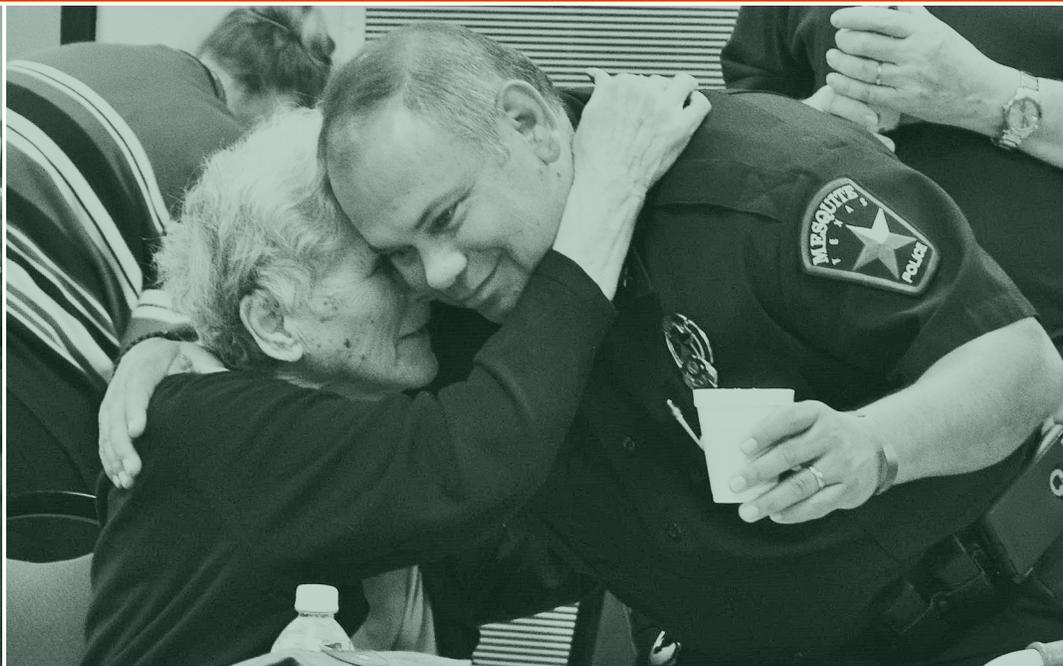


City of Mesquite, Texas

Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2018



C.A.R.E
CITIZENS. ATTITUDE. RESPECT. ETHICS.



About the Cover:

The City of Mesquite is committed to making an impact on every citizen every employee everyday. As a result, the City of Mesquite initiated its C.A.R.E. campaign in 2017 to better serve the community. The City will place CITIZENS first, with a professional ATTITUDE and RESPECT to understand their needs and to consistently deliver services in a manner which embodies the principal ETHICS of the City of Mesquite.

In the Fall of 2017, the City also launched its very first Community Attitude and Satisfaction Survey in order to better understand the priorities and needs of its residents. The results of the survey are available on the City's website or by clicking on the link below:

[2017 Mesquite Community Survey](#)

This annual survey will allow the City to objectively assess citizen satisfaction with the delivery of major services, set a baseline for future benchmark performance measurements, compare Mesquite's performance with other communities regionally and nationally, and to help determine priorities for the community.

CITY OF MESQUITE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2018

Prepared by:

Finance Department

MESQUITE

T E X A S

Real. Texas. Flavor.

City of Mesquite, Texas

Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION (Unaudited)	
City Officials	i
Organizational Chart	ii
Transmittal Letter	iii
Certificate of Achievement for Excellence in Financial Reporting	ix
City of Mesquite Area Map	x
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - General Fund	29
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - Housing Grants Special Revenue Fund	30
Proprietary Funds:	
Statement of Net Position (Deficit) - Proprietary Funds	31
Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit) - Proprietary Funds	32
Statement of Cash Flows	33
Fiduciary Fund:	
Statement of Fiduciary Assets and Liabilities	35
Notes to the Basic Financial Statements	37

(Continued)

City of Mesquite, Texas

	<u>Page</u>
Required Supplementary Information (Unaudited):	
Texas Municipal Retirement System (TMRS) - Schedule of Changes in Net Pension Liability and Related Ratios	80
Texas Municipal Retirement System (TMRS) - Schedule of Contributions	81
Retiree Healthcare Plan - Schedule of the City's Changes in Total OPEB Liability and Related Ratios	82
Combining and Individual Fund Statements and Schedules:	83
Non-Major Governmental Funds:	
Description of Individual Non-Major Governmental Funds	85
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	88
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual-	
Hotel/Motel Tax Special Revenue Fund	90
Confiscated Drug Special Revenue Fund	91
Mesquite Quality of Life Corporation (4B Sales Tax) Special Revenue Fund	92
Other Grants Special Revenue Fund	93
Non-Major Enterprise Funds:	
Description of Individual Non-Major Enterprise Funds	95
Combining Statement of Net Position	96
Combining Statement of Revenues, Expenses, and Changes in Net Position	97
Combining Statement of Cash Flows	98
Internal Service Funds:	
Description of Internal Service Funds	101
Combining Statement of Net Position (Deficit)	102
Combining Statement of Revenues, Expenses, and Changes in Net Position (Deficit)	103
Combining Statement of Cash Flows	104
Agency Fund:	
Description of Fiduciary Funds	105
Statement of Changes in Assets and Liabilities	106

Schedule Page

STATISTICAL SECTION (UNAUDITED)

Financial Trends	
Net Position by Component	1 108
Change in Net Position	2 110
Fund Balances of Governmental Funds	3 114
Changes in Fund Balances, Governmental Funds	4 116
General Governmental Tax Revenues by Source	5 118
Revenue Capacity	
Taxable Sales by Category	6 120
Sales Tax Revenue Payers by Industry	7 122
Sales Tax Rates - Direct and Overlapping	8 123
Assessed Value and Actual Value of Taxable Property	9 124
Property Tax Rates - Direct and Overlapping Governments	10 126
Principal Property Taxpayers	11 127
Property Tax Levies and Collections	12 128

(Continued)

City of Mesquite, Texas

	<u>Schedule</u>	<u>Page</u>
Debt Capacity		
Ratio of Outstanding Debt by Type	13	129
Ratios of Net General Bonded Debt Outstanding	14	130
Direct and Overlapping Government Activities Debt	15	131
Computation of Legal Debt Margin	16	132
Pledged Revenue Coverage	17	133
Demographic and Economic Information		
Demographic and Economic Statistics	18	134
Principal Employers	19	135
Operating Information		
Full-time Equivalent City Government Employees	20	136
Operating Indicators by Function	21	138
Capital Asset Statistics by Function	22	140
SINGLE AUDIT SECTION		<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		143
Report on Compliance for each Major Federal Program and Report on Internal Control Over Compliance - Independent Auditor's Report		145
Schedule of Expenditures of Federal Awards		147
Schedule of Expenditures of State Awards		149
Notes to Schedule of Expenditures of Federal and State Awards		150
Schedule of Findings and Questioned Costs		151
Summary of Prior Year Audit Findings		154

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CITY OF MESQUITE, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2018

CITY COUNCIL

Stan Pickett, Mayor

Dan Aleman, Mayor Pro Tem

Tandy Boroughs, Deputy Mayor Pro Tem

Bruce Archer, Council Member

Jeff Casper, Council Member

Robert Miklos, Council Member

Greg Noschese, Council Member

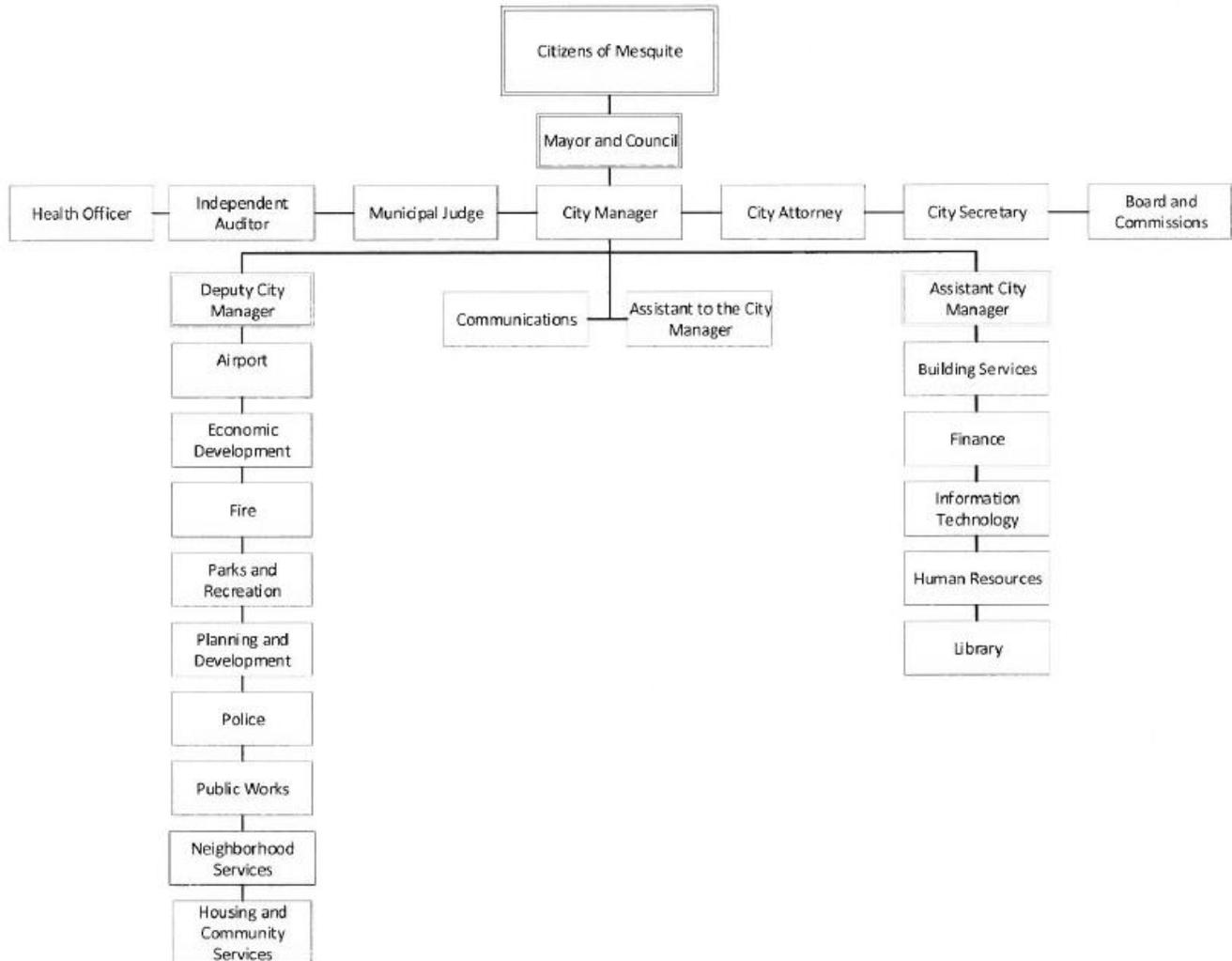
Cliff Keheley, City Manager

Deborah Mol, CPA, Director of Finance

Sheree Haynes, Manager of Accounting Services

City of Mesquite, Texas

Organizational Chart
September 30, 2018





March 28, 2019

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

The Comprehensive Annual Financial Report (CAFR) of the City of Mesquite, Texas (City), for the fiscal year ended September 30, 2018, 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, 2018. 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 the 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.

