\$ -	\$ 44,458,568
Gross receipts	7,446,414	-	-	-	251,306	7,697,720
Sales	33,020,884	-	-	-	12,455,558	45,476,442
Licenses and permits	2,364,665	-	-	-	34,380	2,399,045
Fines and forfeitures	3,095,807	-	-	-	676,092	3,771,899
Investment income	247,343	9,720	89,673	290,249	96,020	733,005
Charges for services	14,232,844	-	5,991,038	-	1,078,019	21,301,901
Intergovernmental	212,144	13,102,894	227,289	-	1,661,826	15,204,153
Contributions and donations	133,402	-	-	-	212,125	345,527
Other revenues	1,186,833	143,807	167,154	-	38,985	1,536,779
Total Revenues	106,398,904	13,256,421	6,475,154	290,249	16,504,311	142,925,039
EXPENDITURES:						
Current-						
General government	12,831,507	-	779,699	423,313	1,280,939	15,315,458
Fire services	26,537,481	-	374,860	578,918	81,289	27,572,548
Police services	34,015,588	-	665,272	677,534	1,548,974	36,907,368
Public works	12,230,519	-	599,759	568,820	790,367	14,189,465
Planning and community development	2,443,364	-	16,122	32,790	681,008	3,173,284
Library services	2,041,203	-	-	1,143	12,223	2,054,569
Parks and recreation	1,862,499	-	-	44,317	6,218,698	8,125,514
Housing and community services	2,600,451	12,847,023	-	39,829	513,508	16,000,811
Capital outlay	-	-	1,230,749	26,050,719	6,171,789	33,453,257
Debt service						
Principal	-	-	555,327	-	10,630,000	11,185,327
Interest and fiscal charges	-	-	46,470	-	6,231,379	6,277,849
Bond issuance costs	-	-	-	170,272	109,064	279,336
Total Expenditures	94,562,612	12,847,023	4,268,258	28,587,655	34,269,238	174,534,786
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,836,292	409,398	2,206,896	(28,297,406)	(17,764,927)	(31,609,747)
OTHER FINANCING SOURCES (USES):						
Transfers in	5,750,000	-	1,147,874	-	17,477,559	24,375,433
Transfers out	(15,889,874)	(150,000)	(908,175)	(2,751)	(1,432,081)	(18,382,881)
Issuance of debt	-	-	-	8,285,000	-	8,285,000
Issuance of refunding debt	-	-	-	7,600,000	-	7,600,000
Premium on bonds issued	-	-	-	1,477,154	-	1,477,154
Payment to refunding bond agent	-	-	-	(8,606,647)	-	(8,606,647)
Gain on sale of capital assets	257,074	-	-	-	-	257,074
Total Other Financing Sources (Uses)	(9,882,800)	(150,000)	239,699	8,752,756	16,045,478	15,005,133
NET CHANGE IN FUND BALANCES	1,953,492	259,398	2,446,595	(19,544,650)	(1,719,449)	(16,604,614)
FUND BALANCES AT BEGINNING OF YEAR	18,276,485	1,089,373	14,721,413	44,977,634	15,609,691	94,674,596
FUND BALANCES AT END OF YEAR	\$ 20,229,977	\$ 1,348,771	\$ 17,168,008	\$ 25,432,984	\$ 13,890,242	\$ 78,069,982

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, 2017**

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

Net change in fund balance - total governmental funds		\$ (16,604,614)
<p>All payments for other post employment benefits for the year are recorded as expenditures. However, in the government-wide statement of activities only the actuarially required contribution is considered an expense and accrued as a liability in the Statement of Net Position. This adjustment is to recognize the change in the net other post employment benefits (OPEB) asset/liability.</p>		
		(371,791)
<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 outlay exceeds depreciation in the current period.</p>		
	Capital outlay expenditures	33,453,258
	Depreciation expense	<u>(13,006,852)</u>
		20,446,406
<p>The net effect of various transactions involving capital assets (i.e. sales, trade-ins, donations, and transfers to business-type activities) is to decrease net position.</p>		
		(3,851,515)
<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>		
		546,218
<p>Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount is the net change in deferred inflows of resources.</p>		
		(692,424)
<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 position. Also governmental funds report the effect of 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	(15,885,000)
	Refunded bond debt amortization	(260,288)
	Principal amount of debt paid to bondholders/refunding bond agents	18,725,000
	Principal amount of notes paid	587,912
	Net change in accrued interest payable	(102,544)
	Premium on bonds issued	(1,477,154)
	Net deferred offering charges and related debt issuance items	<u>1,125,221</u>
		2,713,147
<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>		
		(381,439)
<p>Current year pension expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows and inflows of resources balances.</p>		
		(11,418,660)
<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>(439,153)</u>
Change in net position of governmental activities		<u>\$ (10,053,825)</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes-				
Ad valorem	\$ 44,285,000	\$ 44,330,000	\$ 44,458,568	\$ 128,568
Gross receipts	7,560,000	7,560,000	7,446,414	(113,586)
Sales	32,520,000	32,520,000	33,020,884	500,884
Licenses and permits	2,163,500	2,181,100	2,364,665	183,565
Fines and forfeitures	2,812,000	2,867,000	3,095,807	228,807
Investment income	220,000	244,000	247,343	3,343
Charges for services	13,550,500	13,702,600	14,232,844	530,244
Intergovernmental	104,000	104,000	212,144	108,144
Contributions and donations	40,000	40,000	133,402	93,402
Other revenues	824,200	1,344,500	1,186,833	(157,667)
TOTAL REVENUES	<u>104,079,200</u>	<u>104,893,200</u>	<u>106,398,904</u>	<u>1,505,704</u>
EXPENDITURES:				
General government	15,442,998	13,437,201	12,831,507	605,694
Fire services	25,458,743	26,363,339	26,537,481	(174,142)
Police services	33,211,428	32,860,002	34,015,588	(1,155,586)
Public works	12,081,631	12,709,706	12,230,519	479,187
Planning and community development	2,502,418	2,439,919	2,443,364	(3,445)
Library services	2,093,638	2,085,824	2,041,203	44,621
Parks and recreation	1,632,135	1,638,101	1,862,499	(224,398)
Housing and community services	2,582,180	2,649,614	2,600,451	49,163
TOTAL EXPENDITURES	<u>95,005,171</u>	<u>94,183,706</u>	<u>94,562,612</u>	<u>(378,906)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>9,074,029</u>	<u>10,709,494</u>	<u>11,836,292</u>	<u>1,126,798</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,750,000	5,750,000	5,750,000	-
Transfer out	(14,800,000)	(15,966,300)	(15,889,874)	76,426
Gain on sale of capital assets	-	-	257,074	257,074
TOTAL OTHER FINANCING SOURCES (USES)	<u>(9,050,000)</u>	<u>(10,216,300)</u>	<u>(9,882,800)</u>	<u>333,500</u>
NET CHANGE IN FUND BALANCE	<u>\$ 24,029</u>	<u>\$ 493,194</u>	<u>1,953,492</u>	<u>\$ 1,460,298</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>18,276,485</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 20,229,977</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ 3,300	\$ 5,300	\$ 9,720	\$ 4,420
Intergovernmental	12,563,000	12,937,800	13,102,894	165,094
Other revenues	-	-	143,807	143,807
	<u>12,566,300</u>	<u>12,943,100</u>	<u>13,256,421</u>	<u>313,321</u>
TOTAL REVENUES				
EXPENDITURES:				
Current-				
Housing and community services	<u>12,205,250</u>	<u>12,590,047</u>	<u>12,847,023</u>	<u>(256,976)</u>
	<u>12,205,250</u>	<u>12,590,047</u>	<u>12,847,023</u>	<u>(256,976)</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES	<u>361,050</u>	<u>353,053</u>	<u>409,398</u>	<u>56,345</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 BALANCE	<u>\$ 211,050</u>	<u>\$ 203,053</u>	259,398	<u>\$ 56,345</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>1,089,373</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 1,348,771</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Net Position (Deficit)
Proprietary Funds
September 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Funds		
	Water and Sewer	Drainage Utility District	Other Enterprise Funds	Totals	
ASSETS:					
Current assets:					
Pooled cash and investments	\$ 22,059,682	\$ 5,484,847	\$ 252	\$ 27,544,781	\$ 1,238,186
Restricted pooled cash and investments	22,203,479	201,503	-	22,404,982	-
Receivables (net of allowance for uncollectibles)	10,976,730	557,041	93,915	11,627,686	-
Inventory	318,614	-	54,303	372,917	-
Prepays and other assets	-	-	-	-	324,675
Accrued interest	17,530	2,738	-	20,268	530
Total current assets	<u>55,576,035</u>	<u>6,246,129</u>	<u>148,470</u>	<u>61,970,634</u>	<u>1,563,391</u>
Noncurrent assets:					
Revenue bond reserve-					
Restricted pooled cash and investments	290,331	373,850	-	664,181	-
Capital assets-					
Land and construction in progress	11,643,692	5,019,852	9,399,431	26,062,975	-
Other capital assets (net of accumulated depreciation)	139,378,362	25,280,370	11,010,470	175,669,202	-
Total noncurrent assets	<u>151,312,385</u>	<u>30,674,072</u>	<u>20,409,901</u>	<u>202,396,358</u>	<u>-</u>
Total Assets	<u>206,888,420</u>	<u>36,920,201</u>	<u>20,558,371</u>	<u>264,366,992</u>	<u>1,563,391</u>
DEFERRED OUTFLOW OF RESOURCES:					
Deferred charges on refunding	\$ 1,216,326	\$ 29,298	\$ -	\$ 1,245,624	\$ -
Deferred pension contributions	385,755	30,170	64,541	480,466	-
Difference in expected and actual experience	-	-	4,941	4,941	-
Difference in assumption changes - pension	136,860	13,571	10,776	161,207	-
Change in proportional share	-	24,327	520,344	544,671	-
Difference in projected and actual earnings on pension assets	1,118,805	108,252	87,441	1,314,498	-
Total deferred outflow of resources	<u>2,857,746</u>	<u>205,618</u>	<u>688,043</u>	<u>3,751,407</u>	<u>-</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	2,105,743	628,911	48,692	2,783,346	564,134
Estimated claims payable	-	-	-	-	1,921,060
Due to other funds	-	-	129,583	129,583	3,771,143
Deposits and other liabilities	3,759,179	1,056	29,426	3,789,661	-
Accrued compensated absences	178,459	54,696	51,783	284,938	-
Total current liabilities	<u>6,043,381</u>	<u>684,663</u>	<u>259,484</u>	<u>6,987,528</u>	<u>6,256,337</u>
Current liabilities payable from restricted assets:					
Accounts payable	1,724,982	-	-	1,724,982	-
Accrued interest payable	247,663	4,395	-	252,058	-
Bonds payable	6,510,083	456,606	-	6,966,689	-
Total current liabilities payable from restricted assets	<u>8,482,728</u>	<u>461,001</u>	<u>-</u>	<u>8,943,729</u>	<u>-</u>
Total current liabilities	<u>14,526,109</u>	<u>1,145,664</u>	<u>259,484</u>	<u>15,931,257</u>	<u>6,256,337</u>
Noncurrent liabilities:					
Estimated claims payable	-	-	-	-	1,459,412
Bonds payable	72,948,674	1,185,814	-	74,134,488	-
Accrued compensated absences	724,992	36,158	74,125	835,275	-
Net pension liability	7,587,853	658,607	663,129	8,909,589	-
Total noncurrent liabilities	<u>81,261,519</u>	<u>1,880,579</u>	<u>737,254</u>	<u>83,879,352</u>	<u>1,459,412</u>
Total Liabilities	<u>95,787,628</u>	<u>3,026,243</u>	<u>996,738</u>	<u>99,810,609</u>	<u>7,715,749</u>
DEFERRED INFLOW OF RESOURCES:					
Difference in projected and actual earnings on pension assets	-	-	4,033	4,033	-
Difference in assumption changes - pension	-	-	36,448	36,448	-
Difference in expected and actual experience	195,810	15,745	14,503	226,058	-
Changes in proportional share	182,483	91,271	26,441	300,195	-
Total deferred inflow of resources	<u>378,293</u>	<u>107,016</u>	<u>81,425</u>	<u>566,734</u>	<u>-</u>
NET POSITION (DEFICIT):					
Net investment in capital assets	90,923,129	28,504,256	20,409,901	139,837,286	-
Restricted for debt service	2,965,968	541,137	-	3,507,105	-
Unrestricted	19,691,148	4,947,167	(241,650)	24,396,665	(6,152,358)
Total Net Position (Deficit)	<u>\$ 113,580,245</u>	<u>\$ 33,992,560</u>	<u>\$ 20,168,251</u>	<u>\$ 167,741,056</u>	<u>\$ (6,152,358)</u>
RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF NET POSITION:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(1,010,249)	
Total Net Position for Business Type Activities				<u>\$ 166,730,807</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)
 Proprietary Funds
 For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Funds		
	Water and Sewer	Drainage Utility District	Other Enterprise Funds	Totals	
Operating revenues:					
Customer charges	\$ 63,465,144	\$ 3,965,465	\$ 2,681,237	\$ 70,111,846	\$ -
Contributions - City	-	-	-	-	12,439,564
Contributions - other	-	-	-	-	2,560,237
Total operating revenues	<u>63,465,144</u>	<u>3,965,465</u>	<u>2,681,237</u>	<u>70,111,846</u>	<u>14,999,801</u>
Operating expenses:					
Personal services	6,940,303	611,490	799,531	8,351,324	-
Supplies	383,017	7,484	875,569	1,266,070	-
Contractual services	36,333,541	203,930	538,105	37,075,576	15,470,799
Depreciation	5,418,872	948,315	726,565	7,093,752	-
Total operating expenses	<u>49,075,733</u>	<u>1,771,219</u>	<u>2,939,770</u>	<u>53,786,722</u>	<u>15,470,799</u>
Operating income (loss)	<u>14,389,411</u>	<u>2,194,246</u>	<u>(258,533)</u>	<u>16,325,124</u>	<u>(470,998)</u>
Nonoperating revenues (expenses):					
Investment income	291,040	48,292	38	339,370	8,290
Gain or loss on sale of capital assets	55,452	-	4,600	60,052	-
Other nonoperating income (expense)	64,901	-	1,720	66,621	-
Interest expense and fiscal charges	(2,446,270)	(57,814)	-	(2,504,084)	-
Total nonoperating revenues (expenses)	<u>(2,034,877)</u>	<u>(9,522)</u>	<u>6,358</u>	<u>(2,038,041)</u>	<u>8,290</u>
Income (loss) before contributions and transfers	12,354,534	2,184,724	(252,175)	14,287,083	(462,708)
Capital contributions	729,339	295,448	3,849,909	4,874,696	-
Transfers in	450,000	-	239,346	689,346	-
Transfers out	(6,265,095)	(217,000)	(199,804)	(6,681,899)	-
Change in net position (deficit)	<u>7,268,778</u>	<u>2,263,172</u>	<u>3,637,276</u>	<u>13,169,226</u>	<u>(462,708)</u>
Total net position (deficit) - beginning of year	<u>106,311,467</u>	<u>31,729,388</u>	<u>16,530,975</u>	<u>154,571,830</u>	<u>(5,689,650)</u>
Total net position (deficit) - ending	<u>\$ 113,580,245</u>	<u>\$ 33,992,560</u>	<u>\$ 20,168,251</u>		<u>\$ (6,152,358)</u>
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(23,555)	
Change in net position of business-type activities				<u>\$ 13,145,671</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, 2017

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Major Funds	Non-Major Funds			
	Water and Sewer	Drainage Utility District	Other Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 61,312,004	\$ 3,927,709	\$ 2,633,671	\$ 67,873,384	\$ -
Cash received from City funds	-	-	-	-	12,439,564
Cash received from other operating sources	-	-	-	-	2,560,237
Cash paid to suppliers for goods and services	(36,568,218)	(212,543)	(1,436,833)	(38,217,594)	(5,069,502)
Cash paid to employees for services	(6,045,960)	(469,375)	(1,085,426)	(7,600,761)	-
Cash paid to claimants	-	-	-	-	(9,748,818)
Net cash provided by (used for) operating activities	<u>18,697,826</u>	<u>3,245,791</u>	<u>111,412</u>	<u>22,055,029</u>	<u>181,481</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash loan from other City funds	450,000	-	82,034	532,034	379,274
Nonoperating income(expense)	64,901	-	1,720	66,621	-
Transfers out to other funds	(6,242,748)	-	(199,804)	(6,442,552)	-
Net cash provided by (used for) noncapital financing activities	<u>(5,727,847)</u>	<u>-</u>	<u>(116,050)</u>	<u>(5,843,897)</u>	<u>379,274</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the sale of revenue bonds	8,625,000	-	-	8,625,000	-
Proceeds from the sale of capital assets	55,452	-	4,600	60,052	-
Acquisition and construction of capital assets	(7,697,955)	(2,607,272)	-	(10,305,227)	-
Principal paid on revenue bond maturities	(5,585,000)	(435,000)	-	(6,020,000)	-
Interest paid on revenue bonds	(2,505,461)	(61,294)	-	(2,566,755)	-
Bond issuance costs and other debt related activity	(119,687)	-	-	(119,687)	-
Net cash used for capital and related financing activities	<u>(7,227,651)</u>	<u>(3,103,566)</u>	<u>4,600</u>	<u>(10,326,617)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	<u>308,093</u>	<u>50,687</u>	<u>38</u>	<u>358,818</u>	<u>8,726</u>
Net cash provided by investing activities	<u>308,093</u>	<u>50,687</u>	<u>38</u>	<u>358,818</u>	<u>8,726</u>
NET INCREASE (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS	6,050,421	192,912	-	6,243,333	569,481
POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>38,503,071</u>	<u>5,867,288</u>	<u>252</u>	<u>44,370,611</u>	<u>668,706</u>
POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 44,553,492</u>	<u>\$ 6,060,200</u>	<u>\$ 252</u>	<u>\$ 50,613,944</u>	<u>\$ 1,238,187</u>
RECONCILIATION OF TOTAL POOLED CASH AND CASH EQUIVALENTS:					
Current assets:					
Pooled cash and investments	\$ 22,059,682	\$ 5,484,847	\$ 252	\$ 27,544,781	\$ 1,238,187
Restricted pooled cash and investments	22,203,479	201,503	-	22,404,982	-
Noncurrent assets:					
Revenue bond reserve-pooled cash and investments	<u>290,331</u>	<u>373,850</u>	<u>-</u>	<u>664,181</u>	<u>-</u>
	<u>\$ 44,553,492</u>	<u>\$ 6,060,200</u>	<u>\$ 252</u>	<u>\$ 50,613,944</u>	<u>\$ 1,238,187</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, 2017

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Major Funds	Drainage Utility District	Non-Major Other Enterprise Funds		
	Water and Sewer				
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 14,389,411	\$ 2,194,246	\$ (258,533)	\$ 16,325,124	\$ (470,998)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-					
Depreciation	5,418,872	948,315	726,565	7,093,752	-
Change in pension expense	926,042	125,099	(369,497)	791,251	-
Changes in assets and liabilities-					
(Increase)decrease in accounts receivable	(2,064,620)	(37,755)	(48,138)	(2,150,513)	-
(Increase) decrease in inventory	(28,663)	-	(22,965)	(51,628)	-
(Increase) decrease in prepaid items	-	-	-	-	113,255
Increase (decrease) in accounts payable	202,051	1,532	14,515	218,098	400,898
Increase (decrease) in claims payable	-	-	-	-	138,326
Increase(decrease) in deposits	(88,520)	-	572	(87,948)	-
Increase(decrease) in accrued compensated absences	(56,747)	15,483	68,893	27,629	-
Total adjustments	4,308,415	1,052,674	369,945	5,840,641	652,479
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 18,697,826	\$ 3,246,920	\$ 111,412	\$ 22,165,765	\$ 181,481
NONCASH CAPITAL ACTIVITIES:					
Contribution of capital assets from developers	\$ 729,339	\$ 295,448	\$ -	\$ 1,024,787	\$ -
Contribution of capital assets from governmental activities	-	-	3,849,908	3,849,908	-
Proceeds from issuance of refunding debt paid directly escrow agent	5,253,782	-	-	5,253,782	-
Principal and fiscal charges paid on refunding debt	(5,253,782)	-	-	(5,253,782)	-
Transfers of capital assets	(22,347)	(217,000)	239,347	-	-
Total noncash capital activities	\$ 706,992	\$ 78,448	\$ 4,089,255	\$ 4,874,695	\$ -

(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, 2017**

	<u>Agency Fund</u> Tax Clearing Fund
ASSETS:	
Current assets:	
Pooled cash and investments	\$ 118,182
Taxes receivable levied for other governments (net of allowance for uncollectibles)	<u>3,799,931</u>
Total Assets	<u>\$ 3,918,113</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 118,182
Due to other governments	<u>3,799,931</u>
Total Liabilities	<u>\$ 3,918,113</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2017**

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City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2017

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. 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, one member of the Board is a City Council member with the remaining six members being 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 of one percent 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 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 13. Separate financial statements for these entities are not available.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2017

Government-Wide Financial Statements- The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary 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 inter-fund activity has been removed from these statements with the exception of some vehicle maintenance charges and management information services provided to user departments. The inter-fund services provided and used are not eliminated in this process of consolidation. 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 position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as "net position". Over time, increases or decreases in net position 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 position 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 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, Housing Grants Special Revenue, Local Finance Capital Project and Bond Finance Capital Project funds, all of which are major funds. Data from the other six funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. Budgetary comparison schedules follow these combining statements for those non-major funds that 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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2017

funds and the Municipal Airport and Golf Course funds are presented in a separate column as the non-major enterprise funds. 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. The activity in these funds is allocated between governmental type activities and business type activities based on proportionate use for presentation in the government wide 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, deferred outflow of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are reported on the statement of net position.