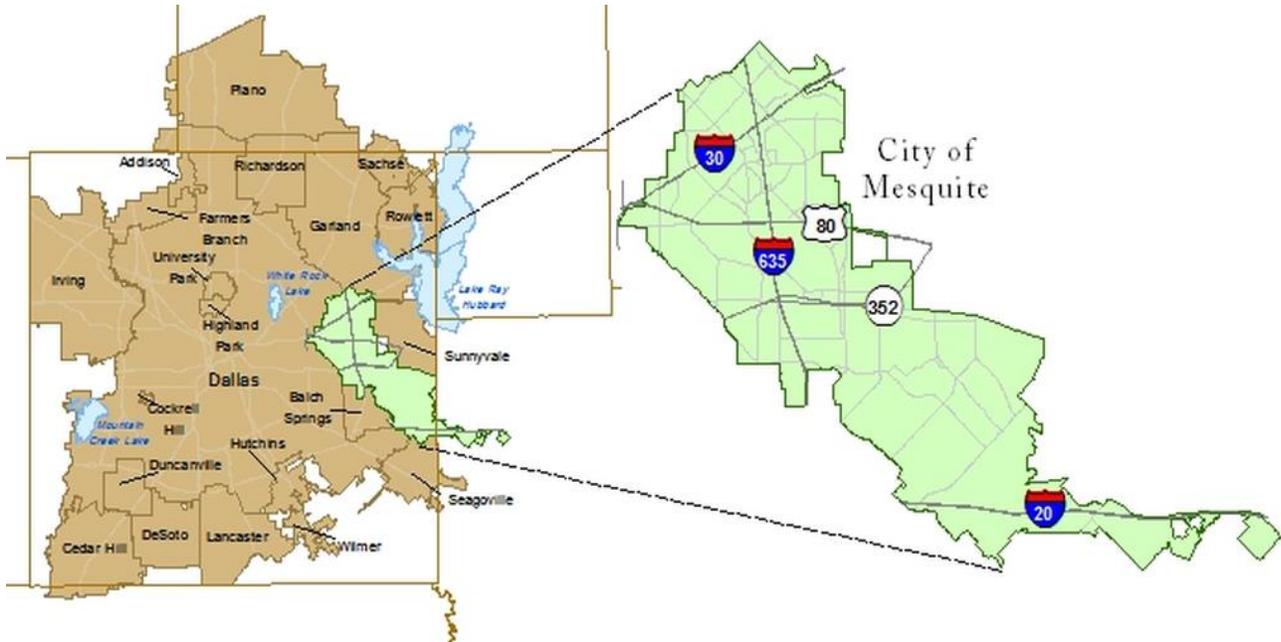
City of Mesquite, Texas Profile

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 central business district of Mesquite is approximately 13 miles from downtown Dallas. The incorporated area of Mesquite is presently 47.3 square miles.

Mesquite began as a small farming settlement until 1873 when the Texas and Pacific Railroad arrived. Operating as an unfranchised township, it wasn’t until December 3, 1887, that citizens took action to incorporate in Dallas County.

Over the years Mesquite grew not only in numbers but in strength and importance, becoming a viable agricultural center by the turn of the century. The Town’s population increased threefold between the 1890 and 1900 U. S. censuses - from 135 to 405 - and grew to 729 by 1930. Twenty years later, in 1950, Mesquite

was home to 1,696 citizens, and that is when explosive growth set in. The population total jumped to 27,526 in 1960, to 67,053 in 1980, and to 124,523 in 2000. Today, Mesquite's population is an estimated 143,350, making it the 19th largest city in Texas. 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 solid waste services, libraries, parks 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 timely payments on outstanding debt. 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 is comprised of a Mayor and six Councilmembers. Councilmembers 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 current Mayor and six Councilmembers were elected at large; however, four Council positions had residency requirements. The City's Charter was amended in November 2018 with a change to single-member districts for six Council positions with the Mayor remaining as an at-large position. 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 nineteen 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 a major distribution and financial center for the Southwest, and the growth of high-tech industries, services industries, trade, and corporate headquarters have provided a strong, stable and diverse regional 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 strong retail and service-oriented marketplace. Mesquite also benefits from having four major highways crossing through its corporate limits and is well served by rail and intermodal facilities. Nearby is Dallas/Fort Worth International Airport to meet the community's commercial passenger air transportation needs and the City operates its own municipal airport facility for corporate and general aviation.

Mesquite continues to see consistent growth in all sectors of the commercial, industrial and retail markets, with a notable surge in residential housing developments announced in 2018 to start site work early 2019 and continue through 2030. This residential growth will spur continued commercial growth, especially in the southern Mesquite neighborhoods and along the IH-20 corridor known as Trinity Pointe. Industrial activity is led by new company relocations and facility expansions, along with over one million square feet of new spec development under design. Strong leasing performance has significantly reduced available space and created a demand for new construction in all commercial sectors.

Retail activity is led by experiential retail back-filling existing vacant space. In partnership with stakeholders and prospective end-users, redevelopment plans for reuse and expansion in the Town East Mall and the Market East Shopping Center areas are in negotiation, with announcements forthcoming in 2019. Town East Mall continued to operate at 97% occupancy throughout the year.

Ashley Furniture's 877,000 square foot state-of-the-art manufacturing distribution facility is scheduled to open in spring 2019 and is expected to create 350 new jobs. Elements International, LLC consolidated its Texas operations and made Mesquite its headquarters bringing another 110 new jobs to Mesquite. GPS Inventory Solutions located near the Ashley Furniture Industries site, invested \$3 million in a 50,000 square-foot facility to house their industrial parts warehouse business. SLJ Company, LLC has purchased 100-acres for new commercial development at Lasater Road and IH-20 and the preliminary business park project plan includes 1.5 million square-feet of new industrial buildings with intent to expand the business park to 250-acres and 3 million square feet over the next five to ten years.

On the residential side, Mesquite's newest development along the IH-20 corridor called Hagan Hill, which features new homes by Bloomfield Homes with prices ranges from the \$280's to \$400's, has completed its first and second phase of 125 lots and is now selling homes in its third phase of development. Bloomfield Homes has also announced a second development, Ridge Ranch, on Mesquite's south end, which will have another 750 lots with homes priced from \$260's to \$400's. The City created its first two Public Improvement Districts (PID) for proposed residential development. Heartland Town Center PID No. 1 is home to the Trailwind development by DR Horton with 450 new home sites with values ranging from \$260s to \$400s and Polo Ridge PID No. 2 will provide 1,007 new homes with values from \$260s to the \$750s. Three more major residential developments are in the works.

Mesquite's medical community remains a strong economic driver for the city. Construction of a new medical facility on IH-30 is nearing completion and will provide 60,000 square feet of professional medical office space. The new Mesquite Healthcare and Rehabilitation Center will also open in 2019 providing 51,000 square feet of medical rehab space.

The City's newest hotel, Towne Place Suites by Marriott, opened for business in 2018 near the Convention Center and Rodeo Arena. Several other hotels completed major renovation projects including Hampton Inn and Suites, Courtyard by Marriott and Holiday Inn Express.

The Mesquite Metro Airport completed an expansion of its runway in the fall of 2018 along with other operational improvements which positions the airport to shift its aircraft mix to an increasing presence of corporate users. The airport has become one of the nation's top-25 busiest general aviation airports with an air traffic control tower.

Major Initiatives

Following direction 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 bond reconstruction project, which is part of a \$125 million general obligation authorization that was approved by voters in November 2015. The City chose *Trinity Pointe* as the strategic branding for marketing along the IH-20 corridor where much of the residential, commercial and industrial development is taking place. Mesquite's historic downtown redevelopment continued to move forward and the City received designation as a *Texas Main Street City* by the Texas Historical Commission. The Main Street Program stimulates private sector downtown reinvestment in historical downtowns. The City also moved forward with its government transparency initiative and achieved all five *Transparency Stars* from the Texas Comptroller's Office. The *Transparency Stars* program recognizes cities making strides to greater government transparency by providing easy online access of important financial data to the general public. The MD&A section of this report provides further review of the current year operating results.

Long Term Financial Planning

In December 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 2019 budget. The budgeting for outcomes process allows City staff to better allocate limited resources to the highest priorities citizens want and which are better aligned with Council goals.

Capital projects such as new roads, continued traffic improvements along the IH-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 10-year capital improvement plan that provides a long-term framework for the development and maintenance of infrastructure to meet current and future needs.

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 members of the City Management team, the 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, the Finance Director, members of the City Management team, the 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, 2017. This was the thirty-ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



Director of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

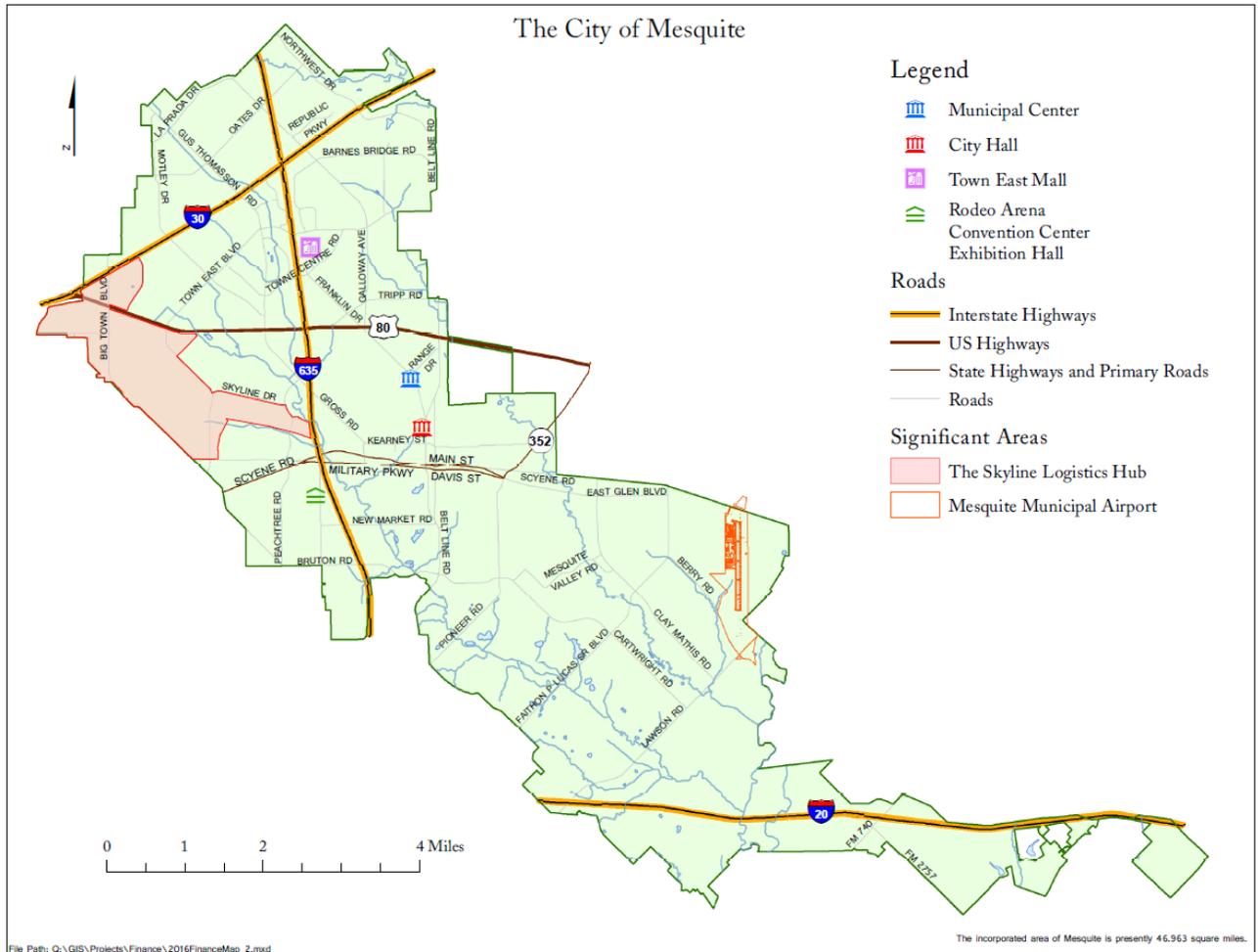
**City of Mesquite
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in *Note 16* to the financial statements, in 2018, the City adopted Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

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 GASB, 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 March 28, 2019, 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
March 28, 2019

MESQUITE

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City of Mesquite, Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2018

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, 2018. 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 \$207.1 million (net position). Within the total net position, unrestricted is a \$103.2 million deficit.
- The City's total net position increased by \$17.5 million from operations during fiscal year 2018. Governmental activities which receive taxes and other non-exchange revenues, increased \$4.2 million and business type activities increased by \$13.3 million.
- The City implemented Governmental Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation required a restatement and a prior period adjustment of \$30.3 million to the 2018 beginning net position related to the Other Postemployment Benefit (OPEB) liability (see note 16). The effects of GASB Statement No. 75 are not reflected in the 2017 financial information.
- As of the close of the current fiscal year, the City of Mesquite's governmental funds reported combined ending fund balances of \$107.7 million, an increase of \$29.6 million from the prior year due primarily to issuance of bonds for future major capital improvement projects. Of this amount, \$18.9 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 \$18.9 million and total fund balance was \$20.9 million. Total fund balance represents approximately 18.1 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 \$700 thousand which was primarily the result of revenue resources coming in higher than budgeted.
- The City's debt, excluding premiums, increased by \$41.9 million during this current fiscal year. The City issued government obligation refunding and improvement bonds and certificates of obligation for street reconstruction, capital replacement, and municipal building improvements. The City also issued special assessment bonds for its newly created Heartland Town Center Public Improvement District No. 1 for infrastructure development in the District as well as revenue bonded debt for water and sewer improvements. Current year issuances exceeded scheduled payments and refundings in 2018.
- The Group Medical Insurance Internal Service fund revenues exceeded expenses by \$558,708 which reduced the negative fund balance in the fund. The City implemented a multi-year strategy for major plan changes to bring the fund balance back to a positive position. Several significant plan changes were made in the previous two years. Current year plan changes included changes to HSA deductibles and contributions. The City made an additional transfer to the Group Medical Insurance fund prior to year end and implemented a 10 percent rate increase for both employer and employees in fiscal year 2019.

- The General Liability Insurance Internal Service fund revenues exceeded expenses by \$512,750 which reduced the negative fund balance in the 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, Bond Finance Capital Project and Debt Service funds, all of which are major funds. Data from the other five 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 airport and municipal golf course 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 Airport and the Municipal Golf Course. 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 postemployment 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 \$207.1 million as of September 30, 2018.

The largest portion of the City's net position (135.1 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, infrastructure and construction in progress), less any debt used to acquire those assets that is still outstanding. 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.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 126,984	\$ 93,350	\$ 64,359	\$ 61,495	\$ 191,343	\$ 154,845
Capital assets	278,975	253,606	214,780	201,732	493,755	455,338
Total assets	405,959	346,956	279,139	263,227	685,098	610,183
Deferred outflow of resources	10,592	27,698	2,586	3,751	13,178	31,449
Long-term liabilities outstanding	356,716	306,585	94,031	91,131	450,747	397,716
Other liabilities	14,636	11,718	8,842	8,550	23,478	20,268
Total liabilities	371,352	318,303	102,873	99,681	474,225	417,984
Deferred inflow of resources	15,446	3,163	1,462	567	16,908	3,885
Net investment in capital assets	131,473	119,708	148,423	139,837	279,896	259,545
Restricted net position	27,208	23,620	3,210	3,507	30,418	27,127
Unrestricted net position	(128,928)	(90,141)	25,757	23,387	(103,171)	(66,754)
Total net position	\$ 29,753	\$ 53,187	\$ 177,390	\$ 166,731	\$ 207,143	\$ 219,918

Within the total net position, unrestricted is a \$103.2 million deficit. An additional portion of the City's net position (14.7 percent) represents resources that are subject to external restriction on how they may be used. The current and other assets increased in the governmental activities by \$33.6 million and the business-type activities increased by \$2.9 million. The increase in the governmental activities assets is primarily due to an increase in pooled cash and investments from bond proceeds received for major capital projects still in progress and a slight 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 \$56.2 million. Bonds payable increased \$45.7 million for new capital projects. The liability for Other Postemployment Benefits (OPEB) increased \$29.7 million due to the implementation of GASB Statement No. 75 and the net pension liability decreased \$21.9 million due to additional City contributions to the plan and a strong market performance. Accounts payable increased \$2.5 million due to increased capital project activity.

Deferred inflows and outflows of resources are primarily due to pension and other postemployment benefit valuation activity.

Analysis of the City's Operations. Governmental and Business-type activities increased the City's net position by \$17.5 million. The key elements of this increase and the prior year results are as follows:

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 31,531	\$ 33,586	\$ 74,474	\$ 70,112	\$ 106,005	\$ 103,698
Operating grants and contributions	15,900	14,995	283	66	16,183	15,061
Capital grants and contributions	4,322	1,125	3,830	1,025	8,152	2,150
General revenues:						
Ad valorem taxes	49,921	44,479	-	-	49,921	44,479
Gross receipts taxes	7,988	7,698	-	-	7,988	7,698
Sales taxes	45,700	45,476	-	-	45,700	45,476
Sale of capital assets	268	257	124	60	392	317
Investment income	1,330	741	799	339	2,129	1,080
Total revenues	<u>156,960</u>	<u>148,357</u>	<u>79,510</u>	<u>71,602</u>	<u>236,470</u>	<u>219,959</u>
Expenses:						
General government	31,854	38,015	-	-	31,854	38,015
Fire services	28,918	28,820	-	-	28,918	28,820
Police services	36,952	36,382	-	-	36,952	36,382
Public works	20,675	20,007	-	-	20,675	20,007
Planning & community development	3,532	3,294	-	-	3,532	3,294
Housing & community services	16,942	15,981	-	-	16,942	15,981
Library services	2,264	2,168	-	-	2,264	2,168
Parks and recreation	10,481	9,805	-	-	10,481	9,805
Interest on long-term debt	5,711	6,081	-	-	5,711	6,081
Water and sewer	-	-	55,859	51,545	55,859	51,545
Drainage utility	-	-	2,196	1,829	2,196	1,829
Non major funds	-	-	3,600	2,940	3,600	2,940
Total expenses	<u>157,329</u>	<u>160,553</u>	<u>61,655</u>	<u>56,314</u>	<u>218,984</u>	<u>216,867</u>
Increase (decrease) in net position before transfers	(369)	(12,196)	17,855	15,288	17,486	3,092
Transfers	<u>4,537</u>	<u>2,142</u>	<u>(4,537)</u>	<u>(2,142)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	4,168	(10,054)	13,318	13,146	17,486	3,092
Net position - Beginning	53,187	63,241	166,731	153,585	219,918	216,826
Restatement to beginning net position, change in accounting principle *	<u>(27,602)</u>	<u>-</u>	<u>(2,659)</u>	<u>-</u>	<u>(30,261)</u>	<u>-</u>
Net position - Ending	<u>\$ 29,753</u>	<u>\$ 53,187</u>	<u>\$ 177,390</u>	<u>\$ 166,731</u>	<u>\$ 207,143</u>	<u>\$ 219,918</u>

* Beginning amounts for 2018 were restated as per GASB Statement No. 75. See Note 16 of the Basic Financial Statements for additional information.

Governmental Activities

Governmental activities increased the City of Mesquite's net position by \$4.2 million.

The City's program revenues from governmental activities increased approximately \$2.0 million (4.1 percent) as compared to the prior year. Charges for services decreased approximately \$2.1 million, operating grants and contributions increased approximately \$904 thousand and capital grants and contributions increased approximately \$3.2 million.

Operating grants and contributions increased \$904 thousand primarily due to funding received for development in the Heartland Town Center Public Improvement District No. 1. The increase of \$3.2 million in capital grants and contributions is due to additional developer contributions in fiscal year 2018 and capital grant money received in the Mesquite Quality of Life Corporation fund for the Gus Thomasson and Military Parkway Trail projects.

General revenues of the City's governmental activities increased \$6.6 million (6.6 percent) during the year. General revenue from property taxes increased \$5.4 million due to increased property tax values for the year. Gross receipts tax revenue increased \$290 thousand due to increased activity from electricity, gas and cable franchise fees. Sales tax revenues increased \$223 thousand due to a slight increase in retail activity. Investment income increased \$589 thousand due to improved yields on investments throughout the year.

Expenses for the City's governmental activities experienced a net decrease of \$3.2 million (2.0 percent) compared with the prior fiscal year. The major decrease was in General government, \$6.2 million, which is offset by increases in Fire services, \$98 thousand, Police services, \$570 thousand, Public works \$668 thousand, Planning and development, \$238 thousand, Housing & community services, \$961 thousand, Parks and recreation \$676 thousand and Interest on long-term debt decreased \$370 thousand.

- General government decreased \$7.6 million primarily due to less 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 less expense from the Group Medical Insurance Internal Service fund. These decreases are offset by a 2 percent merit increase to all employees.
- Fire services increased \$98 thousand due to a 2 percent merit increase to all employees, training for new recruits and overtime due to vacant positions.
- Police services increased \$570 thousand due to a 2 percent merit increase to all employees, and overtime due to vacant positions.
- Public works increased \$668 thousand due to a 2 percent merit increase to all employees, increase in offsite landfill charges, increase in temporary labor charges and increased costs related to transportation project activity in the Mesquite Quality of Life Corporation fund.
- Planning and development increased \$238 thousand due to a 2 percent merit increase to all employees and additional staff as planned in the fiscal 2018 budget.
- Housing and community services increased \$961 thousand due to a 2 percent merit increase to all employees and increased program spending in the Community Development Block based on approved grant spending.