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, debt service expenditures, as well as expenditures related to compensated absences, and other long term liabilities, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources.

The revenues susceptible to accrual are ad valorem taxes, gross receipts taxes, licensees, charges for services, fines and fees, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or with the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government, as they are deemed immaterial.

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

City of Mesquite, Texas

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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 non-operating 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 Local Finance capital project fund is used to account for financial resources generated from local revenue sources to be expended for various capital projects. This fund includes the resources of the two Tax Increment Financing Districts as well as the Housing Finance, Health Facilities and Industrial Development Corporations. The individual projects within the Local Finance fund 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 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 storm water runoff; adopt a comprehensive storm water ordinance; operate a street sweeping program; design, establish and review storm water 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

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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 2016-2017 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 2016-2017 the City Council amended the budget 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, Confiscated Drug and Other Grants 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 unperformed commitments (i.e., purchase orders, contracts, or other forms of legal commitment). All appropriations and encumbrances lapse at fiscal year end, and any valid encumbrances outstanding at fiscal year-end are re-appropriated as part of the subsequent year's budget pursuant to state regulations.

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 inter-fund receivables of the General Fund and inter-fund payables of the deficit fund.

Investments purchased with pooled cash are classified as pooled cash and investments in the accompanying government-wide and fund financial statements. 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

City of Mesquite, Texas

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fund, which is allocated to the General Fund. Investments are recorded at amortized cost, and at fiscal year-end investments with original maturity greater than one year are reflected at fair value on the accompanying government-wide and fund financial statements.

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 *Deposit and Investment Risk Disclosures*.

Inter-fund 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 position, 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, 2017, 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 acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Construction in progress is not depreciated until the assets are placed into service. 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

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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, 2017 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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 position. Bond premiums and discounts 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 other financing sources (uses) 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.

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Nature and Purpose of Classifications of Fund Equity- Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on Council direction according to the City's fund balance policy. Fund balances classified as non-spendable are resources that cannot be spent because of their form or because they must be maintained intact.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available. When assigned and unassigned amounts are available, expenditures from other than the assigned purpose will be spent from unassigned fund balance first.

Net Position- In the government-wide financial statements and proprietary funds, net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The net position is reported in three components (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Net position 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 position is 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.

Deferred Outflows/Inflows of Resources – In addition to assets, the statements of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category:

- Deferred loss on refunding - A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension contributions – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized as a component of pension expense on a closed basis over a five year period beginning with the period in which the difference occurred.
- Difference in assumption changes – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they incurred.

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- Difference in expected and actual experience - pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they incurred.
- Difference in proportional share – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they were incurred.

In addition to liabilities, the statements of net financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three items that qualify for reporting in this category.

- Deferred gain on refunding – deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Difference in expected and actual pension experience – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which the difference occurred.
- Unavailable revenue – This item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues the following sources: ambulance, ad valorem taxes, court fines and fees, grass and weed mowing, HUD vouchers, and other receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in assumption changes - pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they incurred.
- Difference in proportional share – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they were incurred.

New Accounting Pronouncements – The Governmental Accounting Standards Board (“GASB”) has issued the following new statements to be implemented in future years.

Statement No. 73: Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68

GASB Statement No. 73: Accounting for Financial Reporting for Pension and Related Assets that are not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB 67 and 68 was issued in June 2015. The objective of this Statement is to improve the usefulness of information about pensions included in

City of Mesquite, Texas

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the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement was effective for the City in fiscal year 2017 and did not have a material effect on the City.

Statement No. 74: Financial Reporting for Postemployment Benefit Plans other than Pension Plans

GASB Statement No. 74: Financial Reporting for Postemployment Benefit Plans other than Pension Plans was issued June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement was effective for the City in fiscal year 2017 and did not have a material effect on the City.

Statement No. 75: Accounting and Financial Reporting for Postemployments Benefits Other than Pensions

GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions was issued June 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This standard becomes effective in fiscal year 2018.

Statement No. 77: Tax Abatement Disclosures

GASB Statement No. 77: Tax Abatement Disclosures was issued in August 2015. This Statement improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. This Statement was effective for the City in fiscal year 2017 and did not have a material effect on the City. See footnote 15 for the City's Tax Abatement disclosure.

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Statement No. 78: Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

GASB Statement No. 78: Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans was issued in December 2015. This statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities, note disclosures, and required supplementary information for pensions that have the characteristics described above. This Statement was effective for the City in fiscal year 2017 and did not have a material effect on the City.

Statement No. 80: Blending Requirements for Certain Component Units

GASB Statement No. 80: Blending Requirements for Certain Components was issued January 2016. This Statement amends the blending requirements of the financial statement presentation of component units of all state and local governments. This additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organization Are Component Units. This Statement was effective for the City in fiscal year 2017 and did not have a material effect on the City.

Statement No. 81: Irrevocable Split-Interest Agreements

GASB Statement No. 81: Irrevocable Split-Interest Agreements was issued March 2016. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liability, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interest in irrevocable split-interest agreements that are administrated by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This standard becomes effective for the City in fiscal year 2018.

Statement No. 82: Pension Issues

GASB Statement No. 82: Pension Issues was issued March 2016. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This standard was effective for the City in fiscal year 2017 and did not have a material effect on the City.

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Statement No. 83: Certain Asset Retirement Obligations

GASB Statement No. 83: Certain Asset Retirement Obligations was issued November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets. Other obligations to retire tangible capital assets may arise from contracts or court judgments. This standard becomes effective for the City in fiscal year 2019.

Statement No. 84: Fiduciary Activities

GASB Statement No. 84: Fiduciary Activities was issued January 2017. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary components units and postemployment benefit arrangements that are fiduciary activities. This standard becomes effective for the City in fiscal year 2020.

Statement No. 85: Omnibus 2017

GASB Statement No. 85: Omnibus 2017 addresses practice issues that have arisen during implementation of other GASB standards. Among the topics addressed are blending of component units for a business-type activity that reports in a single column, presentation of goodwill from acquisitions that occurred prior to GASB 69, valuation of money market and certain other investments and certain issues relating to pensions and other postemployment benefits. These updates either provide clarification, correction, or additional guidance on the topics covered. This standard becomes effective for the City in fiscal year 2018.

Statement No. 86: Certain Debt Extinguishment Issues

GASB Statement No. 86: Certain Debt Extinguishment Issues eliminates an inconsistency in the literature related to in-substance defeasance of debt. Under previous guidance, debt could only be considered defeased if there was a refunding. GASB 86 now allows defeasance treatment even if the government uses existing assets and does not issue new debt. However, any resulting gain or loss will be recognized in the period of the defeasance. GASB 86 also includes guidance on handling prepaid insurance in any debt extinguishment. Additionally, there is a new requirement for all in-substance defeasances to disclose any ability to substitute risk-free monetary assets with those that are not. This standard becomes effective for the City in fiscal year 2018.

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Statement No. 87: Leases

GASB Statement No. 87: Leases provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and corresponding liability. The liability will be based on payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months.

Contracts that contain lease and non-lease components will need to be separated so each component is accounted for accordingly. This standard becomes effective for the city in fiscal year 2021.

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 position.

Deposits

At September 30, 2017, the carrying amount of the City's demand deposits and certificates of deposit totaled \$1,240,851 and the bank balance was \$4,087,914. Cash on hand for the City was \$15,647. Cash on hand for the Fiduciary fund was \$118,182.

Investments

The City's investments at September 30, 2017, are:

Investment type	Fair Value	Weighted Average Maturity (Years)
Managed Pools:		
Texpool	\$16,883,822	0.00039
Texstar	18,465,483	0.00042
Texas Class	42,576,444	0.00097
Money Market:		
Wells Fargo (Morgan Stanley)	10,083,561	0.00023
US Agency Notes	31,905,945	0.31272
Total	<u>\$119,915,255</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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2017

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 helps minimize credit risk by requiring the City to limit investments to the safest types of securities, pre-qualify the financial institutions and broker/dealers with which the City will do business, and diversify the investment portfolio so that potential losses on individual securities will be minimized. The City's investments in U.S. Agency securities (FHLB, FFCB, FNMA and FHLMC) are rated AA 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, Texstar, and Texas Class) carried a credit rating of AAAM by Standard and Poor's as of September 30, 2017. Texpool is overseen by the Texas State Comptroller of Public Accounts, and the fair value is the same as the value of the pool shares. Texstar is overseen by a Governing Board consisting of individuals from participating Government Entities in the pool, and the fair value is the same as the value of the pool shares. Texas Class is overseen by a Board of Trustees consisting of individuals from active participating Government Entities in the pool that are elected by the participants, and the fair value is the same as the value of the pool shares. The City's investments in Morgan Stanley's Money Market fund through Wells Fargo carried a credit rating of AAAM by Standard and Poor's and Aaa-mf by Moody's Investor's Service as of September 30, 2017.

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. Investment Policy limits investment portfolio to no more than 80% investment pools, 20% certificates of deposit, 50% money market funds, 20% obligations of the state of Texas, its agencies, counties, cities and other political subdivisions and 20% repurchase agreements of the total investment portfolio. As of September 30, 2017, the City's total investments are in the following: Agency issues (26.7%) consisting of FHLB (31.2%), FFCB (25.0%) and FHLMC (43.8%), investment pools (65.0%), and money market funds (8.4%).

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

3. FAIR VALUE OF ASSETS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2017**

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2017:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2016				
Investments by fair value level				
U.S. agency securities	\$ 31,905,945	\$ -	\$ 31,905,945	\$ -
Total investments by fair value level	<u>31,905,945</u>	<u>-</u>	<u>31,905,945</u>	<u>-</u>
Investments measured at net asset value				
Texas CLASS	42,576,444			
TexSTAR	18,465,483			
Money Market Fund	10,083,561			
	<u>71,125,488</u>			
Investment measured at amortized cost				
TexPool	16,883,822			
Total investments	<u>\$ 119,915,255</u>			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for the applicable external investment pool balances. Additionally, the City has investments in governmental pools as listed above, which are recorded at amortized cost.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2017, no investments here held by the City meeting the Level 3 hierarchy classification.

Investment in State Investment Pools – During the year, the City invested in multiple public fund investment pools, including TexSTAR, TexPool, and Texas CLASS. The fair value of the position of

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2017

TexClass and TexStar are measured at net asset value and is designed to approximate the share value. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

4. 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 and the Kaufman Central Appraisal District at 100% of estimated market value. The total assessed value for the tax roll of January 1, 2016, upon which the 2017 fiscal year levy was based, was \$6,727,941,212. 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, 2017, were \$44,854,333 or 97.04% of the current tax levy and total tax collections (including collections on previous years) were \$45,231,598 or 97.86% 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, 2017, the City had a tax margin of \$1.81300 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.

5. RECEIVABLES

Receivables at September 30, 2017 for the government's individual major funds, which have receivables and non-major in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2017**

	<u>General</u>	<u>Housing Grants</u>	<u>Local Finance</u>	<u>Water and Sewer</u>	<u>Drainage Utility District</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:							
Accounts	\$ 18,479,072	\$ 82,185	\$ 249,629	\$ 11,280,780	\$ 575,822	\$ 151,801	\$ 30,819,288
Ad valorem taxes	2,485,282	-	-	-	-	-	2,485,282
Other taxes	1,911,695	-	-	-	-	60,958	1,972,653
Note receivable	804,560	-	-	-	-	-	804,560
Intergovernmental	5,809,482	-	-	-	-	2,273,609	8,083,091
Gross receivables	29,490,091	82,185	249,629	11,280,780	575,822	2,486,368	44,164,874
Less: allowance for uncollectibles	(11,926,814)	-	-	(304,050)	(18,781)	(6,724)	(12,256,369)
Net total receivables	<u>\$ 17,563,277</u>	<u>\$ 82,185</u>	<u>\$ 249,629</u>	<u>\$ 10,976,730</u>	<u>\$ 557,041</u>	<u>\$ 2,479,644</u>	<u>\$ 31,908,505</u>

The governmental funds report unavailable revenues from the following sources:

<u>Source of revenue</u>	<u>Total</u>
General fund - ambulance accounts receivable	\$ 739,685
General fund - ad valorem taxes receivable	1,399,671
General fund - court fines receivable	1,680,995
General fund - accounts receivable, grass and weed mowing	1,881,865
Housing Grants fund - HUD vouchers	82,185
Local Finance capital projects fund - other receivable	22,200
Total unavailable revenues for governmental funds	<u>\$ 5,806,601</u>

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2017

6. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2017:

	<u>Beginning Balance</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 24,848,764	\$ 108,600	\$ 1,408,432	\$ 23,548,932
Construction in progress	12,239,534	14,270,091	7,918,068	18,591,557
Total capital assets, not being depreciated	<u>37,088,298</u>	<u>14,378,691</u>	<u>9,326,500</u>	<u>42,140,489</u>
Capital assets, being depreciated:				
Buildings	102,428,514	-	804,093	101,624,421
Infrastructure	246,195,131	18,325,134	414,600	264,105,665
Improvements	20,654,818	3,592,945	1,930,193	22,317,570
Equipment	64,182,885	5,620,773	3,051,316	66,752,342
Total capital assets, being depreciated	<u>433,461,348</u>	<u>27,538,852</u>	<u>6,200,202</u>	<u>454,799,998</u>
Less accumulated depreciation for:				
Buildings	30,213,657	2,413,379	239,761	32,387,275
Infrastructure	145,719,988	4,586,332	279,855	150,026,465
Improvements	11,042,411	899,676	324,060	11,618,027
Equipment	47,077,791	5,107,466	2,882,143	49,303,114
Total accumulated depreciation	<u>234,053,847</u>	<u>13,006,853</u>	<u>3,725,819</u>	<u>243,334,881</u>
Total capital assets, being depreciated, net	<u>199,407,501</u>	<u>14,531,999</u>	<u>2,474,383</u>	<u>211,465,117</u>
Governmental activities capital assets, net	<u>\$ 236,495,799</u>	<u>\$ 28,910,690</u>	<u>\$ 11,800,883</u>	<u>\$ 253,605,606</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 10,502,718	\$ 271,883	\$ (1,408,432)	\$ 12,183,033
Construction in progress	9,026,723	9,346,676	4,493,459	13,879,940
Total capital assets, not being depreciated	<u>19,529,441</u>	<u>9,618,559</u>	<u>3,085,027</u>	<u>26,062,973</u>
Capital assets, being depreciated:				
Buildings	8,994,530	-	(804,093)	9,798,623
Infrastructure	261,955,164	6,978,480	(414,600)	269,348,244
Improvements	542,167	67,187	(1,930,193)	2,539,547
Equipment	10,143,222	714,530	(255,737)	11,113,489
Total capital assets, being depreciated	<u>281,635,083</u>	<u>7,760,197</u>	<u>(3,404,623)</u>	<u>292,799,903</u>
Less accumulated depreciation for:				
Buildings	2,509,457	223,546	(239,761)	2,972,764
Infrastructure	100,651,504	5,616,844	(279,855)	106,548,203
Improvements	279,652	158,430	(324,060)	762,142
Equipment	5,616,848	1,094,933	(135,811)	6,847,592
Total accumulated depreciation	<u>109,057,461</u>	<u>7,093,752</u>	<u>(979,487)</u>	<u>117,130,701</u>
Total capital assets, being depreciated, net	<u>172,577,622</u>	<u>666,445</u>	<u>(2,425,136)</u>	<u>175,669,202</u>
Business-type activities capital assets, net	<u>\$ 192,107,063</u>	<u>\$ 10,285,004</u>	<u>\$ 659,891</u>	<u>\$ 201,732,176</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2017**

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

Governmental activities:	
General government	\$ 2,458,856
Fire services	1,080,806
Police services	1,240,982
Public Services	6,411,195
Development Services	107,644
Library services	114,372
Parks and recreation	1,472,969
Community services	120,028
Total governmental activities	<u>\$ 13,006,853</u>
Business-type activities:	
Water and sewer	\$ 5,418,873
Drainage utility	948,315
Municipal airport	502,189
Golf Course	224,376
Total business-type activities	<u>\$ 7,093,753</u>

Construction Commitments

The City has active construction projects as of September 30, 2017. Projects include street construction primarily in the southeast section of Mesquite, fire improvement 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, 2017**

	<u>Spent-to-date</u>	<u>Remaining Construction Commitments</u>
Governmental activities:		
Projects funded by general obligation bonds:		
Streets	\$ 6,896,950	\$ 14,687,072
Fire improvement	7,366,692	2,826,435
Police	4,500	518,027
Parks and recreation	4,078	39,022
Finance	-	9,278
Projects funded by local finance sources:		
Streets	1,107,058	446,905
Parks and recreation	98,786	33,816
Projects funded by general sales tax (4B portion):		
Parks and recreation	1,318,132	1,810,527
Public works	2,128,317	4,514,302
Projects funded by grant funds:		
Police services	-	42,850
Public works	-	92,157
Total governmental activities	<u>\$ 18,924,513</u>	<u>\$ 25,020,391</u>
Business-type activities:		
Projects funded by revenue bonds:		
Water and sewer	\$ 10,459,465	\$ 6,555,733
Drainage utility district	3,381,273	2,458,468
Total business-type activities	<u>\$ 13,840,738</u>	<u>\$ 9,014,201</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2017**

7. 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 under the “Other Governmental Funds” and amounts for loans to the Airport and Health Claims Funds to cover additional cash needed. The current portion of lending/ borrowing arrangements outstanding at September 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Grants Special Revenue Fund	\$ 49,941
General Fund	Airport Fund	\$ 76,535
General Fund	Health Claims Fund	\$3,771,143
General Fund	Golf Course	\$ 53,048

Transfers-

Transfers were as follows for the fiscal year ended September 30, 2017:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 5,750,000	\$ 15,889,874
Housing Grants	-	150,000
Local Finance	1,147,874	908,175
Bond Finance	-	2,751
Non-Major Governmental Funds	17,477,559	1,432,081
Water and Sewer	450,000	6,265,095
Drainage Utility District	-	217,000
Non-Major Enterprise Fund	239,347	199,804
Internal Service Funds	-	-
	<u>\$ 25,064,780</u>	<u>\$ 25,064,780</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2017**

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	\$ 14,800,000
Public Safety Projects	Local Finance	1,089,874
Housing Grants Fund-		
Indirect cost charge	General	150,000
Local Finance Fund-		
Impact Fees	Debt service	908,175
Bond Finance Fund-		
Interest Income Allocation	Debt Service	2,751
Non-Major Governmental Funds-		
Hotel / Motel Tax General Obligation		
Debt Allocation	Local Finance	58,000
Other Special Revenue -		
9-1-1 Operations Subsidy	General	900,000
Traffic Enforcement	General	150,000
Mesquite Quality of Life Corporation	Debt service	324,081
Water and Sewer Enterprise Fund-		
Nonoperating administrative and overhead charge	General	4,550,000
General Obligation Debt Allocation	Debt Service	1,692,748
Capital Assets	Golf Course	22,347
Drainage Utility District		
Capital Assets	Golf Course	217,000
Non-Major Enterprise Fund-		
Airport general obligation debt allocation	Debt service	199,804
	Total	<u>\$ 25,064,780</u>

8. LONG-TERM DEBT

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

- General obligation bonds are issued pursuant to voter authorization for infrastructure and facility projects accounted for in a governmental capital project fund. General obligation bonds have also been issued in previous fiscal years to refund prior debt issues. During the year, \$7,600,000 was issued to advance refund prior tax-exempt bonds in order to lower the overall debt service requirements of the City and pay legal, fiscal, and other professional fees in connection with the issuance of the bonds. The City intends to retire this debt, plus interest, from ad valorem taxes. Bonds still outstanding may be called in whole or in part at the City's option on or after ten years from the date of issuance.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2017

City intends to retire this debt, plus interest, from ad valorem taxes. Bonds still outstanding may be called in whole or in part at the City's option on or after ten years from the date of issuance.