- Parks and recreation services increased \$676 thousand due to a 2 percent merit increase to all employees and increased project activity in the Mesquite Quality of Life Corporation fund for various parks and recreation facility improvements.
- Interest on long-term debt decreased \$370 thousand due to timing of planned debt service payments and related interest rates

Business-type Activities

Business-type activities increased the City of Mesquite's net position by \$13.3 million.

The City's overall revenues for business-type activities increased by \$7.9 million (11.0 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 \$4.1 million due to a 6 percent rate increase along with a 7 percent increase in consumption. Capital grants and contributions increased \$2.8 million due to an increase in developer contributions 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 \$5.3 million (9.5 percent). The increase is mainly due to increased costs for purchasing treated water and wastewater pretreatment of approximately \$3.3 million. The remainder of the increase is due to a 2 percent merit to all employees and an increase in pension expense for the Golf Course of approximately \$600 thousand as a result of the GASB Statement No. 68 adjustment for this year. Net transfers out for fiscal year 2018 were more than fiscal year 2017 by \$2.4 million due to the capital contributions to the Golf Course fund from the General fund in fiscal year 2017.

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 \$107.7 million. Approximately 17.5 percent of this total amount (\$18.9 million) constitutes unassigned fund balance. The remainder of the fund balance is comprised of \$2.2 million for non-spendable, which represents funds committed to pay for prepaid and inventory items, \$83.9 million for restricted, which represents funds restricted for specific purposes by their providers (such as grantors, bondholders, and higher levels of government), and \$2.8 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 increased by \$29.6 million from the previous fiscal year. This overall increase 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 \$18.9 million while the total fund balance was at \$20.9 million. The total fund balance increased by \$683 thousand. 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 transfers out. Unassigned fund balance represents 16.3 percent of total General Fund expenditures and transfers out, while the total fund balance represents 18.1 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 and transfers out.

In the General Fund, total revenues increased \$3.7 million from the prior year.

- Ad valorem taxes increased \$3.8 million due to an increase in assessed property values.
- All other revenue sources had minor increases and decreases due to fluctuations in revenue sources with an overall decrease of \$100 thousand.

On the expenditure side, actual expenditures increased \$3.3 million.

- General government increased \$1.4 million due to a 2 percent merit increase to all employees, increased legal costs due to annexation and charter amendment activity, and increased economic development incentive activity.
- Fire services increased \$1.0 million due to a 2 percent merit increase to all employees, required step increases and overtime for vacant positions and employees on leave time.
- Police services increased \$1.0 million due to a 2 percent merit increase to all employees and overtime due to vacant positions and increased patrol activity.
- Public works decreased \$467 thousand due to work order credits for increased capital project activity.

Net other financing (uses) increased in fiscal year 2018 by \$1.6 million.

- Transfer In increased \$500 thousand due to an amount from the Capital Projects Reserve fund for additional funding for the Group Medical Insurance fund.
- Transfers out increased \$1.9 million due to an additional transfer to the Group Medical Insurance fund of \$500 thousand, \$500 thousand more in required debt service payments, \$700 thousand more in public safety projects for funding of a new fire truck, and \$200 thousand for funding of an economic development incentive.
- Gain on sale of assets decreased \$200 thousand due to the sale of an asset in the prior year.

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 decreased by \$49 thousand due to less funding from the grant program.

The Local Finance capital projects fund is reported as a major fund in fiscal year 2018 and is used to account for capital project expenditures from the proceeds of local revenue sources. Fund balance at year end is \$26.9 million, \$24.6 million of which is restricted for various capital projects and specified spending and \$2.3 million is assigned for other capital projects identified by the City. The fund balance increased \$9.7 million primarily due to the issuance of \$7.2 million of special assessment bonds for the City's new Heartland Town Center Public Improvement District No. 1 for infrastructure projects in the District. The remaining increase 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 \$49.6 million, all of which is restricted for use for the capital projects approved within

the various bond issues. The fund balance increased \$24.1 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.

The Debt Service fund is a major fund used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long term debt paid primarily from taxes levied by the City. The fund balance was \$46 thousand at the end of the year. Fund balance decreased by \$553 thousand due to an increase on the principal and interest payments for the bonds.

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 \$24.7 million and the Drainage Utility District amounted to \$2.7 million. The change in net position for both funds was an increase of \$10.1 million in the Water/Sewer Fund and an increase of \$3.6 million 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 capital contributions of \$1.4 million from developer contributions. The developer contributions were related to the drainage portion of certain residential development projects, Mesquite Independent School District projects and a project involving the Union Pacific Railroad Intermodal facility.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City made revisions to the original appropriations approved by the City Council for the 2018 fiscal year budget. Overall, these changes resulted in an increase in budgeted revenues and transfers in by \$1.8 million and an increase in expenditures and transfers out of \$1.7 million from the original budget. The increase in budgeted revenues was to reflect increased collections of gross receipts tax revenue during the year by approximately \$65 thousand, increased collections of sales tax receipts by approximately \$385 thousand, an increase in Licenses and Permits activity of \$57 thousand, an increase in fines and forfeitures activity of \$30 thousand, an increase in investment income of \$24 thousand, an increase in charges for services for \$131 thousand and an increase in other revenue for the Medicaid reimbursement program administered by the Texas Health and Human Services Commission of \$580 thousand.

The increases in budgeted expenditures were in general government of \$342 thousand, fire services of \$484 thousand, police services of \$922 thousand, planning and development of \$143 thousand, parks and recreation of \$346 thousand, housing and community services of \$39 thousand and transfers out of \$500 thousand. These increases were offset with decreases in public works of \$948 thousand, and library services of \$91 thousand. The increase in general government is due to additional 380 agreement payments and increased legal fees related to annexation efforts and the charter amendment. The increase in fire services is due to additional overtime to cover for employees on injury related leave time and staffing of ambulance six. The increase in police services is due to additional overtime expense related to special impact operations. The increase in parks and recreation is due to increased program activity and is partially offset by additional charges for services revenues. The increase in transfers out is for an additional amount of funding for the Group Medical Insurance fund and is offset by an increase in transfer in of the same from the Capital Projects Reserve fund to fund the amount.

The budget variances as compared to actual were more revenues of \$607 thousand and less expenditures and transfers out of \$31 thousand. The increase in revenues was due to additional tax collections for ad valorem taxes of \$300 thousand, gross receipt taxes of \$118 thousand and sales taxes of \$217 thousand. Investment income was more by \$126 thousand due to better yields on City investments throughout the year and charges for services were more by \$339 thousand. The increase in charges for services consisted mainly of increased activity in ambulance services.

The budget variance of \$36 thousand less in expenditures and transfers out was due to general government, public works, planning and community development, library services, and housing and community services coming in under budget and fire services, police services and parks and recreation coming in over budget. Fire and police services were over budget \$218 thousand and \$295 thousand as a result of additional overtime. Parks and recreation services was over budget \$238 thousand due to increased water costs, vehicle parts and recreation staff salaries due to increased program activity. Public works was under budget \$402 thousand due to savings in electricity costs and more in work order credits due to increased capital projects activity. Housing and community services was under budget \$210 thousand due to more in work order credits than originally budgeted and less spent in environmental code abatement activity. General government was under budget \$97 thousand primarily due to vacant positions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the City had over \$493.8 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 8.4 percent for the current fiscal year.

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

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 23,763	\$ 23,549	\$ 12,443	\$ 12,183	\$ 36,206	\$ 35,732
Construction in progress	32,634	18,591	17,342	13,880	49,976	32,471
Buildings	66,826	69,237	6,603	6,826	73,429	76,063
Infrastructure	128,129	114,080	170,919	162,800	299,048	276,880
Improvements	10,870	10,700	3,581	1,778	14,451	12,478
Equipment	16,753	17,449	3,892	4,265	20,645	21,714
Totals	\$ 278,975	\$ 253,606	\$ 214,780	\$ 201,732	\$ 493,755	\$ 455,338

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

- Over \$36.3 million was expended for governmental type activities for capital projects in 2018 and \$22.2 million was completed and placed into service. Major components of projects placed into service include the following:
 - Over \$16.6 million in infrastructure improvements including residential street reconstruction, Motely Drive reconstruction, other street and alley reconstruction, Mesquite Heritage Trail construction and Vanston Park improvements.
 - Over \$1.1 million in building and facility improvements including Florence Park and Recreation Center, Camp Rorie Galloway Day Camp, Dunford Recreation Center, Fire Station 2 and 5 renovations, and fiber optic installation to municipal facilities.

- Over \$4.2 million was expended on equipment replacements including software upgrades for public safety and overall city operations, police and fire vehicles and equipment, public works vehicles and equipment, traffic signal equipment and various other types of equipment.
- Over \$11.7 million of infrastructure, improvements, and equipment was expended on the water and sewer system capital projects and \$11.3 was completed and placed into service.
- Over \$4.7 million of infrastructure improvements was expended on drainage system capital projects and \$2.0 million was completed and placed into service.
- Over \$370,000 of improvements was expended on the airport facility and \$8,897 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 \$287.7 million in net bonded debt outstanding. Of this total amount, \$197.9 million, 68.8 percent, is comprised of bonded debt backed by the full faith and credit of the City; \$7.2 million, 2.5 percent, is comprised of special assessment bonds which are to be paid from special assessments on each property owner in the Heartland Town Center PID No. 1 and is secured by property values; and \$82.5 million, 28.7 percent, represents revenue bonds secured by specified revenue sources related to the revenue bond projects.

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

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
	General obligation	\$ 108,940	\$ 82,210	\$ -	\$ -	\$ 108,940
Certificates of obligation	76,200	69,235	-	-	76,200	69,235
Special Assessment Bonds	7,245	-	-	-	7,245	-
Premium on refunding	12,808	9,385	4,774	4,376	17,582	13,761
Revenue bonds	-	-	77,700	76,725	77,700	76,725
Totals	<u>\$ 205,193</u>	<u>\$ 160,830</u>	<u>\$ 82,474</u>	<u>\$ 81,101</u>	<u>\$ 287,667</u>	<u>\$ 241,931</u>

During the fiscal year, the City had five debt issuances. The first debt issue was for \$31.5 million in general obligation debt to advance refund prior tax exempt bonds and fund major improvements in two-lane residential streets, as approved by voters in November 2015. The second debt issue was for \$16.1 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, constructing and equipping a new fire station, 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 and fourth debt issues were for \$5.4 million and \$1.8 million for improvements within the Heartland Town Center Public

Improvement District No. 1 for Phase 1 and Phase 2 of the development project. The fifth debt issue was for \$8.9 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 2018 general obligation refunding bonds and series 2018 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 2018 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 2018 general obligation refunding bonds and series 2018 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 2018 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, 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, 2018 of \$103,953,582, which is 145.2 percent of the City's annual covered payroll of \$71,579,511.

Retiree health care's actuarially accrued liability has been calculated in accordance with the new GASB Statement No.75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", to be \$34,968,239 as of September 30, 2018, which is 54.4 percent of the City's annual covered payroll of \$64,280,893.

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 2019, new revenues will continue to depend on tax roll growth. The city's growth in property tax has averaged just over 7 percent for the past five years.

Fiscal year 2019 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 2018-19 budget General Fund revenues and transfers in are projected to increase by 6.6 percent from the 2017-18 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 10.03 percent over the preceding year. The City's adopted tax rate is set at \$0.734 per \$100 of assessed valuation and represents a \$0.047 increase over the prior year tax rate. The tax rate increase is the result of a street bond election passed in November 2015 in order to repair and reconstruct residential streets within the City. General sales tax receipts have continued to trend upward from the 2017-18 budget. Based on historical patterns, it is expected to begin leveling off during fiscal year 2019 to an approximate growth of 1 percent per year. This revenue source comprises 26.8 percent of General Fund revenues and transfers in and is the most volatile and subject to change based on the economy. Charges for services is budgeted with a \$950,000 increase mainly due to a fee increase in residential solid waste collections of \$1.75 per month per household. The 2018-19 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 6.6 percent increase over the 2017-18 final budget. The 2018-19 budget includes a 2 percent merit increase for eligible General Government employees along with an increase to the Texas Municipal Retirement System (TMRS) for all full-time employees. All eligible sworn public safety employees are budgeted to receive a 3 percent merit increase effective January 1, 2019 along with 5 percent step increases for 38 firefighters and 66 police officers with less than five years of service. The budget also includes adding one additional step at each rank for eligible sworn public safety employees with over five years of service effective April 1, 2019. The budget includes nine new positions including one police officer, three school resource officers, three firefighters and two ground maintenance technicians for a new High Impact Litter Control program. Also included is a 10 percent increase in the City's contribution to the Group Medical Insurance fund. 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 remain flat in fiscal year 2019. The projected ending fund balance is approximately 16.45 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 4.5 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.

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City of Mesquite, Texas

**Statement of Net Position
September 30, 2018**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
ASSETS:			
Pooled cash and investments	\$ 102,123,434	\$ 54,251,688	\$ 156,375,122
Receivables (net of allowance for uncollectibles)	22,183,254	10,711,977	32,895,231
Internal balances	972,425	(972,425)	-
Inventory	1,073,563	322,275	1,395,838
Prepays and other assets	560,534	-	560,534
Accrued interest	70,861	45,089	115,950
Capital assets-			
Land and construction in progress	56,397,375	29,785,531	86,182,906
Other capital assets (net of accumulated depreciation)	<u>222,577,666</u>	<u>184,994,704</u>	<u>407,572,370</u>
Total Assets	<u>405,959,112</u>	<u>279,138,839</u>	<u>685,097,951</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refunding	2,314,186	1,125,241	3,439,427
Deferred pension contributions	6,763,941	548,427	7,312,368
Difference in assumption changes - pension	1,427,606	115,753	1,543,359
Change in proportional share - pension	<u>86,122</u>	<u>796,747</u>	<u>882,869</u>
Total Deferred Outflows of Resources	<u>10,591,855</u>	<u>2,586,168</u>	<u>13,178,023</u>
LIABILITIES:			
Accounts payable	12,768,826	4,679,663	17,448,489
Accrued interest payable	1,016,896	255,011	1,271,907
Deposits and other liabilities	849,825	3,907,384	4,757,209
Long-term liabilities:			
Due within one year:			
Bonds payable	15,758,815	7,070,979	22,829,794
Total other postemployment benefit (OPEB) liability	2,128,595	172,589	2,301,184
Accrued compensated absences	7,554,627	232,444	7,787,071
Estimated claims payable	1,718,165	-	1,718,165
Due in more than one year:			
Bonds payable	189,434,356	75,402,485	264,836,841
Total other postemployment benefit (OPEB) liability	30,217,026	2,450,029	32,667,055
Net pension liability	96,157,063	7,796,519	103,953,582
Accrued compensated absences	12,337,691	905,915	13,243,606
Estimated claims payable	<u>1,410,083</u>	<u>-</u>	<u>1,410,083</u>
Total Liabilities	<u>371,351,968</u>	<u>102,873,018</u>	<u>474,224,986</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred gain on refunding	3,424	-	3,424
Difference in projected and actual earnings on pension assets	10,078,788	817,199	10,895,987
Difference in expected and actual pension experience	4,241,923	343,940	4,585,863
Difference in expected and actual OPEB experience	499,416	40,494	539,910
Change in proportional share - pension	<u>622,720</u>	<u>260,149</u>	<u>882,869</u>
Total Deferred Inflows of Resources	<u>15,446,271</u>	<u>1,461,782</u>	<u>16,908,053</u>
NET POSITION:			
Net investment in capital assets	131,472,993	148,423,325	279,896,318
Restricted for:			
Capital projects	2,505,771	-	2,505,771
Local finance projects	17,450,305	-	17,450,305
Housing grants	1,299,603	-	1,299,603
Other grants and special revenue	5,906,530	-	5,906,530
Debt service	45,694	3,210,064	3,255,758
Unrestricted	<u>(128,928,168)</u>	<u>25,756,818</u>	<u>(103,171,350)</u>
Total Net Position	<u>\$ 29,752,728</u>	<u>\$ 177,390,207</u>	<u>\$ 207,142,935</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Activities
For the Year Ended September 30, 2018**

		Program Revenues		
	<u>Expenses</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	\$ 31,854,261	\$ 4,984,965	\$ 11,781	\$ 354,254
Fire services	28,918,052	2,378,710	12,139	252,674
Police services	36,951,903	4,669,011	117,266	-
Public works	20,674,757	8,915,551	12,785	3,714,849
Planning and community development	3,532,556	8,145,968	1,282,360	-
Housing and community services	16,941,591	408,357	14,179,104	-
Library services	2,264,084	40,324	7,469	-
Parks and recreation	10,481,130	1,988,042	276,465	-
Interest on long-term debt	5,710,918	-	-	-
Total governmental activities	<u>157,329,252</u>	<u>31,530,928</u>	<u>15,899,369</u>	<u>4,321,777</u>
Business-type activities:				
Water and sewer	55,859,162	67,609,615	232,083	2,098,093
Drainage utility	2,195,782	3,965,950	50,871	1,731,975
Non-major other enterprise funds	3,599,680	2,897,739	-	-
Total business-type activities	<u>61,654,624</u>	<u>74,473,304</u>	<u>282,954</u>	<u>3,830,068</u>
Total function / program activities	<u>\$ 218,983,876</u>	<u>\$ 106,004,232</u>	<u>\$ 16,182,323</u>	<u>\$ 8,151,845</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 of year, as previously reported				
Change in accounting principle (see note 16)				
Net position, beginning of year, as restated				
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>
\$ (26,503,261)	\$ -	\$ (26,503,261)
(26,274,529)	-	(26,274,529)
(32,165,626)	-	(32,165,626)
(8,031,572)	-	(8,031,572)
5,895,772	-	5,895,772
(2,354,130)	-	(2,354,130)
(2,216,291)	-	(2,216,291)
(8,216,623)	-	(8,216,623)
<u>(5,710,918)</u>	<u>-</u>	<u>(5,710,918)</u>
<u>(105,577,178)</u>	<u>-</u>	<u>(105,577,178)</u>
-	14,080,629	14,080,629
-	3,553,014	3,553,014
-	<u>(701,941)</u>	<u>(701,941)</u>
<u>-</u>	<u>16,931,702</u>	<u>16,931,702</u>
<u>(105,577,178)</u>	<u>16,931,702</u>	<u>(88,645,476)</u>
49,921,341	-	49,921,341
7,988,463	-	7,988,463
45,699,493	-	45,699,493
268,244	124,345	392,589
1,330,400	798,806	2,129,206
<u>4,536,554</u>	<u>(4,536,554)</u>	<u>-</u>
<u>109,744,495</u>	<u>(3,613,403)</u>	<u>106,131,092</u>
4,167,317	13,318,299	17,485,616
53,187,358	166,730,807	219,918,165
<u>(27,601,947)</u>	<u>(2,658,899)</u>	<u>(30,260,846)</u>
<u>25,585,411</u>	<u>164,071,908</u>	<u>189,657,319</u>
<u>\$ 29,752,728</u>	<u>\$ 177,390,207</u>	<u>\$ 207,142,935</u>

City of Mesquite, Texas

**Balance Sheet - Governmental Funds
September 30, 2018**

	<u>General</u>	<u>Housing Grants</u>	<u>Local Finance</u>	<u>Bond Finance</u>	<u>Debt Service</u>
ASSETS:					
Pooled cash and investments	\$ 10,199,530	\$ 1,313,571	\$ 27,887,482	\$ 53,316,970	\$ 45,172
Receivables (net of allowance):					
Accounts receivable	8,036,495	88,318	166,380	-	-
Ad valorem taxes	1,546,282	-	-	-	-
Other taxes receivable	2,001,027	-	-	-	-
Note receivable	804,560	-	-	-	-
Intergovernmental	5,563,113	-	-	-	-
Due from other funds	3,497,563	-	-	-	-
Inventory	1,073,563	-	-	-	-
Prepays and other assets	40,939	1,699	-	136,008	-
Accrued interest	24,187	1,294	19,259	15,789	522
	<u> </u>				
Total Assets	<u>\$ 32,787,259</u>	<u>\$ 1,404,882</u>	<u>\$ 28,073,121</u>	<u>\$ 53,468,767</u>	<u>\$ 45,694</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 4,937,148	\$ 16,961	\$ 835,326	\$ 2,750,861	\$ -
Retainage payable	-	-	19,375	1,125,415	-
Deposits	377,439	-	280,990	-	-
Due to other funds	-	-	-	-	-
	<u> </u>				
Total Liabilities	<u>5,314,587</u>	<u>16,961</u>	<u>1,135,691</u>	<u>3,876,276</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	<u>6,559,214</u>	<u>88,318</u>	<u>21,000</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable	1,919,062	1,699	-	136,008	-
Restricted	-	1,297,904	24,653,198	49,456,483	45,694
Assigned	98,393	-	2,263,232	-	-
Unassigned	18,896,003	-	-	-	-
	<u> </u>				
Total Fund Balances	<u>20,913,458</u>	<u>1,299,603</u>	<u>26,916,430</u>	<u>49,592,491</u>	<u>45,694</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 32,787,259</u>	<u>\$ 1,404,882</u>	<u>\$ 28,073,121</u>	<u>\$ 53,468,767</u>	<u>\$ 45,694</u>

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 7,776,446	\$ 100,539,171
33,605	8,324,798
-	1,546,282
59,565	2,060,592
-	804,560
3,794,827	9,357,940
-	3,497,563
-	1,073,563
8,878	187,524
<u>8,131</u>	<u>69,182</u>
<u>\$ 11,681,452</u>	<u>\$ 127,461,175</u>

\$ 2,241,170	\$ 10,781,466
270,232	1,415,022
191,396	849,825
<u>36,233</u>	<u>36,233</u>
<u>2,739,031</u>	<u>13,082,546</u>

<u>-</u>	<u>6,668,532</u>
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109,990	2,166,759
8,403,423	83,856,702
429,008	2,790,633
<u>-</u>	<u>18,896,003</u>
<u>8,942,421</u>	<u>107,710,097</u>

<u>\$ 11,681,452</u>	<u>\$ 127,461,175</u>
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City of Mesquite, Texas

**Reconciliation of the Balance Sheet
of Governmental Funds
To the Statement of Net Position
As of September 30, 2018**

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

Total fund balance per balance sheet	\$ 107,710,097
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	278,975,041
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.	6,668,532
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.	(4,141,553)
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.	(1,016,896)
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	(108,940,000)
Certificate of obligation bonds payable	(76,200,000)
Special Assessment Bonds	(7,245,000)
Deferred charge on refunding	2,314,186
Deferred gain on refunding	(3,424)
Unamortized premiums/discounts on bonds	(12,808,171)
Total other postemployment benefit (OPEB) liability	(32,345,621)
Net pension liability	(96,157,063)
Deferred pension contributions	6,763,941
Difference in assumption changes - pension	1,427,606
Difference in projected and actual earnings on pension plan assets	(10,078,788)
Difference in expected and actual pension experience	(4,241,923)
Difference in expected and actual OPEB experience	(499,416)
Net change in proportional share	(536,502)
Accrued compensated absences	(19,892,318)
	<u>(358,442,493)</u>
Net position of governmental activities	<u>\$ 29,752,728</u>

The accompanying notes are an integral part of this statement.