- 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 2017 bond sale was \$8,285,000 for (i) constructing and improving streets, roads, alleys and sidewalks including reconstruction of Town East Boulevard and construction and installation of an adjacent pedestrian trail, and related drainage, signalization, landscaping, lighting and signage; (ii) major repairs and renovations to existing municipal buildings including primarily the main library building, maintenance barn at municipal golf course and animal shelter, and installing and constructing fencing and shade structure at the animal shelter; (iii) constructing and equipping a new fire station; (iv) acquisition of equipment and vehicles for Fire, Police, Animal Services, Housing and Community Services, Public Works, Parks and Recreation and other municipal departments (v) acquisition and installation of communications and technology equipment including computer aided dispatch and computer equipment and software for various municipal departments and (vi) paying for legal, fiscal, engineering and other professional fees in connection with such projects. Certificates still outstanding may be called in whole or in part at the City's option on or after ten years from the date of issuance.
- Contractual obligations have been issued in prior years to acquire equipment and will also be repaid from ad valorem property taxes. There were no contractual obligations issued in the current fiscal year.
- 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 2017 bond sale was \$4,585,000 to be used for refunding a portion of the City's outstanding waterworks and sewer system debt in order to lower the overall debt service requirements of the City and \$7,970,000 to (i) provide funds for improvements, additions and extension to the system; (ii) fund the additional amount required to be accumulated in the Revenue Reserve Fund as a result of the issuance of the bonds; and (iii) to pay the costs of issuance of the bonds. Bonds still outstanding may be called in whole or in part at the City's option on or after ten years from the date of issuance.
- Municipal drainage utility system revenue bonds have been issued in prior years 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. The bonds are not subject to optional redemption prior to maturity.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2017**

Long-term bonded debt at September 30, 2017, includes the following individual issues:

<u>Governmental Activities</u>	<u>Issued Amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
General Obligation Bonds-					
Series 2008 refunding and improvements	2,115,000	3.50-3.625	02/15/21	250,000	175,000
Series 2009 refunding	4,245,000	2.00-4.60	02/15/29	1,085,000	230,000
Series 2010 refunding	1,320,000	2.00-3.625	2/15/23	985,000	150,000
Series 2011 refunding	12,715,000	2.00-5.00	2/15/28	12,395,000	-
Series 2012 refunding	3,765,000	2.00-3.00	2/15/24	3,420,000	455,000
Series 2013 refunding	7,635,000	2.00-3.00	2/15/25	6,440,000	215,000
Series 2014 refunding	9,080,000	3.00-4.00	2/15/26	7,700,000	610,000
Series 2015 refunding	2,935,000	2.00-3.00	2/15/25	2,335,000	305,000
Series 2016 refunding and improvements	40,565,000	1.75-5.00	2/15/36	40,000,000	2,530,000
Series 2017 refunding	7,600,000	2.50-5.00	2/15/29	7,600,000	-
				<u>82,210,000</u>	<u>4,670,000</u>
Certificate of Obligation Bonds-					
Series 2008	10,070,000	3.50-4.00	02/15/28	1,505,000	555,000
Series 2009	11,260,000	2.00-4.60	02/15/29	2,880,000	605,000
Series 2010	12,340,000	3.00-4.5	02/15/30	9,165,000	550,000
Series 2011	11,575,000	2.00-4.125	02/15/31	7,770,000	425,000
Series 2012	7,235,000	2.00-3.375	02/15/32	5,470,000	435,000
Series 2013	5,450,000	2.00-3.00	02/15/33	3,875,000	360,000
Series 2014	9,715,000	3.00-4.00	02/15/34	8,495,000	355,000
Series 2015	14,835,000	2.00-5.00	02/15/35	12,880,000	735,000
Series 2016	11,815,000	2.00-5.00	02/15/36	8,910,000	650,000
Series 2017	8,285,000	1.00-3.67	02/15/37	8,285,000	3,465,000
				<u>69,235,000</u>	<u>8,135,000</u>
Total governmental activities long-term bonded debt				151,445,000	12,805,000
Add: Net premium/discounts on bonds				9,385,301	2,003,544
Net governmental activities long-term bonded debt				<u>\$ 160,830,301</u>	<u>\$ 14,808,544</u>

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2017

	<u>Issued Amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Business-type Activities-</u>					
Water and Sewer Revenue Bonds-					
Series 2007 improvements	7,670,000	4.00-5.000	03/01/27	-	-
Series 2008 improvements	11,585,000	3.50-4.500	03/01/28	2,030,000	525,000
Series 2009 improvements	8,380,000	2.00-4.600	03/01/29	775,000	380,000
Series 2010 improvements	8,270,000	2.00-4.250	03/01/30	6,045,000	370,000
Series 2011 refunding and improvements	14,240,000	2.00-4.125	03/01/31	8,585,000	1,020,000
Series 2012 refunding and improvements	7,945,000	2.00-3.375	03/01/32	5,685,000	455,000
Series 2013 refunding and improvements	7,090,000	2.00-3.375	03/01/33	5,600,000	565,000
Series 2014 refunding and improvements	11,655,000	3.00-4.000	03/01/34	10,310,000	370,000
Series 2015 refunding and improvements	10,325,000	2.00-5.000	03/01/35	8,430,000	990,000
Series 2016 refunding and improvements	15,785,000	2.00-5.000	03/01/36	15,085,000	1,120,000
Series 2017 refunding and improvements	12,555,000	2.00-5.000	03/01/37	<u>12,555,000</u>	<u>195,000</u>
				<u>75,100,000</u>	<u>5,990,000</u>
Drainage Utility System Revenue Bonds-					
Series 2011 refunding	4,385,000	2.00-3.750	03/01/22	<u>1,625,000</u>	<u>450,000</u>
				<u>1,625,000</u>	<u>450,000</u>
Total business-type activities long-term debt				76,725,000	6,440,000
Add: premium on refunding				<u>4,376,177</u>	<u>520,083</u>
Net business-type activities long-term debt				<u>81,101,177</u>	<u>6,960,083</u>
Net long-term bonded debt				<u>\$ 243,294,320</u>	<u>\$ 18,203,661</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>
2018	12,805,000	5,657,351	6,440,000	2,894,052
2019	8,760,000	5,297,145	6,345,000	2,554,033
2020	10,315,000	4,996,926	6,150,000	2,348,855
2021	10,500,000	4,668,070	5,780,000	2,155,527
2022	11,375,000	4,290,620	5,580,000	1,971,838
2023-2027	53,240,000	14,654,702	24,110,000	7,055,414
2028-2032	30,320,000	5,382,149	15,465,000	2,772,291
2033-2037	<u>14,130,000</u>	<u>1,038,807</u>	<u>6,855,000</u>	<u>540,038</u>
Total	<u>\$ 151,445,000</u>	<u>\$ 45,985,770</u>	<u>\$ 76,725,000</u>	<u>\$ 22,292,047</u>

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2017

Advance Refundings- The City's May 2017 bond issues included two advance refundings. Proceeds from the General Obligation Refunding Bond and the Waterworks and Sewer System Revenue Refunding and Improvement Bond issues were used to advance refund and defease in substance certain maturities of the City's existing outstanding bond issuances. The advance refunding allowed the City to recognize savings on future debt payments. The General Obligation refunding resulted in a decrease in total debt service payments of \$707,791 on the new debt over the old debt therefore an economic gain was realized. The Waterworks and Sewer System refunding resulted in a decrease in total debt service payments of \$425,919 of the new debt over the old debt therefore an economic gain was realized. The refunding portion of the issue provided resources to purchase direct obligations of the U. S. government that were placed in a separate irrevocable trust for the purpose of generating resources for all future debt service payments of the debt being refunded. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position in the government-wide financial statements. The difference between the reacquisition price and the net carrying amount of the old debt (deferred amount on refunding) will be reported as a deferred outflow of resources and recognized as a component of interest expense amortized over the remaining life of the original debt or the life of the new debt, whichever is shorter. The statement of net position on the government-wide financial statements reports this deferred amount as a deferred outflow of resources. The details of the refunding debt transaction were as follows:

	General Obligation Refunding Bonds	Waterworks and Sewer System Revenue Bonds
Amount of new debt issue	\$ 7,600,000	\$ 4,585,000
Add: reoffering premium	1,146,429	776,054
Less: net issuance costs	<u>(139,783)</u>	<u>(69,772)</u>
Reacquisition price	8,606,646	5,291,282
Net carrying amount of old debt	<u>8,094,962</u>	<u>4,982,254</u>
Deferred amount on refunding	<u>\$ 511,684</u>	<u>\$ 309,028</u>
Decrease in total debt service payments of new debt over old debt	<u>\$ 707,791</u>	<u>\$ 425,919</u>
Economic gain on refunding	<u>\$ 595,164</u>	<u>\$ 352,878</u>

In prior years, the City defeased certain general obligation and other bonds by using the proceeds of new bonds to purchase direct obligations of the U. S. government that were placed in separate irrevocable trusts for the purpose of generating resources for all future debt service payments of the debt being refunded. As a result, the refunded bonds are considered to be defeased and the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The principal balance of refunded bonds still

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2017**

outstanding at September 30, 2017 was \$14,665,000 for general obligation bonds and \$9,005,000 for water and sewer bonds.

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 \$578,096.

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 \$180.

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>
2018	578,096	23,702
Total	<u>\$ 578,096</u>	<u>\$ 23,702</u>

Compensated Absences – Compensated absences represent the estimated liability for employees’ accrued vacation and sick leave for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund, Housing Grants Fund, Other Grants Fund, and Enterprise Funds based on the assignment of an employee at termination.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2017**

Long-term liabilities activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Refundings/ Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:						
Bonds payable:						
General obligation bonds	\$ 79,340,000	\$ 7,600,000	\$ 2,520,000	\$ (2,210,000)	\$ 82,210,000	\$ 4,670,000
Certificates of obligation	74,945,000	8,285,000	8,110,000	(5,885,000)	69,235,000	8,135,000
Total bonds payable	154,285,000	15,885,000	10,630,000	(8,095,000)	151,445,000	12,805,000
Add: premium on refunding	8,521,721	1,477,154	613,574	-	9,385,301	2,003,544
Total bonds payable	<u>162,806,721</u>	<u>17,362,154</u>	<u>11,243,574</u>	<u>(8,095,000)</u>	<u>160,830,301</u>	<u>14,808,544</u>
Other General Fund long-term liability:						
Notes payable	1,166,008	-	587,912	-	578,096	578,096
Net pension liability	110,169,065	6,747,516	-	-	116,916,581	-
Other post employment benefit (OPEB)	4,819,348	371,791	-	-	5,191,139	-
Accrued compensated absences	19,140,635	1,026,368	714,817	-	19,452,186	7,215,282
Estimated claims payable	<u>2,963,662</u>	<u>13,966,773</u>	<u>13,549,963</u>	<u>-</u>	<u>3,380,472</u>	<u>1,921,060</u>
Total governmental activities	<u>301,065,439</u>	<u>39,474,602</u>	<u>26,096,266</u>	<u>(8,095,000)</u>	<u>306,348,775</u>	<u>24,522,982</u>
Business-type activities:						
Bonds payable:						
Revenue bonds -water/sewer	73,105,000	12,555,000	5,585,000	(4,975,000)	75,100,000	5,990,000
Revenue bonds -drainage	2,060,000	-	435,000	-	1,625,000	450,000
Total revenue bonds payable	75,165,000	12,555,000	6,020,000	(4,975,000)	76,725,000	6,440,000
Add: premium on refunding	3,344,683	1,453,883	422,389	-	4,376,177	520,083
Net revenue bonds payable	78,509,683	14,008,883	6,442,389	(4,975,000)	81,101,177	6,960,083
Capital leases	-	-	-	-	-	-
Net pension liability	8,339,798	569,791	-	-	8,909,589	-
Accrued compensated absences	<u>1,092,583</u>	<u>115,660</u>	<u>88,030</u>	<u>-</u>	<u>1,120,213</u>	<u>284,938</u>
Total business-type activities	<u>87,942,064</u>	<u>14,694,334</u>	<u>6,530,419</u>	<u>(4,975,000)</u>	<u>91,130,979</u>	<u>7,245,021</u>
Total long-term liabilities	<u>\$ 389,007,502</u>	<u>\$ 54,168,936</u>	<u>\$ 32,626,685</u>	<u>\$ (13,070,000)</u>	<u>\$ 397,479,754</u>	<u>\$ 31,768,003</u>

9. RETIREMENT PLAN

Plan Description- The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid agent multiple-employer defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor,

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2017

with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided – Benefits, which include retirement, disability and death 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
Updated Service Credit	100%, Transfers
Annuity Increases to Retirees	50% of CPI

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.

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	733
Inactive employees entitled to but not yet receiving benefits	364
Active employees	<u>1,079</u>
	2,176

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2017

Contributions- The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.30% for January 2017 through September 2017 and 10.29% for October 2016 through December 2016. The City's contributions to TMRS for the year ended September 30, 2017, were \$8,324,268, and were equal to the required contributions.

Net Pension Liability- The City's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
	<u>100.00%</u>	

Discount Rate-The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2017**

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at September 30, 2016	\$ 504,241,810	\$ 385,732,947	\$ 118,508,863
Changes for the year:			
Service cost	11,607,011	-	11,607,011
Interest (on the total pension liability)	33,628,738	-	33,628,738
Difference between expected and actual experience	(265,481)	-	(265,481)
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(23,683,590)	(23,683,590)	-
Administrative expense	-	(294,412)	294,412
Contributions - member	-	7,083,990	(7,083,990)
Contributions - employer	-	4,819,479	(4,819,479)
Net investment income	-	26,059,766	(26,059,766)
Other	-	(15,862)	15,862
Net Changes	21,286,678	13,969,371	7,317,307
Balance at September 30, 2017	\$ 525,528,488	\$ 399,702,318	\$ 125,826,170

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the sensitivity of the net pension liability to changes in the discount rate when calculating it at 1-percentage-point-lower (5.75%) and 1-percentage-point-higher (7.75%).

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 196,214,625	\$ 125,826,170	\$ 67,405,591

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TMRS financial report which may be obtained at www.tmrs.com.

Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$20,669,047.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2017

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 4,941	\$ 3,014,972
Difference between projected and actual investment earnings on pension plan investments	18,262,766	4,033
Changes in assumptions	2,258,615	36,448
Change in proportional share	670,481	670,481
Employer contributions subsequent to the measurement date	6,404,414	-
	<u>\$ 27,601,217</u>	<u>\$ 3,725,934</u>

Deferred outflows of resources of \$6,404,414 related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 5,979,477
2019	5,979,477
2020	5,475,733
2021	40,363
2022	(4,181)
Total	<u>\$ 17,470,869</u>

Allocation of Pension Items

The City allocates pension items between governmental activities and business-type activities on the basis of employee payroll funding.

Required Supplementary Information - Required supplementary information for the schedule of changes in net pension liability and related ratios and schedule of contributions is presented immediately following the Notes to the Basic Financial Statements.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2017

10. REGIONAL SYSTEMS FOR WATER SUPPLY AND WASTEWATER TREATMENT

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

Water Supply- On August 1, 1988, the City entered into a contract with the District whereby the District agreed to provide water supply for the benefit of the City. The provisions of this contract are similar in concept, essence and intent to the provisions of the contract originally entered into on December 12, 1953. In return for this service, the City agreed to pay the District at a rate per 1,000-gallon basis, subject to minimum annual payments which approximated \$19.897 million for the fiscal year ended September 30, 2017.

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, 2017, was approximately \$8.543 million.

11. SELF-INSURANCE

Group Health Insurance- The City established the Group Medical Insurance 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 \$300,000 deductible per individual with an unlimited liability limit per claim. According to the Health Care Reform Act lifetime maximums are no longer allowed. The coverage is consistent with prior years, and settled claims did not exceed this self-insured coverage in fiscal year 2017.

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 Group Medical Insurance internal service fund began the fiscal year with (\$4,478,679) in unrestricted net deficit after inclusion of \$951,034 of estimated outstanding health claims payable. During the year, operating

City of Mesquite, Texas

**Notes to Basic Financial Statements
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and non-operating expenses exceeded operating and non-operating revenues by \$671,751 resulting in a (\$5,150,430) balance in unrestricted net deficit at year-end. Actual claims paid totaled \$11,901,926. The decrease in net position was due to increased medical claims incurred and administrative fees. The City has continued a contract with an outside firm to assist the City in controlling and monitoring medical claims. The City plans to eliminate the deficit fund balance through proposed plan changes, increased premium charges, and increased City contributions to the plan.

The estimated claims payable of \$1,191,354 reported in the Group Medical Insurance 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 2016 and 2017 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2016	\$ 951,034	\$ 13,907,060	\$ 13,907,060	\$ 951,034
2017	\$ 951,034	\$ 8,574,307	\$ 8,333,987	\$ 1,191,354

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 the City.

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 hangar-keeper 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 self insured coverage in any of the past five fiscal years.

The General Liability fund began the fiscal year with unrestricted net position of (\$1,210,971). During the year, operating and non-operating revenues exceeded operating expenses by \$209,043, resulting in a

City of Mesquite, Texas

**Notes to Basic Financial Statements
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(\$1,001,928) balance in unrestricted net position at year-end. Actual claims paid were \$1,414,831. The estimated claims payable of \$2,189,118 reported in the General Liability internal service fund is based on the requirements of GASB No. 10. The liability for unpaid claims includes allocated loss adjustment expenses. Changes in the fund's claims liability amount in fiscal years 2016 and 2017 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2016	\$ 2,039,619	\$ 1,909,952	\$ 1,936,943	\$ 2,012,628
2017	\$ 2,012,628	\$ 1,591,321	\$ 1,414,831	\$ 2,189,118

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.

12. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the City provides postretirement healthcare benefits to retirees and their dependents through a single-employer defined benefit healthcare plan. 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 \$2.4M in premiums and claims for 362 retired employees and their dependents in fiscal year 2017

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 2017 were \$5,994. In fiscal year 2017, total retiree contributions were \$1,426,284. The City contributions to the plan for fiscal year 2017, which are equal to claims and premiums paid in excess of premiums collected, were \$2,377,592.

Annual OPEB Cost and Net OPEB Obligation – 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, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*. 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

**Notes to Basic Financial Statements
September 30, 2017**

Annual required contribution	\$ 2,748,134
Interest adjustment to net OPEB obligation	192,774
Adjustment to ARC	(191,525)
Annual OPEB cost (expense)	<u>2,749,383</u>
Contributions made	<u>(2,377,592)</u>
Increase in net OPEB liability	371,791
Net OPEB liability - beginning of year	<u>4,819,348</u>
Net OPEB liability - end of year	<u><u>\$ 5,191,139</u></u>

The following table shows the assumed annual OPEB cost and net OPEB obligation for the past three years.