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City of Mesquite, Texas

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018**

	<u>General</u>	<u>Housing Grants</u>	<u>Local Finance</u>	<u>Bond Finance</u>	<u>Debt Service</u>
REVENUES:					
Taxes-					
Ad valorem	\$ 48,251,707	\$ -	\$ 1,528,209	\$ -	\$ -
Gross receipts	7,742,503	-	-	-	-
Sales	33,122,378	-	-	-	-
Licenses and permits	2,250,312	-	-	-	-
Fines and forfeitures	2,930,918	-	-	-	-
Investment income	449,876	21,230	298,101	338,063	43,712
Charges for services	14,136,462	-	1,486,889	-	-
Intergovernmental	75,991	12,841,169	3,627,332	-	-
Contributions and donations	109,808	-	1,278,744	-	-
Other revenues	1,018,319	109,517	439,123	-	-
	<u>110,088,274</u>	<u>12,971,916</u>	<u>8,658,398</u>	<u>338,063</u>	<u>43,712</u>
Total Revenues					
EXPENDITURES:					
Current-					
General government	14,196,577	-	951,905	292,762	-
Fire services	27,565,899	-	130,276	26,636	-
Police services	35,017,286	-	685,196	315,732	-
Public works	11,763,034	-	257,005	583,471	-
Planning and community development	2,741,739	-	30,872	14,623	-
Library services	2,046,572	-	-	29,618	-
Parks and recreation	1,313,235	-	-	5,775	-
Housing and community services	2,862,878	12,871,084	-	19,733	-
Capital outlay	361,978	-	2,646,042	26,021,518	-
Debt service					
Principal	-	-	578,096	-	12,805,000
Interest and fiscal charges	-	-	23,702	-	5,649,423
Bond issuance costs	-	-	622,179	489,003	44,427
	<u>97,869,198</u>	<u>12,871,084</u>	<u>5,925,273</u>	<u>27,798,871</u>	<u>18,498,850</u>
Total Expenditures					
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>12,219,076</u>	<u>100,832</u>	<u>2,733,125</u>	<u>(27,460,808)</u>	<u>(18,455,138)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	6,250,000	-	2,034,697	-	17,901,658
Transfers out	(17,785,595)	(150,000)	(2,264,400)	(1,188)	-
Issuance of debt	-	-	7,245,000	46,565,000	-
Issuance of refunding debt	-	-	-	960,000	-
Premium on bonds issued	-	-	-	5,135,756	-
Payment to refunding bond agent	-	-	-	(1,039,253)	-
	<u>(11,535,595)</u>	<u>(150,000)</u>	<u>7,015,297</u>	<u>51,620,315</u>	<u>17,901,658</u>
Total Other Financing Sources (Uses)					
NET CHANGE IN FUND BALANCES	683,481	(49,168)	9,748,422	24,159,507	(553,480)
FUND BALANCES AT BEGINNING OF YEAR	<u>20,229,977</u>	<u>1,348,771</u>	<u>17,168,008</u>	<u>25,432,984</u>	<u>599,174</u>
FUND BALANCES AT END OF YEAR	<u>\$ 20,913,458</u>	<u>\$ 1,299,603</u>	<u>\$ 26,916,430</u>	<u>\$ 49,592,491</u>	<u>\$ 45,694</u>

The accompanying notes are an integral part of this statement.

Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
\$ -	\$ 49,779,916
245,960	7,988,463
12,577,115	45,699,493
30,675	2,280,987
363,727	3,294,645
153,450	1,304,432
1,048,358	16,671,709
3,391,166	19,935,658
314,542	1,703,094
<u>163,495</u>	<u>1,730,454</u>
<u>18,288,488</u>	<u>150,388,851</u>
1,295,344	16,736,588
358,912	28,081,723
1,041,304	37,059,518
1,712,282	14,315,792
748,047	3,535,281
6,549	2,082,739
7,343,031	8,662,041
957,557	16,711,252
7,225,491	36,255,029
-	13,383,096
-	5,673,125
-	<u>1,155,609</u>
<u>20,688,517</u>	<u>183,651,793</u>
<u>(2,400,029)</u>	<u>(33,262,942)</u>
-	26,186,355
(1,948,618)	(22,149,801)
-	53,810,000
-	960,000
-	5,135,756
-	<u>(1,039,253)</u>
<u>(1,948,618)</u>	<u>62,903,057</u>
(4,348,647)	29,640,115
<u>13,291,068</u>	<u>78,069,982</u>
<u>\$ 8,942,421</u>	<u>\$ 107,710,097</u>

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, 2018**

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

Net change in fund balance - total governmental funds	\$ 29,640,115
<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	36,255,029
Depreciation expense	<u>(13,044,960)</u>
	23,210,069
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.	52,432
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.	2,203,593
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.	861,934
<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	(54,770,000)
Refunded bond debt amortization	(311,456)
Principal amount of debt paid to bondholders/refunding bond agents	13,830,000
Principal amount of notes paid	578,096
Net change in accrued interest payable	(297,614)
Premium on bonds issued	(5,135,756)
Net deferred offering charges and related debt issuance items	<u>1,727,139</u>
	(44,379,591)
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.	(440,132)
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.	(7,981,659)
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.	<u>1,000,556</u>
Change in net position of governmental activities	<u>\$ 4,167,317</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes-				
Ad valorem	\$ 47,952,000	\$ 47,952,000	\$ 48,251,707	\$ 299,707
Gross receipts	7,560,000	7,625,000	7,742,503	117,503
Sales	32,520,000	32,905,000	33,122,378	217,378
Licenses and permits	2,206,100	2,263,100	2,250,312	(12,788)
Fines and forfeitures	2,872,000	2,902,000	2,930,918	28,918
Investment income	300,000	324,000	449,876	125,876
Charges for services	13,666,100	13,797,900	14,136,462	338,562
Intergovernmental	150,000	150,000	75,991	(74,009)
Contributions and donations	140,000	140,000	109,808	(30,192)
Other revenues	842,100	1,422,100	1,018,319	(403,781)
TOTAL REVENUES	<u>108,208,300</u>	<u>109,481,100</u>	<u>110,088,274</u>	<u>607,174</u>
EXPENDITURES:				
General government-current and capital outlay	14,314,160	14,655,810	14,558,555	97,255
Fire services	26,863,680	27,347,932	27,565,899	(217,967)
Police services	33,799,970	34,722,105	35,017,286	(295,181)
Public works	13,112,890	12,165,187	11,763,034	402,153
Planning and community development	2,637,690	2,780,630	2,741,739	38,891
Library services	2,176,000	2,085,820	2,046,572	39,248
Parks and recreation	728,930	1,074,830	1,313,235	(238,405)
Housing and community services	3,034,260	3,073,310	2,862,878	210,432
TOTAL EXPENDITURES	<u>96,667,580</u>	<u>97,905,624</u>	<u>97,869,198</u>	<u>36,426</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>11,540,720</u>	<u>11,575,476</u>	<u>12,219,076</u>	<u>643,600</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,750,000	6,250,000	6,250,000	-
Transfer out	<u>(17,280,000)</u>	<u>(17,780,000)</u>	<u>(17,785,595)</u>	<u>(5,595)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,530,000)</u>	<u>(11,530,000)</u>	<u>(11,535,595)</u>	<u>(5,595)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 10,720</u>	<u>\$ 45,476</u>	683,481	<u>\$ 638,005</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>20,229,977</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 20,913,458</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ 5,300	\$ 14,000	\$ 21,230	\$ 7,230
Intergovernmental	12,608,000	13,103,000	12,841,169	(261,831)
Other revenues	-	-	109,517	109,517
	<u>12,613,300</u>	<u>13,117,000</u>	<u>12,971,916</u>	<u>(145,084)</u>
TOTAL REVENUES				
EXPENDITURES:				
Current-				
Housing and community services	<u>12,526,850</u>	<u>13,063,800</u>	<u>12,871,084</u>	<u>192,716</u>
TOTAL EXPENDITURES	<u>12,526,850</u>	<u>13,063,800</u>	<u>12,871,084</u>	<u>192,716</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>86,450</u>	<u>53,200</u>	<u>100,832</u>	<u>47,632</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>\$ (63,550)</u>	<u>\$ (96,800)</u>	(49,168)	<u>\$ 47,632</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>1,348,771</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 1,299,603</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Net Position (Deficit)
Proprietary Funds
September 30, 2018