Fiscal Year Ended	Discout Rate	Annual OPEB Cost	Cost Contributed	% of Cost Contributed	Net OPEB Liability
9/30/2017	4.50%	\$ 2,749,383	\$ 2,377,592	86.5%	\$ 5,191,139
9/30/2016	4.50%	\$ 3,309,584	\$ 2,619,119	79.1%	\$ 4,819,348
9/30/2015	4.50%	\$ 3,105,603	\$ 1,868,375	60.2%	\$ 4,128,883

Funding Status and Funding Progress – As of September 30, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$38,947,479, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$63,129,166 and the ratio of UAAL to the covered payroll was 61.7%.

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 September 30, 2017 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0% 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 inflation rate of 2.5% and an annual aggregate payroll increase of 3% was assumed. A healthcare trend increase of 2.5% was assumed which represents the portion of health care increases to be borne by the City. The UAAL is being amortized at a level percentage of projected payroll. The amortization period is thirty years and is an open period.

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

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2017

13. CONTINGENT LIABILITIES

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

Arbitrage Rebate Requirements- The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the City. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds and (b) any income earned on the excess described in (a) is required to be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from federal taxation. Regulations implementing the rebate requirement were released by the Internal Revenue Service on May 12, 1989. Rebateable arbitrage is computed as of each installment computation date. The last computation date for the City was performed for financial information as of June 30, 2016. No rebate liability was due to the federal government. Information for the next computation period is due in May of 2017. 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 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, 2017, is as follows.

Series	Mesquite Health Facilities Corporation
2014	880,000
2014	1,670,000
2014	4,985,000
2014	3,800,000
2014	19,030,000
2016	4,890,000
2016	6,225,000
2016	420,000
2016	3,355,000
2016	815,000
2016	10,500,000
Total	<u>\$ 56,570,000</u>

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2017

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. The City is not liable for this debt. 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.

14. FUND BALANCES

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose.

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2017

Details of the Governmental Funds fund balances as of year-end are as follows:

Description	General Fund	Housing Grants	Local Finance	Bond Finance	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepays	\$ 34,507	\$ -	\$ -	\$ -	\$ -	\$ 34,507
Inventory	974,026	-	-	-	-	974,026
Cemetery trust principal	-	-	-	-	101,112	101,112
Long-term note receivable	804,560	-	-	-	-	804,560
Total Nonspendable	1,813,093	-	-	-	101,112	1,914,205
Restricted for:						
Debt Retirement	-	-	-	-	599,175	599,175
Purpose of grantors, trustees, and donors	-	1,348,771	-	-	1,342,559	2,691,330
4B Sales Tax projects	-	-	-	-	6,086,769	6,086,769
Promotion of Tourism	-	-	-	-	1,238,109	1,238,109
Law Enforcement	-	-	-	-	3,138,632	3,138,632
Capital Projects	-	-	-	25,432,984	-	25,432,984
Community Access Projects	-	-	-	-	744,838	744,838
Road Surface Repairs	-	-	521,375	-	-	521,375
Tax Increment Financing Districts	-	-	12,125,647	-	-	12,125,647
Hike and Bike Trail	-	-	460,034	-	-	460,034
Developer's Deposits	-	-	1,594,309	-	-	1,594,309
Capital Replacement	-	-	504,479	-	-	504,479
Other Purposes	-	-	379,662	-	228,336	607,998
Total Restricted	-	1,348,771	15,585,506	25,432,984	13,378,418	55,745,679
Assigned to:						
Encumbrances	104,595	-	-	-	-	104,595
Other Capital Projects	-	-	1,524,382	-	-	1,524,382
Other Purposes	-	-	58,120	-	410,712	468,832
Total Assigned	104,595	-	1,582,502	-	410,712	2,097,809
Unassigned	18,312,289	-	-	-	-	18,312,289
TOTAL FUND BALANCES	\$ 20,229,977	\$ 1,348,771	\$ 17,168,008	\$ 25,432,984	\$ 13,890,242	\$ 78,069,982

City Council establishes, modifies and/or rescinds fund balance commitments by passage of an ordinance. Assigned fund balance is established by City Manager based on Council direction according to the City's fund balance policy. Assigned encumbrances of \$104,595 in the General Fund consists of \$41,609 open contracts for professional services and \$62,986 open purchase orders for mowing abatement services and annual supply of fire equipment and vehicle parts.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available. When assigned and unassigned amounts are available, expenditures for other than the assigned purpose will be spent from unassigned fund balance first.

It is the desire of the City to maintain adequate General Fund fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a fund balance policy of 15 percent of General Fund expenditures.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2017

Note 15 – TAX ABATEMENT DISCLOSURES

The City of Mesquite enters into sales tax and property tax abatement agreements with desired businesses under the authority of Chapter 380 of the Texas Local Government Code. These businesses may be manufacturing, office, retail, commercial, or mixed-use projects. The agreements allow the City to refund a portion of property taxes and sales taxes paid, issue incentive payments, and/or reduce fees. The offer of an incentive is tied to an analysis of the impact on community services and to the goals of the community as established by the Mesquite City Council. The City Council has final authority on the implementation of City business incentives.

The City will consider an application for an economic development incentive for any project that would attract new business or industry to the City and/or for any project involving the expansion, modernization, and/or retention of an existing business. However, the City will not grant an incentive unless it will benefit the City and will accomplish the public purpose of promoting local economic development and stimulating business and commercial activity in the City. In the event of default on an agreement, the City does include a clawback provision in the contract.

For the fiscal year ended September 30, 2017, the City of Mesquite had nine economic development agreements that included sales and/or property tax abatement provisions. In total, \$227,320 in sales tax and \$53,063 in property tax was abated.

In addition to tax abatements, the City occasionally makes additional commitments in its economic development incentive agreements. The following additional commitments have been made:

- The City has agreed to install the necessary utilities, drainage, and roadway improvements to service the location of a new 850,000 square foot, state-of-the-art manufacturing facility in which the company intends to invest over \$65 million in the land, building, and business personal property. The City has also agreed to waive development fees in the construction of the building and pay an economic development grant payable of \$1,000,000 (five annual installments of \$200,000) after the capital investment is made.
- The City has agreed to refund all developer fees paid in excess of \$250,000 and all roadway impact fees up to \$500,000 related to a project in which the company intends to invest over \$87 million in new capital improvements and ultimately hire 180 new full-time equivalent employees.

End of Notes to Basic Financial Statements

City of Mesquite, Texas

Required Supplementary Information (Unaudited)
September 30, 2017

Texas Municipal Retirement System Plan (TMRS)
Schedule of Changes in Net Pension Liability and Related Ratios

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016
Total pension liability:			
Service cost	\$ 10,206,837	\$ 11,282,680	\$ 11,607,011
Interest (on the Total Pension Liability)	32,088,206	33,164,585	33,628,738
Difference between expected and actual experience	(5,189,415)	(721,632)	(265,481)
Change in assumptions	-	3,677,030	-
Benefit payments, including refunds of employee contributions	(21,934,850)	(22,598,587)	(23,683,590)
Net change in total pension liability	15,170,778	24,804,076	21,286,678
Total pension liability - beginning	464,266,956	479,437,734	504,241,810
Total pension liability - ending (a)	\$ 479,437,734	\$ 504,241,810	\$ 525,528,488
Plan fiduciary net position:			
Contributions - employer	6,999,796	7,390,890	7,083,990
Contributions - employee	4,533,599	4,872,185	4,819,479
Net investment income	21,993,586	584,061	26,059,766
Benefit payments, including refunds of employee contributions	(21,934,850)	(22,598,587)	(23,683,590)
Administrative expense	(229,654)	(355,783)	(294,412)
Other	(18,881)	(17,572)	(15,862)
Net change in plan fiduciary net position	11,343,596	(10,124,806)	13,969,371
Plan fiduciary net position - beginning	384,514,157	395,857,753	385,732,947
Plan fiduciary net position - ending (b)	\$ 395,857,753	\$ 385,732,947	\$ 399,702,318
Net pension liability - ending (a) - (b)	\$ 83,579,981	\$ 118,508,863	\$ 125,826,170
Plan fiduciary net position as a percentage of total pension liability	82.57%	76.50%	76.06%
Covered payroll	\$ 64,709,631	\$ 69,261,386	\$ 68,843,479
Net pension liability as a percentage of covered payroll	129.16%	171.10%	182.77%

Other Information:

For the 2015 valuation, inflation used was 2.5%, investment rate of return and discount rate used was 6.75% and actuarial studies were updated through December 31, 2014.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date (December 31).

City of Mesquite, Texas

**Required Supplementary Information (Unaudited)
September 30, 2017**

**Texas Municipal Retirement System Plan (TMRS)
Schedule of Contributions**

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
Actuarially determined contribution	\$ 7,094,555	\$ 7,128,122	\$ 8,324,268
Contribution in relation of the actuarially determined contribution	7,094,555	7,128,122	8,324,268
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 66,484,370	\$ 68,679,246	\$ 70,725,844
Contributions as a percentage of covered payroll	10.67%	10.38%	11.77%

Notes to Schedule of Contributions

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 12 months and 1 day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization Period

29 years

Asset Valuation Method

10 Year smoothed market; 15% soft corridor

Inflation

2.50%

Salary Increases

3.50% to 10.5% including inflation

Investment Rate of Return

6.75%

Retirement Age

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014

Mortality

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

- 1) Granted 100% ad hoc Updated Service Credit with transfer
- 2) Granted 50% ad hoc COLA

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's most recent fiscal year-end (September 30).

City of Mesquite, Texas

**Required Supplementary Information (Unaudited)
September 30, 2017**

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

Last Three Years

<u>Fiscal Year *</u>	<u>Value of Assets</u>	<u>Accrued Liability (AAL)</u>	<u>Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>of Covered Payroll</u>
2015	\$ -	\$ 40,541,020	\$ 40,541,020	0.0%	\$ 57,622,918	70.4%
2016	\$ -	\$ 41,986,173	\$ 41,986,173	0.0%	\$ 57,622,918	72.9%
2017	\$ -	\$ 38,947,479	\$ 38,947,479	0.0%	\$ 63,129,166	61.7%

* Source for fiscal year 2015 is actuarial valuation as of September 30, 2015; fiscal year 2016 actuarial valuation as of October 1, 2015; fiscal year 2017 is actuarial valuation of September 30, 2017. Actuarial valuations are currently only required every-other year; however, the City has chosen to conduct actuarial valuations annually.

Note: The actuarial accrued liability was calculated using the Projected Unit Credit actuarial funding method. The decrease in actuarial accrued liability in 2017 is related to an assumption change in pre-65 retiree contributions and medical trend assumptions, future retiree participation assumptions and turnover assumptions.

MESQUITE

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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.

Mesquite Quality of Life Corporation (4B Sales Tax) Fund - to account for funds received from a one-half of one percent general sales tax, which can be utilized for public safety, transportation or parks and recreation 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 and certificates of obligation bonds when due through-out the year.

City of Mesquite, Texas

**Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2017**

	Special Revenue			
	Hotel/Motel Tax	Confiscated Drug	Mesquite Quality of Life Corporation (4B Sales Tax)	Other Grants
ASSETS:				
Pooled cash and investments	\$ 1,254,736	\$ 3,001,702	\$ 4,599,037	\$ 929,013
Receivables (net of allowance for uncollectibles):				
Accounts receivable	26,836	-	-	-
Other taxes receivable	-	-	-	-
Intergovernmental	1,308	1,553	2,041,098	229,650
Accrued interest	526	1,508	1,883	-
Total Assets	<u>\$ 1,283,406</u>	<u>\$ 3,004,763</u>	<u>\$ 6,642,018</u>	<u>\$ 1,158,663</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 45,298	\$ 51,026	\$ 496,624	\$ 171,125
Retainage payable	-	-	58,626	-
Deposits		150,899		
Due to other funds	-	-	-	49,941
Total Liabilities	<u>45,298</u>	<u>201,925</u>	<u>555,250</u>	<u>221,066</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	1,238,108	2,802,838	6,086,768	937,597
Assigned	-	-	-	-
Total Fund Balances	<u>1,238,108</u>	<u>2,802,838</u>	<u>6,086,768</u>	<u>937,597</u>
Total Liabilities and Fund Balances	<u>\$ 1,283,406</u>	<u>\$ 3,004,763</u>	<u>\$ 6,642,018</u>	<u>\$ 1,158,663</u>

<u>Other Special Revenue</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
\$ 2,214,323	\$ 598,832	\$ 12,597,643
24,326	-	51,162
60,958	-	60,958
-	-	2,273,609
<u>953</u>	<u>342</u>	<u>5,212</u>
<u>\$ 2,300,560</u>	<u>\$ 599,174</u>	<u>\$ 14,988,584</u>
\$ 74,420	\$ -	\$ 838,493
383	-	59,009
-	-	150,899
<u>-</u>	<u>-</u>	<u>49,941</u>
<u>74,803</u>	<u>-</u>	<u>1,098,342</u>
101,112	-	101,112
1,713,933	599,174	13,378,418
<u>410,712</u>	<u>-</u>	<u>410,712</u>
<u>2,225,757</u>	<u>599,174</u>	<u>13,890,242</u>
<u>\$ 2,300,560</u>	<u>\$ 599,174</u>	<u>\$ 14,988,584</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, 2017**

	Special Revenue			
	Hotel/Motel Tax	Confiscated Drug	Mesquite Quality of Life Corporation (4B Sales Tax)	Other Grants
REVENUES:				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ -
Sales tax	1,539,448	-	10,916,110	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	417,252	-	-
Investment income	8,061	28,994	37,828	-
Charges for services	-	-	-	-
Intergovernmental	-	-	468,227	1,193,599
Contributions and donations	-	-	-	-
Other revenues	-	-	25,000	13,985
Total Revenues	<u>1,547,509</u>	<u>446,246</u>	<u>11,447,165</u>	<u>1,207,584</u>
EXPENDITURES:				
Current-				
General government	824,612	-	200,000	-
Fire services	-	-	-	73,477
Police services	-	1,266,578	-	62,683
Public works	-	-	743,436	-
Planning and community development	179,734	-	-	456,625
Library services	-	-	-	9,999
Parks and recreation	-	-	6,121,813	77,618
Housing and community services	-	-	-	509,543
Capital outlay	-	134,529	5,995,778	41,482
Debt service-				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Bond issuance costs	-	-	-	-
Total Expenditures	<u>1,004,346</u>	<u>1,401,107</u>	<u>13,061,027</u>	<u>1,231,427</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>543,163</u>	<u>(954,861)</u>	<u>(1,613,862)</u>	<u>(23,843)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(58,000)	-	(324,081)	-
Total Other Financing Sources (Uses)	<u>(58,000)</u>	<u>-</u>	<u>(324,081)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	485,163	(954,861)	(1,937,943)	(23,843)
FUND BALANCES AT BEGINNING OF YEAR	<u>752,945</u>	<u>3,757,699</u>	<u>8,024,711</u>	<u>961,440</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,238,108</u>	<u>\$ 2,802,838</u>	<u>\$ 6,086,768</u>	<u>\$ 937,597</u>

<u>Other Special Revenue</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
\$ 251,306	\$ -	\$ 251,306
-	-	12,455,558
34,380	-	34,380
258,840	-	676,092
14,246	6,891	96,020
1,078,019	-	1,078,019
-	-	1,661,826
212,125	-	212,125
-	-	38,985
<u>1,848,916</u>	<u>6,891</u>	<u>16,504,311</u>
256,327	-	1,280,939
7,812	-	81,289
219,713	-	1,548,974
46,931	-	790,367
44,649	-	681,008
2,224	-	12,223
19,267	-	6,218,698
3,965	-	513,508
-	-	6,171,789
-	10,630,000	10,630,000
-	6,231,379	6,231,379
-	109,064	109,064
<u>600,888</u>	<u>16,970,443</u>	<u>34,269,238</u>
<u>1,248,028</u>	<u>(16,963,552)</u>	<u>(17,764,927)</u>
-	17,477,559	17,477,559
(1,050,000)	-	(1,432,081)
<u>(1,050,000)</u>	<u>17,477,559</u>	<u>16,045,478</u>
198,028	514,007	(1,719,449)
<u>2,027,729</u>	<u>85,167</u>	<u>15,609,691</u>
<u>\$ 2,225,757</u>	<u>\$ 599,174</u>	<u>\$ 13,890,242</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, 2017
 With Comparative Actual Totals for the Year Ended September 30, 2016**

	2017				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Hotel/Motel Tax	\$ 1,320,000	\$ 1,320,000	\$ 1,539,448	\$ 219,448	\$ 1,296,128
Investment income	2,000	6,000	8,061	2,061	3,276
TOTAL REVENUES	<u>1,322,000</u>	<u>1,326,000</u>	<u>1,547,509</u>	<u>221,509</u>	<u>1,299,404</u>
EXPENDITURES:					
Other-					
Administration projects-					
Personal Service	64,900	64,900	33,718	31,182	23,287
Supplies	-	-	-	-	1,548
Contractual services	232,500	232,500	201,350	31,150	204,189
	<u>297,400</u>	<u>297,400</u>	<u>235,068</u>	<u>62,332</u>	<u>229,024</u>
Convention and Visitor Bureau					
Personal services	271,947	272,197	233,851	38,346	227,528
Supplies	15,900	15,900	7,677	8,223	8,803
Contractual services	295,053	294,803	168,282	126,521	154,376
	<u>582,900</u>	<u>582,900</u>	<u>409,810</u>	<u>173,090</u>	<u>390,707</u>
Arts Council projects					
Contractual services	145,700	145,700	179,734	(34,034)	143,449
	<u>145,700</u>	<u>145,700</u>	<u>179,734</u>	<u>(34,034)</u>	<u>143,449</u>
Beautification Commission projects-					
Contractual services	-	-	-	-	22,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,000</u>
Historic Commission projects-					
Contractual services	145,700	145,700	179,734	(34,034)	143,449
	<u>145,700</u>	<u>145,700</u>	<u>179,734</u>	<u>(34,034)</u>	<u>143,449</u>
TOTAL EXPENDITURES	<u>1,171,700</u>	<u>1,171,700</u>	<u>1,004,346</u>	<u>167,354</u>	<u>928,629</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>150,300</u>	<u>154,300</u>	<u>543,163</u>	<u>388,863</u>	<u>370,775</u>
OTHER FINANCING USES:					
Transfers out	(58,000)	(58,000)	(58,000)	-	(58,000)
TOTAL OTHER FINANCING USES	<u>(58,000)</u>	<u>(58,000)</u>	<u>(58,000)</u>	<u>-</u>	<u>(58,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 92,300</u>	<u>\$ 96,300</u>	485,163	<u>\$ 388,863</u>	312,775
FUND BALANCE AT BEGINNING OF YEAR			752,945		440,170
FUND BALANCE AT END OF YEAR			<u>\$ 1,238,108</u>		<u>\$ 752,945</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, 2017
 With Comparative Actual Totals for the Year Ended September 30, 2016**

	2017				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Fines and forfeitures	\$ 500,000	\$ 441,100	\$ 417,252	\$ (23,848)	\$ 164,275
Investment income	<u>20,000</u>	<u>24,350</u>	<u>28,994</u>	<u>4,644</u>	<u>18,661</u>
TOTAL REVENUES	<u>520,000</u>	<u>465,450</u>	<u>446,246</u>	<u>(19,204)</u>	<u>182,936</u>
EXPENDITURES:					
Police services-					
Supplies	104,745	261,785	255,051	6,734	424,769
Contractual services	284,458	1,229,615	1,011,527	218,088	59,676
Capital outlay	<u>150,987</u>	<u>734,890</u>	<u>134,529</u>	<u>600,361</u>	<u>332,637</u>
TOTAL EXPENDITURES	<u>540,190</u>	<u>2,226,290</u>	<u>1,401,107</u>	<u>825,183</u>	<u>817,082</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20,190)</u>	<u>(1,760,840)</u>	<u>(954,861)</u>	<u>805,979</u>	<u>(634,146)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (20,190)</u>	<u>\$ (1,760,840)</u>	<u>(954,861)</u>	<u>\$ 805,979</u>	<u>(634,146)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>3,757,699</u>		<u>4,391,845</u>
FUND BALANCE AT END OF YEAR			<u>\$ 2,802,838</u>		<u>\$ 3,757,699</u>

City of Mesquite, Texas

**Mesquite Quality of Life Corporation (4B Sales Tax) Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2017
 With Comparative Actual Totals for the Year Ended September 30, 2016**

	2017		Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Budgeted Amounts				
	Original	Final			
REVENUES:					
Sales tax	\$ 10,733,000	\$ 10,733,000	\$ 10,916,110	\$ 183,110	\$ 10,797,774
Investment income	15,000	30,000	37,828	7,828	23,375
Intergovernmental	1,950,351	2,036,351	468,227	(1,568,124)	319,886
Contributions and donations	70,000	102,000	-	(102,000)	-
Other revenues	-	-	25,000	25,000	15,000
TOTAL REVENUES	<u>12,768,351</u>	<u>12,901,351</u>	<u>11,447,165</u>	<u>(1,454,186)</u>	<u>11,156,035</u>
EXPENDITURES:					
Current-					
General government	200,000	200,000	200,000	-	162,992
Fire services	-	-	-	-	10,100
Public works	-	-	743,436	(743,436)	191,811
Parks and recreation	6,372,288	6,530,126	6,121,813	408,313	7,565,592
Capital Projects					
Public safety projects	-	-	-	-	31,716
Transportation projects	2,825,000	2,912,000	1,123,739	1,788,261	786,251
Parks and recreation projects	2,900,000	2,962,044	4,872,039	(1,909,995)	1,136,482
TOTAL EXPENDITURES	<u>12,297,288</u>	<u>12,604,170</u>	<u>13,061,027</u>	<u>(456,857)</u>	<u>9,884,944</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>471,063</u>	<u>297,181</u>	<u>(1,613,862)</u>	<u>(1,911,043)</u>	<u>1,271,091</u>
OTHER FINANCING USES:					
Transfers Out	<u>(324,081)</u>	<u>(324,081)</u>	<u>(324,081)</u>	<u>-</u>	<u>(323,978)</u>
TOTAL OTHER FINANCING USES	<u>(324,081)</u>	<u>(324,081)</u>	<u>(324,081)</u>	<u>-</u>	<u>(323,978)</u>
NET CHANGE IN FUND BALANCE	\$ <u>146,982</u>	\$ <u>(26,900)</u>	<u>(1,937,943)</u>		<u>947,113</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>8,024,711</u>		<u>7,077,598</u>
FUND BALANCE AT END OF YEAR			<u>\$ 6,086,768</u>		<u>\$ 8,024,711</u>

City of Mesquite, Texas

Other Grants Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2017
 With Comparative Actual Totals for the Year Ended September 30, 2016

	2017				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	<u>2016 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Intergovernmental	\$ 997,041	\$ 997,041	\$ 1,193,599	\$ 196,558	\$ 1,306,507
Other revenues	-	-	13,985	13,985	28,016
TOTAL REVENUES	<u>997,041</u>	<u>997,041</u>	<u>1,207,584</u>	<u>210,543</u>	<u>1,334,523</u>
EXPENDITURES:					
Current-					
Fire services	-	-	73,477	(73,477)	15,785
Police services	-	-	62,683	(62,683)	137,937
Library services	-	-	9,999	(9,999)	-
Planning and community development	252,229	252,229	456,625	(204,396)	415,623
Parks and recreation	-	-	77,618	(77,618)	92,235
Housing and community services	744,812	744,812	509,543	235,269	445,839
Capital Outlay	-	-	41,482	(41,482)	210,858
TOTAL EXPENDITURES	<u>997,041</u>	<u>997,041</u>	<u>1,231,427</u>	<u>(234,386)</u>	<u>1,318,277</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(23,843)</u>	<u>(23,843)</u>	<u>16,246</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(23,843)	\$ (23,843)	16,246
FUND BALANCE AT BEGINNING OF YEAR			<u>961,440</u>		<u>945,194</u>
FUND BALANCE AT END OF YEAR			<u>\$ 937,597</u>		<u>\$ 961,440</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, 2017**

With Comparative Actual Totals for the Year Ended September 30, 2016

	2017				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
REVENUES:					
Investment Income	\$ -	\$ -	\$ 6,891	\$ 6,891	\$ -
TOTAL REVENUES	-	-	6,891	6,891	-
EXPENDITURES:					
Debt service-					
Principal	\$ 10,630,000	\$ 10,630,000	\$ 10,630,000	\$ -	\$ 8,485,000
Interest and fiscal charges	6,339,167	6,238,880	6,231,379	7,501	4,985,796
Bond issuance costs	-	-	109,064	(109,064)	-
TOTAL EXPENDITURES	16,969,167	16,868,880	16,970,443	7,501	13,470,796
EXCESS OF EXPENDITURES OVER REVENUES	(16,969,167)	(16,868,880)	(16,963,552)	14,392	(13,470,796)
OTHER FINANCING SOURCES (USES):					
Transfers in	17,474,808	17,474,808	17,477,559	(2,751)	13,085,278
TOTAL OTHER FINANCING SOURCES	17,474,808	17,474,808	17,477,559	(2,751)	13,085,278
NET CHANGE IN FUND BALANCE	\$ 505,641	\$ 605,928	514,007	\$ 11,641	(385,518)
FUND BALANCE AT BEGINNING OF YEAR			85,167		470,685
FUND BALANCE AT END OF YEAR			\$ 599,174		\$ 85,167

MESQUITE

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City of Mesquite, Texas

Non-Major Enterprise Funds

Proprietary Funds:

A proprietary fund is used to account for activities that involve business-like interactions. One type of proprietary fund is an enterprise fund. An enterprise fund is used to account for any activity for which external users are charged a fee for goods and services. The following are the City's two non-major enterprise funds:

Municipal Airport Fund - to account for funds generated by the aeronautical activities at the airport such as fuel sales, hanger rentals, leases and other activities. The airport operates as a general aviation reliever airport for the Dallas-Ft.Worth system mainly serving corporate and general aviation activities.

Municipal Golf Fund - to account for funds received from user fees for the golf course, pro shop and concessions. The City owns and operates the 154 acre 18 hole public facility.

City of Mesquite, Texas

**Combining Statement of Net Position
Non Major Proprietary Funds
September 30, 2017**

	Business-type Activities - Enterprise Funds		
	<u>Non-Major Funds</u>		
	<u>Municipal Airport</u>	<u>Municipal Golf Course</u>	<u>Other Enterprise Funds Totals</u>
ASSETS:			
Current assets:			
Pooled cash and investments	\$ 252	\$ -	\$ 252
Receivables (net of allowance for uncollectibles)	72,890	21,025	93,915
Inventory	44,334	9,969	54,303
Total current assets	<u>117,476</u>	<u>30,994</u>	<u>148,470</u>
Noncurrent assets:			
Capital assets-			
Land and construction in progress	7,990,999	1,408,432	9,399,431
Other capital assets (net of accumulated depreciation)	<u>8,565,358</u>	<u>2,445,112</u>	<u>11,010,470</u>
Total noncurrent assets	<u>16,556,357</u>	<u>3,853,544</u>	<u>20,409,901</u>
Total Assets	<u>16,673,833</u>	<u>3,884,538</u>	<u>20,558,371</u>
DEFERRED OUTFLOW OF RESOURCES:			
Deferred pension contributions	28,227	36,314	64,541
Difference in expected and actual experience		4,941	4,941
Difference in assumption changes - pension	10,776	-	10,776
Difference in projected and actual earnings on pension assets	87,441	-	87,441
Change in proportional share	-	520,344	520,344
Total deferred outflow of resources	<u>126,444</u>	<u>561,599</u>	<u>688,043</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	14,712	33,980	48,692
Due to other funds	76,535	53,048	129,583
Deposits and other liabilities	29,426	-	29,426
Accrued compensated absences	<u>51,783</u>	<u>-</u>	<u>51,783</u>
Total current liabilities	<u>172,456</u>	<u>87,028</u>	<u>259,484</u>
Noncurrent liabilities:			
Accrued compensated absences	-	74,125	74,125
Net pension liability	<u>592,357</u>	<u>70,772</u>	<u>663,129</u>
Total noncurrent liabilities	<u>592,357</u>	<u>144,897</u>	<u>737,254</u>
Total Liabilities	<u>764,813</u>	<u>231,925</u>	<u>996,738</u>
DEFERRED INFLOW OF RESOURCES:			
Difference in expected and actual experience	14,503	-	14,503
Difference in assumption changes - pension	-	36,448	36,448
Difference in projected and actual earnings on pension assets	-	4,033	4,033
Change in proportional share	<u>26,441</u>	<u>-</u>	<u>26,441</u>
Total deferred inflow of resources	<u>40,944</u>	<u>40,481</u>	<u>81,425</u>
NET POSITION:			
Net investment in capital assets	16,556,357	3,853,544	20,409,901
Restricted for debt service	-	-	-
Unrestricted	<u>(561,837)</u>	<u>320,187</u>	<u>(241,650)</u>
Total Net Position	<u>\$ 15,994,520</u>	<u>\$ 4,173,731</u>	<u>\$ 20,168,251</u>

City of Mesquite, Texas

**Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position
Non Major Proprietary Funds
For the Year Ended September 30, 2017**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Non-Major Funds</u>		
	<u>Municipal Airport</u>	<u>Municipal Golf Course</u>	<u>Total Other Enterprise Funds</u>
Operating revenues:			
Customer charges	\$ 1,644,144	\$ 1,037,093	\$ 2,681,237
Total operating revenues	<u>1,644,144</u>	<u>1,037,093</u>	<u>2,681,237</u>
Operating expenses:			
Personal services	464,663	334,868	799,531
Supplies	741,434	134,135	875,569
Contractual services	288,443	249,662	538,105
Depreciation	<u>502,189</u>	<u>224,376</u>	<u>726,565</u>
Total operating expenses	<u>1,996,729</u>	<u>943,041</u>	<u>2,939,770</u>
Operating income (loss)	<u>(352,585)</u>	<u>94,052</u>	<u>(258,533)</u>
Nonoperating revenues (expenses):			
Investment income	-	38	38
Gain or loss on sale of capital assets	4,600	-	4,600
Other nonoperating income (expense)	<u>-</u>	<u>1,720</u>	<u>1,720</u>
Total nonoperating revenues (expenses)	<u>4,600</u>	<u>1,758</u>	<u>6,358</u>
Income (loss) before contributions and transfers	(347,985)	95,810	(252,175)
Capital contributions	11,334	3,838,574	3,849,908
Transfers in	-	239,347	239,347
Transfers out	<u>(199,804)</u>	<u>-</u>	<u>(199,804)</u>
Change in net position	<u>(536,455)</u>	<u>4,173,731</u>	<u>3,637,276</u>
Total net position - beginning of year	<u>16,530,975</u>	<u>-</u>	<u>16,530,975</u>
Total net position - ending	<u>\$ 15,994,520</u>	<u>\$ 4,173,731</u>	<u>\$ 20,168,251</u>

City of Mesquite, Texas

**Combining Statement of Cash Flows
Non Major Proprietary Funds
For the Year Ended September 30, 2017**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Non Major Funds</u>		
	<u>Municipal Airport</u>	<u>Municipal Golf</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,617,602	\$ 1,016,069	\$ 2,633,671
Cash paid to suppliers for goods and services	(1,062,642)	(374,191)	(1,436,833)
Cash paid to employees for services	<u>(388,742)</u>	<u>(696,684)</u>	<u>(1,085,426)</u>
Net cash provided by (used for) operating activities	<u>166,218</u>	<u>(54,806)</u>	<u>111,412</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash loan from other City funds	28,986	53,048	82,034
Nonoperating income(expense)	-	1,720	1,720
Transfers out to other funds	<u>(199,804)</u>	<u>-</u>	<u>(199,804)</u>
Net cash provided by (used for) noncapital financing activities	<u>(170,818)</u>	<u>54,768</u>	<u>(116,050)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of capital assets	<u>4,600</u>	<u>-</u>	<u>4,600</u>
Net cash used for capital and related financing activities	<u>4,600</u>	<u>-</u>	<u>4,600</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	<u>-</u>	<u>38</u>	<u>38</u>
Net cash provided by investing activities	<u>-</u>	<u>38</u>	<u>38</u>
NET INCREASE (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS	<u>-</u>	<u>-</u>	<u>-</u>
POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>252</u>	<u>-</u>	<u>252</u>
POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 252</u>	<u>\$ -</u>	<u>\$ 252</u>
RECONCILIATION OF TOTAL POOLED CASH AND CASH EQUIVALENTS:			
Current assets:			
Pooled cash and investments	<u>\$ 252</u>	<u>\$ -</u>	<u>\$ 252</u>

(Continued on following page)

City of Mesquite, Texas

**Combining Statement of Cash Flows
Non Major Proprietary Funds
For the Year Ended September 30, 2017**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Non Major Funds</u>		
	<u>Municipal Airport</u>	<u>Municipal Golf</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (352,585)	\$ 94,052	\$ (258,533)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-			
Depreciation	502,189	224,376	726,565
Change in pension expense	80,849	(450,346)	(369,497)
Changes in assets and liabilities-			
(Increase)decrease in accounts receivable	(27,114)	(21,024)	(48,138)
(Increase) decrease in inventory	(12,996)	(9,969)	(22,965)
Increase (decrease) in accounts payable	(19,465)	33,980	14,515
Increase(decrease) in deposits	572	-	572
Increase(decrease) in accrued compensated absences	<u>(5,232)</u>	<u>74,125</u>	<u>68,893</u>
Total adjustments	<u>518,803</u>	<u>(148,858)</u>	<u>369,945</u>
 NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	 <u>\$ 166,218</u>	 <u>\$ (54,806)</u>	 <u>\$ 111,412</u>
 NONCASH CAPITAL ACTIVITIES:			
Contribution of capital assets from government	\$ 11,334	\$ 3,838,574	\$ 3,849,908
Transfers of capital assets	<u>-</u>	<u>239,347</u>	<u>239,347</u>
Total noncash capital activities	<u>\$ 11,334</u>	<u>\$ 4,077,921</u>	<u>\$ 4,089,255</u>

City of Mesquite, Texas

Combining Statement of Net Position (Deficit)

Internal Service Funds

September 30, 2017

With Comparative Totals for September 30, 2016

	Group Medical <u>Insurance</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 3,155	\$ 1,235,031	\$ 1,238,186	\$ 668,706
Prepays and other assets	102,225	222,450	324,675	437,930
Accrued interest	<u>-</u>	<u>530</u>	<u>530</u>	<u>966</u>
Total Assets	<u>105,380</u>	<u>1,458,011</u>	<u>1,563,391</u>	<u>1,107,602</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	293,313	270,821	564,134	441,721
Estimated claims payable	1,191,354	729,706	1,921,060	1,621,910
Due to other funds	<u>3,771,143</u>	<u>-</u>	<u>3,771,143</u>	<u>3,391,869</u>
Total current liabilities	<u>5,255,810</u>	<u>1,000,527</u>	<u>6,256,337</u>	<u>5,455,500</u>
Noncurrent liabilities:				
Estimated claims payable	<u>-</u>	<u>1,459,412</u>	<u>1,459,412</u>	<u>1,341,752</u>
Total noncurrent liabilities	<u>-</u>	<u>1,459,412</u>	<u>1,459,412</u>	<u>1,341,752</u>
Total Liabilities	<u>5,255,810</u>	<u>2,459,939</u>	<u>7,715,749</u>	<u>6,797,252</u>
NET POSITION (DEFICIT):				
Unrestricted	<u>(5,150,430)</u>	<u>(1,001,928)</u>	<u>(6,152,358)</u>	<u>(5,689,650)</u>
Total Net Position (Deficit)	<u>\$ (5,150,430)</u>	<u>\$ (1,001,928)</u>	<u>\$ (6,152,358)</u>	<u>\$ (5,689,650)</u>

City of Mesquite, Texas

**Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position (Deficit)**

Internal Service Funds

For the Year Ended September 30, 2017

With Comparative Totals for September 30, 2016

	Group Medical <u>Insurance</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2017</u>	<u>2016</u>
Operating revenues:				
Contributions - City				
Medical insurance	\$ 7,920,441	\$ -	\$ 7,920,441	\$ 7,388,285
Life and dental insurance	1,367,045	-	1,367,045	1,170,300
General liability	-	1,405,000	1,405,000	1,405,000
Workers' compensation	-	<u>1,747,078</u>	<u>1,747,078</u>	<u>1,073,727</u>
Total contributions - City	<u>9,287,486</u>	<u>3,152,078</u>	<u>12,439,564</u>	<u>11,037,312</u>
Contributions - Other				
Employees - medical insurance	2,106,722	-	2,106,722	2,460,360
COBRA - medical insurance	-	-	-	20
Stop loss and other contributions	401,451	-	401,451	313,211
Other revenues	-	<u>52,064</u>	<u>52,064</u>	<u>71,323</u>
Total contributions - other	<u>2,508,173</u>	<u>52,064</u>	<u>2,560,237</u>	<u>2,844,914</u>
Total operating revenues	<u>11,795,659</u>	<u>3,204,142</u>	<u>14,999,801</u>	<u>13,882,226</u>
Operating expenses:				
Claims incurred	8,574,307	1,591,321	10,165,628	11,752,708
Insurance premiums	2,408,963	732,637	3,141,600	2,858,877
Administrative fees	916,781	554,212	1,470,993	1,374,229
Other expenses	<u>567,359</u>	<u>125,219</u>	<u>692,578</u>	<u>923,768</u>
Total operating expenses	<u>12,467,410</u>	<u>3,003,389</u>	<u>15,470,799</u>	<u>16,909,582</u>
Operating loss	<u>(671,751)</u>	<u>200,753</u>	<u>(470,998)</u>	<u>(3,027,356)</u>
Nonoperating revenues:				
Investment income	-	<u>8,290</u>	<u>8,290</u>	<u>4,491</u>
Total nonoperating revenues	-	<u>8,290</u>	<u>8,290</u>	<u>4,491</u>
Transfers In	-	-	-	<u>264,000</u>
Change in net position (deficit)	(671,751)	209,043	(462,708)	(2,758,865)
Total net position (deficit) - beginning	<u>(4,478,679)</u>	<u>(1,210,971)</u>	<u>(5,689,650)</u>	<u>(2,930,785)</u>
Total net position (deficit) - ending	<u>\$ (5,150,430)</u>	<u>\$ (1,001,928)</u>	<u>\$ (6,152,358)</u>	<u>\$ (5,689,650)</u>

City of Mesquite, Texas

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended September 30, 2017

With Comparative Actual Totals for the Year ended September 30, 2016

	Group Medical	General	Totals	
	<u>Insurance</u>	<u>Liability</u>	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from City funds	\$ 9,287,486	\$ 3,152,078	\$ 12,439,564	\$ 13,656,431
Cash received from other operating sources	2,508,173	52,064	2,560,237	4,290,099
Cash paid to suppliers for goods and services	(3,837,790)	(1,231,712)	(5,069,502)	(5,397,247)
Cash paid to claimants	<u>(8,333,987)</u>	<u>(1,414,831)</u>	<u>(9,748,818)</u>	<u>(15,844,003)</u>
Net cash provided by (used for) operating activities	<u>(376,118)</u>	<u>557,599</u>	<u>181,481</u>	<u>(3,294,720)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash loan from other City Funds	<u>379,274</u>	<u>-</u>	<u>379,274</u>	<u>2,499,520</u>
Net cash provided by noncapital financing activities	<u>379,274</u>	<u>-</u>	<u>379,274</u>	<u>2,499,520</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	<u>-</u>	<u>8,726</u>	<u>8,726</u>	<u>4,218</u>
Net cash provided by investing activities	<u>-</u>	<u>8,726</u>	<u>8,726</u>	<u>4,218</u>
NET INCREASE (DECREASE) IN POOLED CASH AND INVESTMENTS	3,156	566,325	569,481	(790,982)
POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR	<u>-</u>	<u>668,706</u>	<u>668,706</u>	<u>1,459,688</u>
POOLED CASH AND INVESTMENTS AT END OF YEAR	<u>\$ 3,156</u>	<u>\$ 1,235,031</u>	<u>\$ 1,238,187</u>	<u>\$ 668,706</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES:				
Operating income (loss)	\$ (671,751)	\$ 200,753	\$ (470,998)	\$ (3,027,356)
Adjustments to reconcile operating income (loss) to net cash used for operating activities-				
Changes in assets and liabilities-				
(Increase) decrease in prepaid items	113,255	-	113,255	(170,577)
Increase (decrease) in accounts payable	220,542	180,356	400,898	(69,796)
Increase (decrease) in claims payable	<u>(38,164)</u>	<u>176,490</u>	<u>138,326</u>	<u>(26,991)</u>
Total adjustments	<u>295,633</u>	<u>356,846</u>	<u>652,479</u>	<u>(267,364)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (376,118)</u>	<u>\$ 557,599</u>	<u>\$ 181,481</u>	<u>\$ (3,294,720)</u>

City of Mesquite, Texas

**Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended September 30, 2017**

	Agency Fund - Tax Clearing Fund			
	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 76,120	\$ 149,497,443	\$ 149,455,381	\$ 118,182
Taxes receivable levied for other governments (net of allowance for uncollectibles)	3,797,912	103,013,720	103,011,701	3,799,931
Total Assets	\$ 3,874,032	\$ 252,511,163	\$ 252,467,082	\$ 3,918,113
 LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 76,120	\$ 256,085,897	\$ 256,127,959	\$ 118,182
Due to other governments	3,797,912	103,011,701	103,013,720	3,799,931
Total Liabilities	\$ 3,874,032	\$ 359,097,598	\$ 359,141,679	\$ 3,918,113

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	100
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	112
These schedules contain information to help the reader assess the city's most significant local revenue sources, sales and property tax.	
Debt Capacity	121
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	126
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	130
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.