	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	\$ 29,587,022	\$ 3,415,868	\$ 72,125	\$ 33,075,015	\$ 1,584,263
Restricted pooled cash and investments	20,325,892	210,940	-	20,536,832	-
Receivables (net of allowance for uncollectibles)	10,143,570	499,961	68,446	10,711,977	89,082
Inventory	274,145	-	48,130	322,275	-
Prepays and other assets	-	-	-	-	373,010
Accrued interest	40,475	4,614	-	45,089	1,679
Total current assets	<u>60,371,104</u>	<u>4,131,383</u>	<u>188,701</u>	<u>64,691,188</u>	<u>2,048,034</u>
Noncurrent assets:					
Revenue bond reserve-					
Restricted pooled cash and investments	290,331	349,510	-	639,841	-
Capital assets-					
Land and construction in progress	12,297,565	7,726,557	9,761,409	29,785,531	-
Other capital assets (net of accumulated depreciation)	146,683,888	27,977,796	10,333,020	184,994,704	-
Total noncurrent assets	<u>159,271,784</u>	<u>36,053,863</u>	<u>20,094,429</u>	<u>215,420,076</u>	<u>-</u>
Total Assets	<u>219,642,888</u>	<u>40,185,246</u>	<u>20,283,130</u>	<u>280,111,264</u>	<u>2,048,034</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred charges on refunding	\$ 1,101,803	\$ 23,438	\$ -	\$ 1,125,241	\$ -
Deferred pension contributions	438,742	36,562	73,123	548,427	-
Difference in assumption changes - pension	92,602	7,716	15,434	115,752	-
Change in proportional share - pension	-	16,653	780,094	796,747	-
Total deferred outflows of resources	<u>1,633,147</u>	<u>84,369</u>	<u>868,651</u>	<u>2,586,167</u>	<u>-</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	2,358,274	701,867	76,148	3,136,289	572,434
Estimated claims payable	-	-	-	-	1,718,165
Due to other funds	-	-	33,078	33,078	3,428,252
Deposits and other liabilities	3,873,650	1,056	32,678	3,907,384	-
Accrued compensated absences	199,527	32,917	-	232,444	-
Total other postemployment benefit liability	138,071	11,506	23,012	172,589	-
Total current liabilities	<u>6,569,522</u>	<u>747,346</u>	<u>164,916</u>	<u>7,481,784</u>	<u>5,718,851</u>
Current liabilities payable from restricted assets:					
Accounts payable	1,543,373	-	-	1,543,373	-
Accrued interest payable	251,703	3,308	-	255,011	-
Bonds payable	6,706,202	364,777	-	7,070,979	-
Total current liabilities payable from restricted assets	<u>8,501,278</u>	<u>368,085</u>	<u>-</u>	<u>8,869,363</u>	<u>-</u>
Total current liabilities	<u>15,070,800</u>	<u>1,115,431</u>	<u>164,916</u>	<u>16,351,147</u>	<u>5,718,851</u>
Noncurrent liabilities:					
Estimated claims payable	-	-	-	-	1,410,083
Bonds payable	74,581,448	821,037	-	75,402,485	-
Accrued compensated absences	737,309	67,395	101,211	905,915	-
Net pension liability	6,237,215	519,768	1,039,536	7,796,519	-
Total other postemployment benefit liability	1,960,024	163,335	326,670	2,450,029	-
Total noncurrent liabilities	<u>83,515,996</u>	<u>1,571,535</u>	<u>1,467,417</u>	<u>86,554,948</u>	<u>1,410,083</u>
Total Liabilities	<u>98,586,796</u>	<u>2,686,966</u>	<u>1,632,333</u>	<u>102,906,095</u>	<u>7,128,934</u>
DEFERRED INFLOWS OF RESOURCES:					
Difference in projected and actual earnings on pension assets	653,759	54,480	108,960	817,199	-
Difference in expected and actual experience - pension	275,152	22,930	45,858	343,940	-
Difference in expected and actual experience - OPEB	32,394	2,700	5,400	40,494	-
Changes in proportional share - pension	152,138	88,082	19,929	260,149	-
Total deferred inflows of resources	<u>1,113,443</u>	<u>168,192</u>	<u>180,147</u>	<u>1,461,782</u>	<u>-</u>
NET POSITION (DEFICIT):					
Net investment in capital assets	94,128,588	34,200,307	20,094,430	148,423,325	-
Restricted for debt service	2,724,717	485,347	-	3,210,064	-
Unrestricted	24,722,491	2,728,803	(755,129)	26,696,165	(5,080,900)
Total Net Position (Deficit)	<u>\$ 121,575,796</u>	<u>\$ 37,414,457</u>	<u>\$ 19,339,301</u>	<u>\$ 178,329,554</u>	<u>\$ (5,080,900)</u>
RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF NET POSITION:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(939,347)	
Total Net Position for Business Type Activities				<u>\$ 177,390,207</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, 2018

	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	\$ 67,609,615	\$ 3,965,950	\$ 2,897,739	\$ 74,473,304	\$ -
Contributions - City	-	-	-	-	15,066,192
Contributions - other	-	-	-	-	2,033,904
Total operating revenues	<u>67,609,615</u>	<u>3,965,950</u>	<u>2,897,739</u>	<u>74,473,304</u>	<u>17,100,096</u>
Operating expenses:					
Personal services	6,865,091	579,544	1,341,375	8,786,010	-
Supplies	534,318	7,019	1,013,848	1,555,185	-
Contractual services	39,770,192	332,478	558,109	40,660,779	16,554,606
Depreciation	5,880,683	1,008,385	686,348	7,575,416	-
Total operating expenses	<u>53,050,284</u>	<u>1,927,426</u>	<u>3,599,680</u>	<u>58,577,390</u>	<u>16,554,606</u>
Operating income (loss)	<u>14,559,331</u>	<u>2,038,524</u>	<u>(701,941)</u>	<u>15,895,914</u>	<u>545,490</u>
Nonoperating revenues (expenses):					
Investment income	704,406	92,619	1,781	798,806	25,968
Gain or loss on sale of capital assets	116,157	4,395	3,793	124,345	-
Other nonoperating income (expense)	(1,154)	(220,880)	50,871	(171,163)	-
Interest expense and fiscal charges	(2,646,543)	(47,476)	-	(2,694,019)	-
Total nonoperating revenues (expenses)	<u>(1,827,134)</u>	<u>(171,342)</u>	<u>56,445</u>	<u>(1,942,031)</u>	<u>25,968</u>
Income (loss) before contributions and transfers	12,732,197	1,867,182	(645,496)	13,953,883	571,458
Capital contributions	2,098,093	1,731,975	-	3,830,068	-
Transfers in	364,400	-	370,876	735,276	500,000
Transfers out	(5,072,020)	-	(199,810)	(5,271,830)	-
Change in net position (deficit)	<u>10,122,670</u>	<u>3,599,157</u>	<u>(474,430)</u>	<u>13,247,397</u>	<u>1,071,458</u>
Total net position (deficit) - beginning of year, as previously reported	113,580,245	33,992,560	20,168,251	167,741,056	(6,152,358)
Change in accounting principle (see note 16)	(2,127,119)	(177,260)	(354,520)	(2,658,899)	-
Net position (deficit) - beginning of year, as restated	<u>111,453,126</u>	<u>33,815,300</u>	<u>19,813,731</u>	<u>165,082,157</u>	<u>(6,152,358)</u>
Total net position (deficit) - ending	<u>\$ 121,575,796</u>	<u>\$ 37,414,457</u>	<u>\$ 19,339,301</u>		<u>\$ (5,080,900)</u>
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>70,902</u>	
Change in net position of business-type activities				<u>\$ 13,318,299</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, 2018

	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	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 68,557,246	\$ 4,023,029	\$ 2,928,899	\$ 75,509,174	\$ -
Cash received from City funds	-	-	-	-	15,066,192
Cash received from other operating sources	-	-	-	-	1,963,272
Cash paid to suppliers for goods and services	(39,993,406)	(330,970)	(1,538,304)	(41,862,680)	(5,384,078)
Cash paid to employees for services	(6,380,247)	(533,148)	(1,078,672)	(7,992,067)	-
Cash paid to claimants	-	-	-	-	(11,481,238)
Net cash provided by (used for) operating activities	<u>22,183,593</u>	<u>3,158,911</u>	<u>311,923</u>	<u>25,654,427</u>	<u>164,148</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash loan from (repaid to) other City funds	364,400	-	(96,505)	267,895	(342,891)
Nonoperating income (expense)	(1,154)	(221,626)	50,871	(171,909)	-
Transfers out to other funds	(5,072,020)	-	(199,810)	(5,271,830)	500,000
Net cash provided by (used for) noncapital financing activities	<u>(4,708,774)</u>	<u>(221,626)</u>	<u>(245,444)</u>	<u>(5,175,844)</u>	<u>157,109</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the sale of revenue bonds	8,175,000	-	-	8,175,000	-
Proceeds from the sale of capital assets	116,157	4,395	3,793	124,345	-
Transfers in from other funds for capital purchases	-	-	370,876	370,876	-
Acquisition and construction of capital assets	(11,923,599)	(4,617,743)	(370,876)	(16,912,218)	-
Principal paid on revenue bond maturities	(5,990,000)	(450,000)	-	(6,440,000)	-
Interest paid on revenue bonds	(2,813,746)	(48,563)	-	(2,862,309)	-
Bond issuance costs and other debt related activity	(70,338)	-	-	(70,338)	-
Net cash used for capital and related financing activities	<u>(12,506,526)</u>	<u>(5,111,911)</u>	<u>7,586</u>	<u>(17,610,851)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	<u>681,460</u>	<u>90,744</u>	<u>1,601</u>	<u>773,805</u>	<u>24,819</u>
Net cash provided by investing activities	<u>681,460</u>	<u>90,744</u>	<u>1,601</u>	<u>773,805</u>	<u>24,819</u>
NET INCREASE (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS	5,649,753	(2,083,882)	75,666	3,641,537	346,076
POOLED CASH AND CASH EQUIVALENTS AT BEGINNING 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>
POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 50,203,245</u>	<u>\$ 3,976,318</u>	<u>\$ 75,918</u>	<u>\$ 54,255,481</u>	<u>\$ 1,584,263</u>
RECONCILIATION OF TOTAL POOLED CASH AND CASH EQUIVALENTS:					
Current assets:					
Pooled cash and investments	\$ 29,587,022	\$ 3,415,868	\$ 72,125	\$ 33,075,015	\$ 1,584,263
Restricted pooled cash and investments	20,325,892	210,940	-	20,536,832	-
Noncurrent assets:					
Revenue bond reserve-pooled cash and investments	<u>290,331</u>	<u>349,510</u>	<u>-</u>	<u>639,841</u>	<u>-</u>
	<u>\$ 50,203,245</u>	<u>\$ 3,976,318</u>	<u>\$ 72,125</u>	<u>\$ 54,251,688</u>	<u>\$ 1,584,263</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, 2018

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Major Funds	Drainage Utility District	Non-Major Funds Other Enterprise Funds		
	Water and Sewer				
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 14,559,331	\$ 2,038,524	\$ (701,941)	\$ 15,895,914	\$ 545,490
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-					
Depreciation	5,880,683	1,008,385	686,348	7,575,416	-
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities -					
(Increase)decrease in accounts receivable	833,160	57,079	25,650	915,889	(70,632)
(Increase) decrease in inventory	44,470	-	6,173	50,643	-
(Increase) decrease in prepaid items	-	-	-	-	(66,786)
(Increase) decrease in deferred outflows of resources	1,110,076	115,389	(174,608)	1,050,857	-
Increase (decrease) in accounts payable	252,530	10,160	25,196	287,886	8,300
Increase (decrease) in claims payable	-	-	-	-	(252,224)
Increase(decrease) in deposits	114,471	-	5,510	119,981	-
Increase(decrease) in accrued compensated absences	33,386	9,457	(24,696)	18,147	-
Increase (decrease) in deferred inflows of resources	735,149	61,175	95,722	892,046	-
Increase (decrease) in total OPEB liability	(29,025)	(2,419)	(4,838)	(36,282)	-
Increase (decrease) in net pension liability	(1,350,638)	(138,839)	373,407	(1,116,070)	-
Total adjustments	<u>7,624,262</u>	<u>1,120,387</u>	<u>1,013,864</u>	<u>9,758,513</u>	<u>(381,342)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 22,183,593</u>	<u>\$ 3,158,911</u>	<u>\$ 311,923</u>	<u>\$ 25,654,427</u>	<u>\$ 164,148</u>
NONCASH CAPITAL ACTIVITIES:					
Contribution of capital assets from developers	\$ 2,098,093	\$ 1,731,975	\$ -	\$ 3,830,068	\$ -
Contribution of capital assets from governmental activities	-	-	-	-	-
Proceeds from issuance of refunding debt paid directly escrow agent	1,521,334	-	-	1,521,334	-
Principal and fiscal charges paid on refunding debt	(1,521,334)	-	-	(1,521,334)	-
Total noncash capital activities	<u>\$ 2,098,093</u>	<u>\$ 1,731,975</u>	<u>\$ -</u>	<u>\$ 3,830,068</u>	<u>\$ -</u>

(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, 2018**

	<u>Agency Fund</u> Tax Clearing Fund
ASSETS:	
Current assets:	
Pooled cash and investments	\$ 126,616
Taxes receivable levied for other governments (net of allowance for uncollectibles)	<u>3,883,510</u>
Total Assets	<u>\$ 4,010,126</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 126,616
Due to other governments	<u>3,883,510</u>
Total Liabilities	<u>\$ 4,010,126</u>

The accompanying notes are an integral part of this statement.