City of Mesquite, Texas

**Net Position by Component
Last Ten Fiscal Years**

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

	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities:				
Net Investment in capital assets	\$ 155,270	\$ 149,214	\$ 147,492	\$ 141,703
Restricted	13,775	6,131	4,617	5,683
Unrestricted	<u>16,856</u>	<u>16,157</u>	<u>16,658</u>	<u>20,945</u>
Total governmental activities net position	<u>\$ 185,901</u>	<u>\$ 171,502</u>	<u>\$ 168,767</u>	<u>\$ 168,331</u>
Business-type activities:				
Net Investment in capital assets	\$ 128,354	\$ 118,870	\$ 120,751	\$ 116,898
Restricted	4,300	3,386	3,042	3,121
Unrestricted	<u>13,390</u>	<u>12,820</u>	<u>13,499</u>	<u>20,925</u>
Total business-type activities net position	<u>\$ 146,044</u>	<u>\$ 135,076</u>	<u>\$ 137,292</u>	<u>\$ 140,944</u>
Primary government:				
Net Investment in capital assets	\$ 283,624	\$ 268,084	\$ 268,243	\$ 258,601
Restricted	18,075	9,517	7,659	8,804
Unrestricted	<u>30,246</u>	<u>28,977</u>	<u>30,157</u>	<u>41,870</u>
Total primary government net position	<u>\$ 331,945</u>	<u>\$ 306,578</u>	<u>\$ 306,059</u>	<u>\$ 309,275</u>

Note: (1) The City implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27" in 2015, and beginning amounts were restated.

Schedule 1

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>
\$ 136,034	\$ 130,543	\$ 129,187	\$ 122,230	\$ 119,854	\$ 119,708
7,702	7,258	7,467	8,329	9,199	23,620
<u>19,458</u>	<u>17,885</u>	<u>18,704</u>	<u>(56,876)</u>	<u>(65,812)</u>	<u>(90,141)</u>
<u>\$ 163,194</u>	<u>\$ 155,686</u>	<u>\$ 155,358</u>	<u>\$ 73,683</u>	<u>\$ 63,241</u>	<u>\$ 53,187</u>
\$ 125,070	\$ 127,872	\$ 129,832	\$ 130,785	\$ 131,551	\$ 139,837
3,064	3,109	3,064	2,690	3,387	3,507
<u>17,090</u>	<u>14,328</u>	<u>13,494</u>	<u>13,008</u>	<u>18,647</u>	<u>23,386</u>
<u>\$ 145,224</u>	<u>\$ 145,309</u>	<u>\$ 146,390</u>	<u>\$ 146,483</u>	<u>\$ 153,585</u>	<u>\$ 166,730</u>
\$ 261,104	\$ 258,415	\$ 259,019	\$ 253,015	\$ 251,405	\$ 259,545
10,766	10,367	10,531	11,019	12,586	27,127
<u>36,548</u>	<u>32,213</u>	<u>32,198</u>	<u>(43,868)</u>	<u>(47,165)</u>	<u>(66,755)</u>
<u>\$ 308,418</u>	<u>\$ 300,995</u>	<u>\$ 301,748</u>	<u>\$ 220,166</u>	<u>\$ 216,826</u>	<u>\$ 219,917</u>

City of Mesquite, Texas

Change in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

(Unaudited)

	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses				
Governmental activities:				
General government	\$ 19,410	\$ 19,888	\$ 23,832	\$ 22,552
Fire services	24,670	23,531	24,541	24,532
Police services	32,265	31,767	32,280	31,965
Field services	13,970	13,608	13,499	21,767
Public works	4,529	3,552	7,802	(569)
Planning and community development	3,637	3,510	5,737	3,020
Housing and community services	12,684	14,017	14,146	14,159
Library services	2,127	1,939	2,034	2,137
Parks and recreation	9,446	12,940	10,122	10,510
Interest on long-term debt	4,519	4,649	4,514	5,010
Total governmental activities	<u>127,257</u>	<u>129,401</u>	<u>138,507</u>	<u>135,083</u>
Business-type activities:				
Water and sewer	31,939	33,431	34,905	38,216
Drainage utility	1,817	1,714	1,677	2,436
Municipal airport	1,721	1,602	1,691	1,766
Total business-type activities	<u>35,477</u>	<u>36,747</u>	<u>38,273</u>	<u>42,418</u>
Total primary government	<u>\$ 162,734</u>	<u>\$ 166,148</u>	<u>\$ 176,780</u>	<u>\$ 177,501</u>
Program Revenues				
Governmental activities:				
Charges for services				
Field Services	\$ 6,591	\$ 6,992	\$ 7,054	\$ 7,612
Planning and community development	6,942	5,438	4,702	4,790
General government	8,177	5,214	5,418	7,131
Other charges for services	6,084	9,429	8,907	11,140
Operating grants and contributions	12,603	12,222	16,184	15,791
Capital grants and contributions	6,977	1,360	8,075	2,735
Total governmental activities	<u>47,374</u>	<u>40,655</u>	<u>50,340</u>	<u>49,199</u>
Business-type activities:				
Charges for services:				
Water and sewer	35,396	35,714	39,492	45,965
Drainage utility	2,143	2,170	2,165	2,153
Municipal airport	1,317	1,336	1,328	1,609
Operating grants and contributions	-	-	-	-
Capital grants and contributions	6,018	3,110	1,255	1,149
Total business-type activities	<u>44,874</u>	<u>42,330</u>	<u>44,240</u>	<u>50,876</u>
Total primary government	<u>\$ 92,248</u>	<u>\$ 82,985</u>	<u>\$ 94,580</u>	<u>\$ 100,075</u>

Schedule 2

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 26,028	\$ 26,194	\$ 24,919	\$ 29,905	\$ 35,751	\$ 38,015
25,330	25,570	26,105	26,679	27,167	28,820
31,995	32,994	32,112	32,829	35,089	36,382
14,348	13,826	9,312	9,839	-	-
3,766	4,703	8,769	10,253	19,722	20,007
3,706	3,182	3,551	3,513	2,991	3,294
14,900	14,206	14,487	15,005	15,425	15,981
1,942	1,905	2,015	2,074	2,064	2,168
10,475	11,368	11,004	12,732	12,252	9,805
<u>5,032</u>	<u>4,796</u>	<u>3,498</u>	<u>3,745</u>	<u>5,093</u>	<u>6,081</u>
<u>137,522</u>	<u>138,744</u>	<u>135,772</u>	<u>146,574</u>	<u>155,554</u>	<u>160,553</u>
37,665	41,293	42,614	45,496	49,822	51,545
1,806	1,523	1,412	1,618	1,876	1,829
<u>1,922</u>	<u>2,319</u>	<u>2,235</u>	<u>1,981</u>	<u>1,900</u>	<u>2,940</u>
<u>41,393</u>	<u>45,135</u>	<u>46,261</u>	<u>49,095</u>	<u>53,598</u>	<u>56,314</u>
<u>\$ 178,915</u>	<u>\$ 183,879</u>	<u>\$ 182,033</u>	<u>\$ 195,669</u>	<u>\$ 209,152</u>	<u>\$ 216,867</u>
\$ 7,670	\$ 7,922	\$ 7,527	\$ 7,795	\$ -	\$ -
4,361	4,692	5,490	5,148	6,603	7,759
6,048	6,483	6,436	7,586	7,921	7,158
13,178	10,833	13,316	10,312	19,412	18,668
14,616	13,463	13,954	13,825	14,052	14,995
<u>960</u>	<u>480</u>	<u>112</u>	<u>409</u>	<u>603</u>	<u>1,125</u>
<u>46,833</u>	<u>43,873</u>	<u>46,835</u>	<u>45,075</u>	<u>48,591</u>	<u>49,705</u>
44,231	44,859	46,795	53,559	59,677	63,465
2,196	2,169	2,798	3,366	3,795	3,965
1,568	1,979	1,681	1,602	1,548	2,681
-	-	-	-	23	67
<u>1,874</u>	<u>753</u>	<u>969</u>	<u>603</u>	<u>674</u>	<u>1,025</u>
<u>49,869</u>	<u>49,760</u>	<u>52,243</u>	<u>59,130</u>	<u>65,717</u>	<u>71,203</u>
<u>\$ 96,702</u>	<u>\$ 93,633</u>	<u>\$ 99,078</u>	<u>\$ 104,205</u>	<u>\$ 114,308</u>	<u>\$ 120,908</u>

(Continued Next Page)

City of Mesquite, Texas

Change in Net Position

Last Ten Fiscal Years

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

	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (Expenses)/Program Revenues				
Governmental activities	\$ (79,883)	\$ (88,746)	\$ (88,167)	\$ (85,884)
Business-type activities	<u>9,397</u>	<u>5,583</u>	<u>5,967</u>	<u>8,458</u>
Total primary government net expenses	<u>\$ (70,486)</u>	<u>\$ (83,163)</u>	<u>\$ (82,200)</u>	<u>\$ (77,426)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Ad valorem taxes	\$ 40,577	\$ 40,791	\$ 38,304	\$ 36,572
Gross receipts taxes	7,677	7,617	7,637	7,931
Sales taxes	35,339	33,348	34,920	36,154
Investment income	3,402	1,467	505	245
Gain (loss) on sale of capital assets	2	92	82	(327)
Transfers	<u>6,971</u>	<u>2,202</u>	<u>3,983</u>	<u>4,873</u>
Total governmental activities	<u>93,968</u>	<u>85,517</u>	<u>85,431</u>	<u>85,448</u>
Business-type activities:				
Investment income	1,220	668	228	113
Gain (loss) on sale of capital assets	11	11	5	(45)
Transfers	<u>(6,971)</u>	<u>(2,202)</u>	<u>(3,983)</u>	<u>(4,873)</u>
Total business-type activities	<u>(5,740)</u>	<u>(1,523)</u>	<u>(3,750)</u>	<u>(4,805)</u>
Total primary government	<u>\$ 88,228</u>	<u>\$ 83,994</u>	<u>\$ 81,681</u>	<u>\$ 80,643</u>
Change in Net Position				
Governmental activities	\$ 14,085	\$ (3,229)	\$ (2,736)	\$ (436)
Business-type activities	<u>3,657</u>	<u>4,060</u>	<u>2,217</u>	<u>3,653</u>
Total primary government	<u>\$ 17,742</u>	<u>\$ 831</u>	<u>\$ (519)</u>	<u>\$ 3,217</u>

Note: Operating grants and contributions presented starting with fiscal year 2016.

Schedule 2
(Continued)

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ (90,689)	\$ (94,871)	\$ (88,937)	\$ (101,499)	\$ (106,963)	\$ (110,848)
<u>8,476</u>	<u>4,625</u>	<u>5,982</u>	<u>10,035</u>	<u>12,119</u>	<u>14,889</u>
<u>\$ (82,213)</u>	<u>\$ (90,246)</u>	<u>\$ (82,955)</u>	<u>\$ (91,464)</u>	<u>\$ (94,844)</u>	<u>\$ (95,959)</u>
\$ 35,787	\$ 35,074	\$ 35,172	\$ 36,710	\$ 38,328	\$ 44,479
7,760	7,865	8,633	8,081	7,806	7,698
37,440	39,736	41,180	42,848	44,761	45,476
145	75	67	151	392	741
109	38	85	(33)	-	257
<u>4,310</u>	<u>4,575</u>	<u>3,706</u>	<u>4,866</u>	<u>5,235</u>	<u>2,143</u>
<u>85,551</u>	<u>87,363</u>	<u>88,843</u>	<u>92,623</u>	<u>96,522</u>	<u>100,794</u>
73	36	33	71	179	339
41	-	36	54	38	60
<u>(4,310)</u>	<u>(4,575)</u>	<u>(3,706)</u>	<u>(4,866)</u>	<u>(5,235)</u>	<u>(2,143)</u>
<u>(4,196)</u>	<u>(4,539)</u>	<u>(3,637)</u>	<u>(4,741)</u>	<u>(5,018)</u>	<u>(1,744)</u>
<u>\$ 81,355</u>	<u>\$ 82,824</u>	<u>\$ 85,206</u>	<u>\$ 87,882</u>	<u>\$ 91,504</u>	<u>\$ 99,050</u>
\$ (5,136)	\$ (7,508)	\$ (94)	\$ (8,876)	\$ (10,441)	\$ (10,054)
<u>4,279</u>	<u>86</u>	<u>2,345</u>	<u>5,294</u>	<u>7,101</u>	<u>13,145</u>
<u>\$ (857)</u>	<u>\$ (7,422)</u>	<u>\$ 2,251</u>	<u>\$ (3,582)</u>	<u>\$ (3,340)</u>	<u>\$ 3,091</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund:				
Reserved	\$ 3,140	\$ 1,440	\$ 1,063	\$ -
Nonspendable	-	-	-	858
Assigned	-	-	-	6
Unreserved/Unassigned	<u>14,223</u>	<u>16,520</u>	<u>16,672</u>	<u>16,153</u>
Total General Fund	<u>\$ 17,363</u>	<u>\$ 17,960</u>	<u>\$ 17,735</u>	<u>\$ 17,017</u>
All other governmental funds:				
Reserved for:				
Encumbrances	\$ 10,011	\$ 7,482	\$ 14,142	\$ -
Debt service	538	612	563	-
Unreserved, reported in:				
Special revenue funds	15,257	6,848	5,493	-
Capital projects	28,511	28,200	24,227	-
Nonspendable for:				
Prepays	-	-	-	866
Cemetery trust principal	-	-	-	-
Restricted for:				
Debt Retirement	-	-	-	61
Purpose of grantors, trustees, and donors	-	-	-	1,141
4B Sales Tax projects	-	-	-	3,905
Promotion of Tourism	-	-	-	-
Law Enforcement	-	-	-	5,024
Capital Projects	-	-	-	12,256
Community Access Projects	-	-	-	258
Road Surface Repairs	-	-	-	290
Tax Increment Financing Districts	-	-	-	8,224
Hike and Bike Trail	-	-	-	3,583
Developer's Deposits	-	-	-	1,511
Capital Replacement	-	-	-	212
Other Purposes	-	-	-	373
Assigned to:				
Promotion of Tourism	-	-	-	102
Other Capital Projects	-	-	-	729
Other Purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>185</u>
Total of all other governmental funds	<u>\$ 54,317</u>	<u>\$ 43,142</u>	<u>\$ 44,425</u>	<u>\$ 38,720</u>

Note: The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

Schedule 3

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
962	725	775	764	1,183	1,813
50	221	300	41	90	105
<u>16,026</u>	<u>16,460</u>	<u>16,076</u>	<u>15,897</u>	<u>17,003</u>	<u>18,312</u>
<u>\$ 17,038</u>	<u>\$ 17,406</u>	<u>\$ 17,151</u>	<u>\$ 16,702</u>	<u>\$ 18,276</u>	<u>\$ 20,230</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	101	101
56	138	483	471	85	599
1,844	1,836	1,865	2,192	2,418	2,691
6,283	5,698	6,321	7,078	8,025	6,087
-	-	-	440	753	1,238
5,294	5,315	5,593	4,750	4,127	3,139
11,056	6,862	11,659	21,253	44,978	25,433
164	400	564	738	658	745
97	103	159	130	219	521
3,961	4,830	6,373	7,599	9,778	12,126
3,603	2,755	680	454	457	460
1,505	1,511	1,576	1,682	1,621	1,594
84	21	39	157	321	505
374	376	557	574	557	608
52	184	253	-	-	-
2,099	1,918	1,815	1,136	1,176	1,524
<u>194</u>	<u>227</u>	<u>287</u>	<u>251</u>	<u>1,124</u>	<u>469</u>
<u>\$ 36,666</u>	<u>\$ 32,174</u>	<u>\$ 38,224</u>	<u>\$ 48,905</u>	<u>\$ 76,398</u>	<u>\$ 57,840</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			
	2008	2009	2010	2011
Revenues				
Taxes	\$ 83,518	\$ 81,535	\$ 80,891	\$ 80,656
Licenses and permits	1,294	1,108	985	1,159
Fines and forfeitures	3,273	3,401	3,365	4,358
Investment income	3,271	1,421	480	236
Charges for services	17,126	17,104	16,492	17,064
Intergovernmental	12,146	12,229	17,147	15,743
Contributions and donations	3,432	297	4,242	2,771
Other revenues	1,664	1,134	952	2,425
Total revenues	<u>125,724</u>	<u>118,229</u>	<u>124,554</u>	<u>124,412</u>
Expenditures				
General government	14,502	15,032	16,195	14,883
Fire services	24,025	23,989	23,396	23,540
Police services	31,453	30,284	30,438	30,474
Field services (1)	10,593	10,136	10,001	13,864
Public works	3,677	2,800	6,618	2,586
Planning and community development	3,616	3,433	5,186	3,711
Housing services	10,357	11,587	11,996	11,543
Library services	2,212	1,949	2,012	2,089
Parks and recreation	8,831	12,122	9,371	9,752
Community services	2,395	2,401	2,477	2,327
Housing and community services	-	-	-	-
Capital outlay	35,618	20,218	11,029	20,970
Debt service - principal	8,012	8,123	7,519	7,006
Debt service - interest and bond issuance costs	4,508	4,645	4,614	4,924
Total expenditures	<u>159,799</u>	<u>146,719</u>	<u>140,852</u>	<u>147,669</u>
Deficiency of revenues under expenditures	<u>(34,075)</u>	<u>(28,490)</u>	<u>(16,298)</u>	<u>(23,257)</u>
Other financing sources (uses)				
Transfer in	24,192	20,575	20,272	18,875
Transfers out	(16,705)	(15,830)	(15,456)	(13,834)
Capital lease proceeds	-	-	-	-
Bond proceeds	13,566	13,125	12,340	11,575
Notes payable proceeds	-	-	-	-
Proceeds of refunding bonds	-	4,245	1,320	12,715
Premium on debt	-	-	137	1,163
Payment to refunded bond agent	-	(4,203)	(1,257)	(13,660)
Gain on sale of Capital Assets	-	-	-	-
Total other financing sources (uses)	<u>21,053</u>	<u>17,912</u>	<u>17,356</u>	<u>16,834</u>
Net change in fund balances	<u>\$ (13,022)</u>	<u>\$ (10,578)</u>	<u>\$ 1,058</u>	<u>\$ (6,423)</u>
 Debt service as a percentage of noncapital expenditures	 10.38%	 10.16%	 9.49%	 9.60%

Note: (1) Field services expenditures are presented with Public works expenditures starting in fiscal year 2016.

Schedule 4

		Fiscal Year					
		2012	2013	2014	2015	2016	2017
\$	81,028	\$ 82,740	\$ 85,011	\$ 87,368	\$ 90,911	\$ 97,633	
	1,090	1,172	1,146	1,728	2,236	2,399	
	4,522	4,925	4,126	3,226	3,586	3,772	
	138	71	65	147	388	733	
	17,089	17,254	17,683	19,701	20,926	21,302	
	14,794	13,426	13,566	13,353	14,299	15,204	
	779	447	374	788	313	346	
	3,219	1,595	2,656	1,338	2,421	1,537	
	<u>122,659</u>	<u>121,630</u>	<u>124,627</u>	<u>127,649</u>	<u>135,080</u>	<u>142,925</u>	
	18,845	15,294	15,387	16,285	15,330	15,316	
	23,608	24,024	24,600	24,811	25,631	27,573	
	30,936	32,125	30,980	31,267	33,267	36,907	
	10,967	10,771	10,121	10,191	-	-	
	2,711	3,089	3,203	3,244	13,158	14,189	
	3,665	3,150	3,389	3,458	2,874	3,173	
	12,406	11,722	11,540	11,585	-	-	
	1,927	1,876	1,931	2,022	1,917	2,055	
	9,614	10,408	9,425	10,717	10,437	8,126	
	2,252	2,290	3,226	2,347	-	-	
	-	-	-	-	15,268	16,001	
	7,812	10,355	8,317	9,984	16,879	33,453	
	6,314	6,353	6,747	7,897	9,019	11,185	
	5,323	5,016	4,812	5,001	5,214	6,557	
	<u>136,380</u>	<u>136,473</u>	<u>133,678</u>	<u>138,809</u>	<u>148,994</u>	<u>174,535</u>	
	<u>(13,721)</u>	<u>(14,843)</u>	<u>(9,051)</u>	<u>(11,160)</u>	<u>(13,914)</u>	<u>(31,610)</u>	
	19,056	19,272	17,038	17,686	21,099	24,375	
	(13,998)	(14,193)	(11,912)	(12,285)	(15,823)	(18,383)	
	-	-	-	-	-	-	
	7,235	5,450	9,715	14,835	35,085	8,285	
	-	-	-	-	-	-	
	3,765	7,635	9,080	2,935	17,295	7,600	
	236	539	963	1,265	5,232	1,477	
	(3,724)	(7,985)	(10,038)	(3,044)	(19,907)	(8,607)	
	-	-	-	-	-	257	
	<u>12,570</u>	<u>10,718</u>	<u>14,846</u>	<u>21,392</u>	<u>42,981</u>	<u>15,004</u>	
\$	<u>(1,151)</u>	<u>(4,125)</u>	<u>5,795</u>	<u>10,232</u>	<u>29,067</u>	<u>(16,606)</u>	
	9.17%	9.12%	9.34%	9.95%	10.20%	12.62%	

City of Mesquite, Texas

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

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

<u>Year Ended</u> <u>September</u>	<u>Total</u>	<u>Ad Valorem</u> <u>Taxes</u>	<u>Sales Taxes</u>		
			<u>General</u>	<u>Liquor</u>	<u>Hotel/Motel</u>
2008	83,518	40,502	34,032	188	1,119
% Total	100.00	48.5	40.7	0.2	1.3
2009	81,535	40,571	32,063	191	1,093
% Total	100.00	49.7	39.3	0.2	1.3
2010	80,891	38,334	33,911	194	815
% Total	100.00	47.4	42.0	0.3	1.0
2011	80,656	36,571	35,069	194	891
% Total	100.00	45.3	43.5	0.2	1.1
2012	81,028	35,828	36,357	173	910
% Total	100.00	44.2	44.9	0.2	1.1
2013	82,412	35,138	38,497	199	1,040
% Total	100.00	42.6	46.7	0.2	1.3
2014	84,767	35,198	39,780	250	1,150
% Total	100.00	41.5	46.9	0.3	1.4
2015	87,368	36,439	41,310	271	1,267
% Total	100.00	41.7	47.3	0.3	1.5
2016	90,912	38,345	43,191	274	1,296
% Total	100.00	42.2	47.5	0.3	1.4
2017	97,633	44,459	45,476	273	1,539
% Total	100.00	45.5	46.6	0.3	1.6

Schedule 5

Gross Receipts Taxes					
<u>Electrical</u>	<u>Gas</u>	<u>Telephone</u>	<u>Cable TV</u>	<u>Sanitation</u>	<u>Other</u>
4,188	1,185	650	934	697	23
5.0	1.4	0.8	1.1	0.8	0.0
4,022	1,161	606	1,092	706	30
4.9	1.4	0.7	1.3	0.9	0.0
3,905	1,175	566	1,264	693	34
4.8	1.5	0.7	1.6	0.9	0.0
4,483	1,020	550	1,182	662	34
5.6	1.3	0.7	1.5	0.8	0.0
4,138	845	526	1,518	698	35
5.1	1.0	0.6	1.9	0.9	0.0
3,994	966	519	1,310	710	39
4.8	1.2	0.6	1.6	0.9	0.0
4,172	1,305	473	1,442	958	39
4.9	1.5	0.6	1.7	1.1	0.0
4,041	1,157	-	1,556	975	352
4.6	1.3	-	1.8	1.1	0.4
4,007	943	-	1,510	1,001	344
4.4	1.0	-	1.7	1.1	0.4
4,051	1,072	-	1,259	1,022	294
4.1	1.1	-	1.3	1.0	0.3

City of Mesquite, Texas

Taxable Sales by Category Last Ten Fiscal Years

(amounts expressed in thousands)
(Unaudited)

	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Merchandise Stores	215,189	208,641	218,240	224,141
Eating and Drinking Establishments	199,851	196,369	199,660	213,021
Clothing and Apparel Stores	171,739	160,788	158,831	165,529
Building Materials, Garden Equipment, and Supplies	94,241	103,442	97,458	108,653
Home Furnishings and Appliances	145,792	111,078	102,210	119,292
Automotive Dealers, Service, and Supplies	62,481	43,898	46,046	49,545
Food and Grocery Stores (2)	33,670	32,223	33,058	34,237
Gas Stations	15,856	17,371	21,269	26,068
Other Retail Stores	146,392	130,580	127,059	133,170
All Other Outlets	<u>603,796</u>	<u>592,930</u>	<u>673,199</u>	<u>731,278</u>
Total Taxable Sales (1)	<u>1,689,007</u>	<u>1,597,320</u>	<u>1,677,030</u>	<u>1,804,934</u>
City Direct Sales Tax Rate	2.0%	2.0%	2.0%	2.0%

Notes:

- (1) Sales tax filing information obtained from Texas Comptroller of Public Accounts. Taxable sales calculated by dividing sales taxes reported by the City's direct sales tax rate.
- (2) General grocery items are not taxable; the sales tax applies only to prepared food items and nonfood items.
- (3) Data subject to change as more precise reporting becomes available. Total sales tax received in FY17 will not tie to the financial statements from this schedule due to taxpayers' amended returns and late filers.

Schedule 6

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 (3)</u>
235,820	240,520	235,681	256,248	282,485	284,451
223,860	233,982	240,528	259,762	273,022	281,283
174,670	191,244	193,470	196,123	198,003	212,609
124,763	130,072	126,543	133,744	155,725	149,725
125,966	129,970	114,419	134,511	152,402	138,242
55,177	58,316	60,449	64,477	68,707	67,741
44,979	53,449	53,765	54,923	56,981	59,041
37,021	38,120	41,399	45,480	48,377	49,944
138,624	147,084	158,885	168,257	181,988	185,967
<u>654,958</u>	<u>705,904</u>	<u>789,761</u>	<u>764,131</u>	<u>746,715</u>	<u>775,586</u>
<u>1,815,838</u>	<u>1,928,661</u>	<u>2,014,900</u>	<u>2,077,656</u>	<u>2,164,405</u>	<u>2,204,589</u>
2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

**Sales Tax Revenue Payers by Industry
Current Year and Nine Years Ago**

(Unaudited)

	<u>2017</u>		<u>2008</u>	
	<u>Number of Filers</u>	<u>Tax Liability</u>	<u>Number of Filers</u>	<u>Tax Liability</u>
Retail Trade	1,859	\$22,501,187	912	\$17,520,085
Services	2,191	12,495,295	1,248	9,069,426
Transportation and Utilities	99	2,677,175	64	3,009,019
Wholesale Trade	1,242	2,363,940	833	1,452,920
Manufacturing	894	1,525,675	492	928,338
Construction	810	1,500,736	415	1,073,332
Finance, Insurance, and Real Estate	356	1,023,011	287	700,369
Agricultural	7	4,209	5	2,579
Mining	3	545	7	2,699
Public Administration	1	3	2	21,382
Total	<u>7,462</u>	<u>44,091,776</u>	<u>\$ 4,265</u>	<u>33,780,149</u>

Source: Texas Comptroller of Public Accounts

**Sales Tax Rates - Direct and Overlapping
Last Ten Fiscal Years**

(Unaudited)

Fiscal Year	City of Mesquite				State of Texas	Total Sales Tax Rate
	Economic Development - 4B	Property Tax Relief	Regular Rate	Total COM		
2008	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2009	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2010	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2011	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2012	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2013	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2014	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2015	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2016	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2017	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%

Source: Texas Comptroller of Public Accounts

Notes: Overlapping rates are those of local, county, and state governments that apply within the city.

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	
2008	4,472,212	1,540,270	182,901	108,586	723,343	7,027,312
2009	4,513,702	1,917,171	221,125	111,020	817,121	7,580,139
2010	4,310,504	1,804,704	217,121	107,363	736,717	7,176,409
2011	4,059,862	1,735,638	225,977	105,015	714,087	6,840,579
2012	3,990,016	1,754,347	231,151	102,613	746,505	6,824,632
2013	3,883,652	1,749,220	205,574	103,260	757,902	6,699,608
2014	3,837,683	1,810,542	225,413	102,909	779,653	6,756,200
2015	4,026,866	1,905,028	206,709	111,081	826,306	7,075,990
2016	4,254,661	1,983,357	209,767	109,107	833,635	7,390,527
2017	4,784,452	2,111,684	207,429	113,444	895,405	8,112,414

Source: Dallas Central Appraisal District for all years shown plus Kaufman Central Appraisal District beginning in 2010.

Notes:

- (1) Assessed value is 100% of estimated actual value for all years as determined by the appraisal districts. 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 \$200,471. The taxable value upon which the tax levy was based, noted in footnote 4 in the Notes to Basic Financial Statements, includes the TIF value. (\$6,527,470 + \$200,471= \$6,727,941).
- (4) Tax rate is per \$100 assessed valuation.

Schedule 9

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>
486,038	17,724	189,109	692,871	6,334,441	.62000
960,711	18,695	198,648	1,178,054	6,402,085	.64000
967,223	5,040	156,261	1,128,524	6,047,885	.64000
990,882	10,199	129,621	1,130,702	5,709,877	.64000
1,065,133	10,207	121,721	1,197,061	5,627,571	.64000
1,092,748	-	128,565	1,221,313	5,478,295	.64000
1,143,482	-	148,404	1,291,886	5,464,314	.64000
1,189,509	-	150,640	1,340,149	5,735,841	.64000
1,253,159	-	174,807	1,427,966	5,962,562	.64000
1,384,473	-	200,471	1,584,944	6,527,470	.68700

**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	
2008	.48716	.15284	.64000	.2281	.254	.08940	.00493	1.40	2.61643
2009	.48727	.15273	.64000	.2281	.274	.09490	.00521	1.42	2.66221
2010	.48443	.15557	.64000	.2431	.271	.09923	.01000	1.42	2.68333
2011	.47076	.16924	.64000	.2431	.271	.09967	.01000	1.42	2.68377
2012	.46859	.17141	.64000	.2431	.271	.119375	.009937	1.42	2.70341
2013	.46225	.17775	.64000	.2431	.276	.1247	.01000	1.41	2.70380
2014	.46220	.1778	.64000	.2431	.286	.124775	.01000	1.41	2.71388
2015	.46220	.1778	.64000	.2431	.286	.12365	.01000	1.41	2.71275
2016	.43637	.20363	.64000	.2431	.2794	.122933	.009271	1.46	2.75470
2017	.44972	.23728	.68700	.2431	.2794	.122933	.009271	1.46	2.80170

Source: (1) Budget Department and Dallas Central Appraisal District, Tax Unit Rates

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	2017			Per 2008 CAFR		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Town East Mall	\$ 129,690,990	1	1.99%	\$ 150,110,440	1	2.37%
Pepsi Cola	69,248,360	2	1.06%	37,925,440	4	0.60%
Market East Associates LLC	56,500,000	3	0.87%			-
Oncor Electric Delivery	45,182,260	4	0.69%			-
Ocean Barons LP	43,500,000	5	0.67%			-
United Parcel Service	35,406,820	6	0.54%			-
IRIS USA Inc.	34,895,700	7	0.53%			-
BRE DDR Marketplace	34,591,000	8	0.53%	33,690,000	5	0.53%
SPI Mission Ranch LLC	31,000,000	9	0.47%			-
MREIC Mesquite LLC	30,387,130	10	0.47%			-
Sun Life Asure Co of Can			-	54,947,630	2	0.87%
Oncor Electric Delivery			-	48,802,510	3	0.77%
Barons Investors II LP			-	32,814,770	6	0.52%
Camden Property Trust			-	31,463,920	7	0.50%
American Multicinema Inc			-	30,635,870	8	0.48%
Alliance WE LP			-	30,168,000	9	0.48%
CURCI Mesquite Prop LP			-	28,984,090	10	0.46%
Total	<u>\$ 510,402,260</u>		7.82%	<u>\$ 479,542,670</u>		7.57%
Total Taxable Assessed Valuation	<u>\$ 6,527,469,597</u>			<u>\$ 6,334,441,000</u>		

Source: Tax Division, Finance Department
Total Taxable Assessed Valuation from Schedule 9 and 15.

**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
2008	40,274,065	39,602,124	98.33	570,025	40,172,149	99.75
2009	40,414,901	39,752,647	98.36	543,827	40,296,474	99.71
2010	38,362,233	37,683,829	98.23	540,284	38,224,113	99.64
2011	36,392,283	35,761,897	98.27	484,010	36,245,907	99.60
2012	35,677,427	35,225,462	98.73	314,859	35,540,321	99.62
2013	34,819,001	34,336,926	98.62	319,409	34,656,335	99.53
2014	34,961,217	34,457,251	98.56	308,934	34,766,185	99.44
2015	36,282,438	35,805,787	98.69	217,340	36,023,127	99.29
2016	37,960,913	37,517,675	98.83	186,695	37,704,370	99.32
2017	43,954,143	43,411,278	98.76	-	43,411,278	98.76

Note: Collections do not include penalty and interest on delinquent taxes.
 Current year collections for fiscal year 2017 are net of the amount collected for the Tax Incentive Financing District (TIF) in the amount of \$1,443,055.
 (\$43,411,278 + \$1,443,055 = \$44,854,333; see amount in Note 4)

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

(Unaudited)

Governmental Activities							
Fiscal Year	General Obligation Bonds	Certificates of Obligations	Net Premium/ (Discount) on Bonds (2)	Public Property Finance Contractual Obligations	Notes Payable	Capital Lease Obligations	Total
2008	38,320,000	55,250,000	-	7,610,000	5,349,753	80,424	106,610,177
2009	37,880,000	61,560,000	-	7,440,000	4,895,392	32,200	111,807,592
2010	34,790,000	72,485,000	-	4,975,000	4,422,953	280,234	116,953,187
2011	37,180,000	77,115,000	-	3,075,000	3,931,712	238,445	121,540,157
2012	37,545,000	79,950,000	-	1,505,000	3,420,915	160,428	122,581,343
2013	38,415,000	80,035,000	-	390,000	2,889,779	78,809	121,808,588
2014	41,355,000	80,605,000	-	-	2,337,487	5,973	124,303,460
2015	40,995,000	88,355,000	3,830,389	-	1,763,191	25,644	134,969,224
2016	79,340,000	74,945,000	8,521,721	-	1,166,008	-	163,972,729
2017	82,210,000	69,235,000	9,385,301	-	578,096	-	161,408,397

Business-Type Activities								
Fiscal Year	Water/ Sewer Revenue Bonds	Drainage Utility District Revenue Bonds	Net Premium/ (Discount) on Bonds (2)	Water/ Sewer Capital Lease Obligations	Total	Total Primary Government	Percentage of Effective Buying Income (1)	Per Capita (1)
2008	62,795,000	7,710,000	-	155,645	70,660,645	177,270,822	6.76%	1,288.88
2009	67,435,000	6,825,000	-	87,420	74,347,420	186,155,012	7.34%	1,350.42
2010	71,500,000	5,905,000	-	48,455	77,453,455	194,406,642	7.84%	1,390.37
2011	72,615,000	5,010,000	-	71,294	77,696,294	199,236,451	7.96%	1,424.44
2012	72,445,000	3,950,000	-	56,700	76,451,700	199,033,043	7.85%	1,422.17
2013	72,095,000	3,335,000	-	41,052	75,471,052	197,279,640	7.52%	1,406.73
2014	73,633,158	2,947,686	-	24,274	76,605,118	200,908,578	7.08%	1,412.76
2015	72,195,000	2,485,000	2,276,216	6,282	76,962,498	211,931,722	8.21%	1,490.06
2016	73,105,000	2,060,000	3,344,683	-	78,509,683	242,482,412	9.04%	1,696.27
2017	75,100,000	1,625,000	4,376,177	-	81,101,177	242,509,574	8.74%	1,695.16

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

- (1) See Schedule 18 - Demographic and Economic Statistics for effective buying income and population data.
- (2) Net premium/discount on bonds payable is presented starting with fiscal year 2015.

**Ratios of Net General Bonded Debt Outstanding
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>
2008	137,550	6,334,441	101,180,000	537,527	100,642,473	1.59%	731.68
2009	137,850	6,402,085	106,880,000	612,164	106,267,836	1.66%	770.89
2010	139,824	6,047,885	112,250,000	563,067	111,686,933	1.85%	798.77
2011	139,870	5,709,877	117,370,000	61,150	117,308,850	2.05%	838.70
2012	139,950	5,627,571	119,000,000	56,293	118,943,707	2.11%	849.90
2013	140,240	5,478,295	118,840,000	138,486	118,701,514	2.17%	846.42
2014	142,210	5,464,314	121,960,000	483,072	121,476,928	2.22%	854.21
2015	142,230	5,735,842	133,180,389	470,685	132,709,704	2.31%	933.06
2016	142,950	5,962,561	162,806,721	85,167	162,721,554	2.73%	1,138.31
2017	143,060	6,527,470	151,445,000	599,175	150,845,825	2.31%	1,054.42

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

Sources: (1) See Schedule 15
(2) See Schedule 9

**Direct And Overlapping Governmental Activities Debt
As of September 30, 2017**
(Unaudited)

<u>Taxing Jurisdiction</u>	Total Outstanding Debt (1)	Estimated Percent Applicable (2)	Direct and Estimated Overlapping Debt
Direct- City of Mesquite	\$ 151,445,000	100.00%	\$ 151,445,000
Overlapping-			
Dallas County	199,545,000	2.97%	5,926,487
Dallas County Community College District	263,140,000	2.97%	7,815,258
Dallas County Hospital District	703,770,000	2.97%	20,901,969
Dallas County Schools	44,745,000	2.97%	1,328,927
Kaufman County	64,682,506	0.32%	206,984
Mesquite Independent School District	544,763,402	87.26%	475,360,545
Dallas Independent School District	2,939,100,000	0.12%	3,526,920
Forney Independent School District	260,873,711	0.93%	2,426,126
Garland Independent School District	<u>564,701,425</u>	0.04%	<u>225,881</u>
Total overlapping	<u>5,585,321,044</u>		<u>517,719,095</u>
Total direct and estimated overlapping bonded debt	<u>\$ 5,736,766,044</u>		<u>\$ 669,164,095</u>

Ratio, direct and estimated overlapping debt to fiscal 2017 taxable assessed valuation (3) 10.25%

Per capita direct and estimated overlapping bonded debt (4) \$4,678

Notes:

- (1) Including bonds payable, notes payable and capital leases. Source is most recent Texas Municipal Reports, publication of the Municipal Advisory Council of Texas
- (2) The methodology for deriving overlapping percentages is to determine the estimated shared assessed valuation of the overlapping taxing body(s) and the City's; divide the shared value by the total assessed value of the overlapping taxing body.
- (3) Fiscal 2017 taxable assessed valuation (Net of TIF): \$6,527,469,597
- (4) Based on 2017 population of 143,060.

**Computation of Legal Debt Margin
September 30, 2017**

(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, 2017, is \$.68700 per \$100 of assessed valuation with assessed valuation being 100% of market value.

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

(Unaudited)

<u>Year Ended September</u>	<u>Operating Revenue and Other (1)</u>	<u>Less: Operating Expense and Other (2)</u>	<u>Net Available Revenue</u>	<u>Total Debt Payments Required (3)</u>	<u>Years Remaining</u>	<u>Average Annual Debt Payment</u>	<u>Coverage (4)</u>
<u>WATER AND SEWER BONDS</u>							
2008	36,536,774	25,384,450	11,152,324	86,091,447	20	4,304,572	2.6
2009	36,344,387	26,806,906	9,537,481	92,010,474	20	4,600,524	2.1
2010	39,705,639	27,830,065	11,875,574	96,880,248	20	4,844,012	2.5
2011	46,068,546	31,283,576	14,784,970	97,779,815	20	4,888,991	3.0
2012	44,339,863	30,452,086	13,887,777	95,751,908	20	4,787,595	2.9
2013	44,892,336	34,046,541	10,845,795	94,114,740	20	4,705,737	2.3
2014	46,909,102	34,731,035	12,178,067	92,892,214	20	4,644,611	2.6
2015	53,676,246	37,584,068	16,092,178	93,172,648	20	4,658,632	3.5
2016(5)	59,870,312	46,899,920	12,970,392	93,973,373	20	4,698,669	2.8
2017	63,876,537	49,921,956	13,954,581	97,269,491	20	4,863,475	2.9
<u>DRAINAGE UTILITY DISTRICT BONDS</u>							
2008	2,238,126	760,017	1,478,109	9,656,911	14	689,779	2.1
2009	2,219,139	705,047	1,514,092	8,450,808	13	650,062	2.3
2010	2,184,301	693,285	1,491,016	7,242,523	12	603,544	2.5
2011	2,162,146	869,181	1,292,965	5,666,423	11	515,129	2.5
2012	2,201,193	943,626	1,257,567	4,481,859	10	448,186	2.8
2013	2,171,118	661,823	1,509,295	3,763,916	9	418,213	3.6
2014	2,804,769	687,903	2,116,866	3,237,015	8	404,627	5.2
2015	3,380,515	717,806	2,662,709	2,739,938	7	391,420	6.8
2016(5)	3,818,308	888,855	2,929,453	2,243,100	6	373,850	7.8
2017	4,013,757	1,039,904	2,973,853	1,747,556	5	349,511	8.5

Notes:

- (1) Includes operating and nonoperating revenues.
- (2) Includes operating and non-operating expenses exclusive of depreciation and interest expense.
- (3) Includes principal and interest of revenue bonds only. Principal and interest amounts represent the amounts payable in subsequent fiscal years.
- (4) The Water and Sewer Bond coverage requirement is 1.5 and the Drainage Utility District Bond coverage requirement is 1.25. The coverage calculation is Net Revenue Available divided by the Average Annual Debt Payment.
- (5) Effective with Fiscal Year 2016, transfers out are included in the Operating Expense and Other amounts.

**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 (2)</u>	<u>Number of Households (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2008	137,539	N/A	2,623,330	51,780	50,663	34,786	4.0%
2009	137,850	N/A	2,537,530	50,043	50,707	35,381	7.0%
2010	139,824	N/A	2,478,391	51,217	48,390	36,687	8.7%
2011	139,870	N/A	2,503,265	51,368	48,732	37,137	8.5%
2012	139,950	N/A	2,536,152	51,773	48,986	38,118	6.8%
2013	140,240	N/A	2,624,125	51,763	50,695	38,609	6.3%
2014	142,210	N/A	2,836,910	55,076	51,509	39,220	5.2%
2015	142,230	N/A	2,581,622	49,871	51,766	39,527	4.3%
2016	142,950	N/A	2,683,515	52,395	51,217	41,067	3.9%
2017	143,060	N/A	2,774,535	54,440	50,965	41,025	3.2%

- Sources:
- (1) Population estimates were prepared by North Central Texas Council of Governments for 2009 and prior; 2010 population count was from the official US Census Bureau; 2011 forward were determined by official ordinance adopted by City Council as of Oct 1 of each year.
 - (2) Effective Buying Income estimated based on median household EBI and number of households; information obtained from the City Economic Development Department.
 - (3) Mesquite Independent School District
 - (4) Texas Workforce Commission

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

<u>Employer</u>	<u>2017</u> <u>Range</u>	<u>2008</u> <u>Range</u>
Town East Mall	1,000+	
Mesquite Independent School District	1,000+	1,000 +
City of Mesquite	1,000+	1,000 +
United Parcel Service Inc	1,000+	1,000 +
Dallas Regional Medical Center (Formerly Mesquite Community Hospital)	1,000+	1,000 +
Pepsi Beverages Co	500-999	100-499
Walmart Supercenter	500-999	
Eastfield College	500-999	100-499
Texas Dept of Transportation - Dallas District		100-499
Integracolor Ltd		100-499
Fritz Industries Inc	100-499	
Christian Care Center		100-499
FedEx Ground	100-499	
Sears		100-499
Baker Drywall LTD	100-499	100-499
Orora Visual	100-499	
Iris USA	100-499	
Ashley Furniture Industries	100-499	
Display Source Alliance	100-499	
<hr/>		
Total Estimated City Employment	75,847	71,012

Source: GISPlanning (a data company) and the City of Mesquite Economic Development Division, Business Retention and Expansion data collected by in-person interviews

Note: Employees listed by employer are estimates.

City of Mesquite, Texas

Full-time Equivalent City Government Employees Last Ten Fiscal Years

(Unaudited)

	Fiscal Year				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
By Functions					
General government	100.50	102.00	102.00	112.00	111.13
Fire services	206.00	206.50	206.50	207.00	207.00
Police services	310.50	314.50	315.50	315.50	315.00
Field services	130.00	130.00	130.00	129.00	129.00
Public works	21.00	22.00	21.00	24.00	24.00
Planning and Community development	35.70	35.70	37.50	37.60	37.40
Housing services	22.30	21.30	20.50	21.40	21.60
Library services	34.93	34.93	31.45	31.45	32.08
Parks and recreation	130.09	129.59	128.59	120.66	123.68
Community services	29.00	28.00	28.00	28.00	28.10
Water and Sewer	104.57	104.57	107.07	107.07	107.07
Drainage utility district	7.00	7.00	7.00	7.00	7.00
Municipal airport	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
Total employees by function	<u>1,138.97</u>	<u>1,143.47</u>	<u>1,142.49</u>	<u>1,148.06</u>	<u>1,150.44</u>
By Departments					
Administration	12.00	14.00	14.00	29.50	28.50
City Secretary	3.00	3.00	3.00	3.00	3.00
City Attorney	7.00	7.00	7.00	7.00	7.00
Human Resources	15.00	15.00	15.00	14.00	14.00
Budget and Research	2.00	2.00	2.00	2.00	2.00
Finance	55.00	54.50	55.00	54.50	54.63
Information Technology	19.00	19.00	19.00	15.00	15.00
Fire service	206.00	206.50	206.50	207.00	207.00
Police Service	310.50	314.50	315.50	315.50	315.00
Public Works	250.07	251.07	252.07	254.07	254.07
Housing and community service	51.30	49.30	48.50	49.40	49.70
Planning and Community development	35.70	35.70	37.50	37.60	37.40
Parks/ Recreation/Building service	130.09	129.59	128.59	120.66	123.68
Library service	34.93	34.93	31.45	31.45	32.08
Airport service	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
Total employees by department	<u>1,138.97</u>	<u>1,143.47</u>	<u>1,142.49</u>	<u>1,148.06</u>	<u>1,150.44</u>
By Fund					
General	997.72	1,002.72	1,000.04	1,002.21	1,004.39
Grants	22.30	21.80	21.00	22.40	22.60
Water and Sewer	104.57	104.57	107.07	107.07	107.07
Drainage Utility District	7.00	7.00	7.00	7.00	7.00
Municipal Airport	7.38	7.38	7.38	7.38	7.38
Hotel/Motel	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2.00</u>	<u>2.00</u>
Total employees by fund	<u>1,138.97</u>	<u>1,143.47</u>	<u>1,142.49</u>	<u>1,148.06</u>	<u>1,150.44</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 20

Fiscal Year				
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
113.25	117.25	118.50	124.86	131.61
208.00	206.00	207.00	207.00	212.00
315.00	314.50	314.50	324.50	327.50
129.00	129.00	129.00	129.00	131.00
24.00	23.00	22.00	22.00	23.00
35.40	36.40	36.40	42.95	45.05
21.60	21.10	20.60	20.55	19.45
32.08	32.08	31.71	31.72	32.72
123.68	123.54	117.47	121.09	120.09
28.10	27.85	27.35	18.35	18.35
109.07	109.07	109.07	109.07	112.07
7.00	7.00	7.00	7.00	7.00
<u>8.05</u>	<u>7.90</u>	<u>7.90</u>	<u>7.90</u>	<u>7.90</u>
<u>1,154.23</u>	<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>	<u>1,187.74</u>
30.00	31.00	33.50	38.00	42.25
3.00	3.00	3.00	4.00	4.00
7.00	8.00	8.00	8.00	9.00
14.00	15.00	14.00	13.00	14.50
2.00	1.00	1.00	0.00	0.00
57.25	58.25	58.00	60.86	60.86
15.00	16.00	16.00	16.00	16.00
208.00	206.00	207.00	207.00	212.00
315.00	314.50	314.50	324.50	327.50
254.07	253.07	252.07	252.07	258.07
49.70	48.95	47.95	38.90	37.80
35.40	36.40	36.40	42.95	45.05
123.68	123.54	117.47	121.09	120.09
32.08	32.08	31.71	31.72	32.72
<u>8.05</u>	<u>7.90</u>	<u>7.90</u>	<u>7.90</u>	<u>7.90</u>
<u>1,154.23</u>	<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>	<u>1,187.74</u>
1,005.51	1,007.62	1,000.43	1,017.72	1,036.32
22.60	21.10	20.60	20.30	19.45
109.07	109.07	110.07	110.57	113.57
7.00	7.00	7.00	7.00	7.00
8.05	7.90	7.90	7.90	7.90
<u>2.00</u>	<u>2.00</u>	<u>2.50</u>	<u>2.50</u>	3.50
<u>1,154.23</u>	<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>	<u>1,187.74</u>

City of Mesquite, Texas

Operating Indicators by Function Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Functions				
Fire services				
Number of calls answered	13,156	14,048	14,058	12,151
Inspections	8,811	7,916	8,461	4,151
Police services				
Reported index crimes	6,120	6,149	7,273	6,997
Criminal arrests - index crimes	1,492	1,535	1,532	1,525
Criminal arrests - non-index crimes	3,294	3,360	3,256	3,682
Traffic citations	36,563	36,810	31,254	36,745
Field services				
Residential solid waste customers	37,500	37,900	38,000	37,500
Annual tons recycled	29,000	28,500	33,850	31,268
Work hours per mile of streets and alleys	80.19	74.43	77.38	81.51
Public works				
Traffic studies conducted	328	190	201	355
Engineering Information requests	86,603	98,000	16,988	52,845
Housing services				
Number of HUD allocated unit months	16,308	16,380	16,190	15,156
Community development				
Residential building permits	1,394	1,260	1,208	1,375
Commercial building permits	316	215	197	252
Environmental code violations	33,488	18,184	18,012	12,791
Food inspections conducted	1,417	1,759	1,868	1,949
Library services				
Library visits per capita	2.97	2.91	2.78	2.61
Registered borrowers per capita	0.31	0.30	0.30	0.28
Parks and recreation				
Work hours per acre of park land	56.95	58.54	59.84	59.84
Athletic program participants	16,500	16,500	13,054	20,417
Aquatic program participants	61,500	61,500	79,678	99,350
Tennis program participants	7,800	7,800	7,437	7,200
Recreation centers programs offered	824	835	854	850
Community services				
Number of health clinic clients	5,573	6,274	4,850	3,709
Number of volunteer hours	25,209	45,000	46,250	49,483
Arts center events	611	611	516	489
Arts center participants	105,951	92,000	80,530	95,002
Animals processed by animal shelter	9,705	8,363	7,896	6,605
Water and Sewer				
Number of gallons of water pumped (000s)	6,521,600	6,346,928	6,312,198	6,893,829
Water main breaks	190	198	225	334
Miles of sewer mains cleaned	130	134	120	167

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

Schedule 21

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
15,247	15,086	16,823	17,693	18,539	18,691
4,784	3,279	3,077	2,493	1,250	1,812
6,940	6,865	6,237	6,346	6,323	5,923
1,562	1,534	1,372	1,403	1,302	1,236
3,754	3,552	3,365	3,276	3,447	3,760
38,477	42,330	33,970	24,965	18,116	26,912
37,500	37,500	37,540	37,540	37,500	37,600
32,124	35,556	37,804	37,850	37,850	40,296
80.62	79.08	84.10	82.25	298.10	289.06
314	313	302	330	355	648
55,998	52,744	41,377	107,853	371,971	486,417
16,848	16,848	16,848	16,848	16,848	16,848
1,272	1,414	1,344	1,580	2,229	2,181
147	166	299	626	633	720
20,205	15,094	15,685	15,881	14,132	25,701
1,806	1,411	1,917	1,909	2,072	2,128
2.52	2.42	2.24	2.32	2.06	1.89
0.33	0.33	0.31	0.31	0.22	0.23
59.84	60.13	60.13	59.23	59.41	60.24
15,020	2,111	2,945	3,100	3,515	3,523
92,738	76,242	76,301	85,000	78,586	78,247
6,000	8,589	8,691	8,500	9,327	8,500
1,010	1,000	1,100	1,000	1,037	1,135
3,787	2,844	2,624	2,430	2,187	2,307
54,622	59,564	65,733	68,868	80,843	74,945
601	486	588	1,206	1,180	1,330
67,227	57,318	70,925	138,225	167,850	174,300
7,419	6,523	6,648	6,592	6,070	5,567
6,164,038	5,789,895	5,516,359	5,855,090	5,973,641	5,346,643
237	306	286	276	395	105
129	128	116	82	118	126

City of Mesquite, Texas

Capital Asset Statistics by Function Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Functions				
Police services				
Police vehicles	218	223	220	233
Field services				
Miles of streets	440	440	440	440
Miles of alleys	220	220	220	220
Number of vehicles in City fleet	677	677	681	715
Parks and recreation				
Parks acreage	1,422	1,430	1,430	1,430
Number of parks	67	68	69	68
Water and Sewer				
Water system miles	567	567	567	567
Water system connections	53,109	51,709	54,828	54,921
Sewer system miles	492	493	493	493
Sewer system connections	50,658	51,500	54,674	53,677

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

Schedule 22

Fiscal Year					
<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
223	226	262	221	226	217
440	440	440	440	440	440
220	220	220	220	220	220
702	690	760	734	660	702
1,430	1,450	1,450	1,650	1,650	1,700
68	68	69	70	70	70
567	567	567	568	568	585
54,961	54,000	54,964	55,135	55,174	54,608
493	493	493	494	494	483
53,750	53,700	53,714	53,764	53,803	52,604

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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 (City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
April 12, 2018

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Mesquite, Texas' (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
April 12, 2018

City of Mesquite, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2017

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Housing and Urban Development				
Direct Programs:				
CDBG – Entitlement Grants Cluster Community Development Block Grants/Entitlement Grants	14.218		\$ 79,000	\$ 909,049
Housing Voucher Cluster Section 8 Housing Choice Vouchers	14.871		-	12,997,023
Total Department of Housing and Urban Development			79,000	13,906,072
Department of Homeland Security				
Passed through from:				
Texas Office of the Governor Homeland Security Grants Division				
Homeland Security Grant Program	97.067	EMW-2015-SS-00080-S01, EMW-2016-SS-00056	-	109,277
Total Department of Homeland Security			-	109,277
Department of Transportation				
Direct Program:				
Federal Transit Cluster Federal Transit – Formula Grants	20.507			184,323
Passed through from:				
Texas Department of Transportation Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	0918-47-143		283,904
Highway Safety Cluster State and Community Highway Safety	20.600	2017-Mesquite-S-1YG-0082		17,617
National Priority Safety Programs	20.616	2017-Mesquite-CIOT-00004, 2017-Mesquite-IDM-00010		14,174
Total Highway Safety Cluster			-	31,791
Total Department of Transportation			-	500,018
Department of Justice				
Direct Program:				
Equitable Sharing Program	16.922		-	445,248
Passed Through from:				
The City of Dallas				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-H1562-TX-DJ, 2015- H2659-TX-DJ	-	19,492
Total Department of Justice			-	464,740
Department of Treasury				
Direct Program:				
Equitable Sharing for State and Local Law Enforcement Agencies (Treasury Forfeiture Fund Program)	21.000		-	2,000
Total Department of Treasury			-	2,000
Department of Health and Human Services				
Passed through from:				
Dallas Area Agency on Aging Aging Cluster Special Programs for the Aging Title III, Part C Nutrition Services				
	93.045	N/A	-	77,618
Total Department of Health and Human Services			-	77,618
Institute of Museum and Library Services				
Passed through from:				
Texas State Library and Archives Commission Grants to States (Library Impact Grant)				
	45.310	475-17005	-	9,999
Total Institute of Museum and Library Services			-	9,999
Total Federal Awards Expended			\$ 79,000	\$ 15,069,724

The accompanying notes are an integral part of this schedule.

City of Mesquite, Texas
Schedule of Expenditures of State Awards
Year Ended September 30, 2017

State Agency / Pass-Through Entity	Grant Number	Total State Expenditures
Texas Criminal Justice Division		
Pass through from:		
Texas Office of the Governor		
Body-Worn Camera Program	3277701	\$ 51,981
Total Texas Criminal Justice Division		51,981
Texas Department of Transportation		
State Section 5307 Urban Public Transportation Project Grant	512XXF7087	160,163
Total Texas Department of Transportation		160,163
Texas Commission on Environmental Quality		
Passed through from:		
North Central Texas Council of Governments (NCTCOG)		
Community Cleanup Program	16-04-08	31,546
Total Texas Commission on Environmental Quality		31,546
Total State Awards Expended		\$ 243,690

The accompanying notes are an integral part of this schedule.

City of Mesquite, Texas
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended September 30, 2017

Notes to Schedule

1. The accompanying schedules of expenditures of federal and state awards include the federal and state award activity of the City of Mesquite, Texas (City) under programs of the federal and state government for the year ended September 30, 2017. The accompanying notes are an integral part of these schedules. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Rewards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards* (UGMS) issued by the Governor's Office of Budget and Planning. Because the schedules present only a selected portion of the operations of the City, they are not intended to and do not present the financial position, changes in net position or cash flows of the City.
2. Expenditures reported on the schedules of expenditures of federal and state awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB A-87, *Cost Principles for State, Local and Indian Tribal Governments*, the cost principles contained in the Uniform Guidance, or the cost principles contained in the UGMS, wherein certain types of expenditures are not allowable or as limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Mesquite, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)? Yes None reported

Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards programs was:

Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

Yes No

City of Mesquite, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2017

7. The City's major federal programs were:

Cluster/Program	CFDA Number
<i>CDBG – Entitlement Grants Cluster</i>	
Community Development Block Grants/Entitlement Grants	14.218
<i>Housing Voucher Cluster</i>	
Section 8 Housing Choice Vouchers	14.871

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The City qualified as a low-risk auditee? Yes No

City of Mesquite, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2017

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

City of Mesquite, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2017

Reference Number	Summary of Finding	Status
-----------------------------	---------------------------	---------------

No matters are reportable.

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Open Budget Mesquite

Open Budget is part of our commitment to improving government transparency. This site provides a guided view through our budget and provides a transparent look at how we allocate public funds. The charts, graphs, and tables below are all highly interactive and we invite you to explore.

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www.cityofmesquite.com

Open Checkbook Mesquite

Open Checkbook is part of our commitment to improving government transparency. This site provides a guided view through the City's check register and provides a transparent look at how public funds have been spent. The charts, graphs, and tables are all highly interactive and we invite you to explore.

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