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City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2018**

Index

<u>Note</u>		<u>Page</u>
1	Summary of Significant Accounting Policies	38
2	Deposits and Investments	49
3	Fair Value of Assets	51
4	Ad Valorem Taxes	53
5	Receivables	53
6	Capital Assets	55
7	Inter-fund Receivables, Payables, and Transfers	58
8	Long-Term Debt	60
9	Retirement Plan	65
10	Regional Systems for Water Supply and Wastewater Treatment	70
11	Self-insurance	70
12	Postemployment Benefits Other than Pensions (OPEB)	72
13	Contingent Liabilities	75
14	Fund Balances	76
15	Tax Abatements	78
16	New Financial Reporting Requirements	79

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

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. In accordance with GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61 and GASB Statement No. 80, the blended component units discussed below have been included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The City has no discretely presented component units.

Mesquite Quality of Life Corporation

The Quality of Life Corporation (the "Corporation") 4B Sales Tax Special Revenue Fund is presented as a "blended" fund in the financial statements. The Corporation is administered by a seven-member City Council appointed board of directors which are removable by the City Council at any time without cause. No more than four of the seven directors may be City Council members or City of Mesquite employees. Presently, all members of the Board are residents who are neither City Council members nor City employees. The purpose of the Corporation is to study and fund permissible projects for public safety, transportation or parks and recreation purposes from a one-half 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.

Tax Increment Reinvestment Zones (TIRZ)

The City has nine Tax Increment Reinvestment Zones which provide for public improvements within each zone. The City's Tax Increment Reinvestment program identifies under-performing real estate in the City, creates redevelopment plans, works with private developers to implement these plans and reinvests a portion of property tax revenues generated from new real estate developments in the area to encourage the implementation of the development plan.

Separate financial statements for the individual zones are not prepared.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

Rodeo City TIRZ No. 1 – created in 1997 to update essential public infrastructure and to advance economic development to attract businesses and jobs. The Board is comprised of six City Council members and one member of City staff. The TIRZ is a blended component unit in the Local Finance Special Revenue Fund.

Towne Centre TIRZ No. 2 – created in 1998 to maintain the long-term viability of the Town East Mall retail area and to accelerate the pace of new retail development along the IH-635 corridor. The Zone was expanded in December 2017 to include Downtown Mesquite and the Market East area to encourage further retail, office and industrial development. The Board is comprised of four City Council members and three Mesquite Independent School District (MISD) Board members. The City and the MISD are the two taxing entities participating in the TIRZ. The TIRZ is a blended component unit in the Local Finance Special Revenue Fund.

Lucas Farms TIRZ No. 6 – created in 2008 to provide public infrastructure for a proposed residential development in the Zone. The Board is comprised of seven City Council members. The TIRZ is a blended component unit in the Local Finance Special Revenue Fund.

Skyline TIRZ No. 7 – created in 2015 to provide public infrastructure for a proposed medical district development in the Zone. The Board is comprised of seven City Council members. The TIRZ is a blended component unit in the Local Finance Special Revenue Fund.

Gus Thomasson TIRZ No. 8 – created in 2015 to transform the Zone into an engaging place for new businesses and new households and to promote reinvestment to existing properties. The Zone was expanded in December 2017 to include the IH-30 corridor to eliminate obstacles that impair sound growth of the City in the Zone. The Board is comprised of seven City Council members. The TIRZ is a blended component unit in the Local Finance Special Revenue Fund.

Town East/Skyline TIRZ No. 9 – created in 2016 to support industrial and economic development for industry job creation, cleanliness, and appeal to the industrial character of the Big Town Gateway of the City. The Zone was expanded in December 2017 to include the Big Town area in order to help build on the successful base of the Skyline Industrial park and allow for infrastructure financing to further develop the City's industrial base. The Board is comprised of three members of City Council, one member of City Staff and three members representative of the businesses within the Zone. The TIRZ is a blended component unit in the Local Finance Special Revenue Fund.

Polo Ridge TIRZ No. 10 – created in 2017 to provide public infrastructure for a proposed residential development in the Zone. The Board is comprised of six City Council members and one member of City staff. The TIRZ is a blended component unit in the Local Finance Special Revenue Fund.

Heartland Town Center TIRZ No. 11 – created in 2017 to provide public infrastructure for a proposed residential development in the Zone. The Board is comprised of six City Council members and one member of City staff. The TIRZ is a blended component unit in the Local Finance Special Revenue Fund.

IH-20 Business Park TIRZ No. 12 – created in 2018 to provide public infrastructure for a proposed business park in the Zone. The Board is comprised of seven City Council members. The TIRZ is a blended component unit in the Local Finance Special Revenue Fund.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

Public Improvement Districts (PIDs)

The City has two Public Improvement Districts. Mesquite's PID program allows for groups of property owners to request special property assessments for the provisions of services above typical City levels. Working with City staff, each PID may select its own budget and categories based on its goals and needs, subject to Chapter 372 of the Texas Local Government Code. This may consist of eligible supplemental activities such as marketing the area, providing additional security, landscaping and lighting, street cleaning, and cultural or recreational improvements. Each PID is operated by a designated management organization.

Separate financial statements for the individual PIDs are not prepared.

Heartland Town Center PID – created in December 2017 to support a residential and retail development along the IH-20 corridor in Mesquite. The PID sold bonds in September 2018 to fund certain infrastructure projects in the District. Payments from bond proceeds must be reviewed and approved by City staff prior to distribution. The PID is a blended component unit in the Local Finance Special Revenue Fund.

Polo Ridge PID – created in December 2017 to support a residential development along the IH-20 corridor in Mesquite. There has been no financial activity in the PID since inception.

Other Blended Component Units

Other blended component units for the City of Mesquite include 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 Development 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.

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

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, Bond Finance Capital Project funds and Debt Service, all of which are major funds. Data from the other five 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 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.

City of Mesquite, Texas

Notes to Basic Financial Statements

September 30, 2018

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 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.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

- 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 nine Tax Increment Reinvestment Zones, two Public Improvement 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 Debt Service fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City.

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.

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

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 2017-2018 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 amendments to the budget, however, must be adopted by ordinance. Unexpended appropriations lapse at fiscal year end.

During 2017-2018 the City Council amended the budget in January and July. 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 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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

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, 2018, 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

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, 2018 is accrued based on past claims experience.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

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, employees are awarded 15 working days 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.

Postemployment Benefits Other Than Pensions (OPEB)– For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the City's OPEB Plan, information has been determined on the same basis as they are reported by the OPEB plan. For this purpose, the City recognizes benefit payments when due and payable with the benefit terms.

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.

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

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 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.

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 City has six items that qualify for reporting in this category.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

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. 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.

Statement No. 88: Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement

GASB Statement No. 88: Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement requires increases disclosure in notes to the financial statements related to debt, including direct borrowings and direct placements. Debt is defined in the statement as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Additional disclosures required include unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This standard becomes effective for the City in fiscal year 2019.

Statement No. 90: Majority Equity Interests

GASB Statement No. 90: Majority Equity Interests is an amendment of GASB Statements No. 14 and No. 61 and specifies that a majority equity in a legally separate organization should be reported as an investment if a governments holding of the equity interest meets the definition of an investment. This standard becomes effective for the City in fiscal year 2019.

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.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

Deposits

At September 30, 2018, the carrying amount of the City's demand deposits and certificates of deposit totaled \$1,523,736 and the bank balance was \$3,564,454. Cash on hand for the City was \$16,215. Cash on hand for the Fiduciary fund was \$126,616. Cash on hand for the Public Improvement Districts was \$7,202,893.

Investments

The City's investments at September 30, 2018, are:

Investment type	Fair Value	Weighted Average Maturity (Years)
Managed Pools:		
Texpool	\$ 3,366,309	0.00006
Texpool Prime	40,441,825	0.00075
Texstar	2,876,175	0.00005
Texas Class	56,459,907	0.00105
Money Market:		
Wells Fargo (Morgan Stanley)	10,230,129	0.00019
US Agency Securities	33,768,095	0.25616
State and Local Agency Securities	489,838	0.00014
Total	<u>\$ 147,632,278</u>	

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

Credit Risk. The City's investment policy 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, and FHLMC) and State and Local agency securities (Municipal Bonds) are rated at least 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, Texpool Prime, Texstar, and Texas Class) carried a credit rating of AAAM by Standard and Poor's as of September 30, 2018. Texpool and Texpool Prime are 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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

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, 2018.

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, 2018, the City's total investments are in the following: US agency issues (22.97%) consisting of FHLB (35.2%), FFCB (23.5%), and FHLMC (41.3%); state and local agency issues (0.33%) consisting of municipal bonds; investment pools (69.8%); and money market funds (6.9%).

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
- 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, 2018:

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2018

	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, 2018				
Investments by fair value level				
U.S. agency securities	\$ 33,768,095	\$ -	\$ 33,768,095	\$ -
State and local agency securities	489,838	-	489,838	-
Total investments by fair value level	<u>34,257,933</u>	<u>-</u>	<u>34,257,933</u>	<u>-</u>
Investments measured at net asset value				
Texas CLASS	56,459,907			
TexSTAR	2,876,175			
Money Market Fund	<u>10,230,129</u>			
	69,566,211			
Investment measured at amortized cost				
TexPool	3,366,309			
TexPool Prime	<u>40,441,825</u>			
	43,808,134			
Total investments	<u><u>\$ 147,632,278</u></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, 2018, 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, TexPool Prime, and Texas CLASS. The fair value of the position of 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.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

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, 2017, upon which the 2018 fiscal year levy was based, was \$7,321,874,267. Taxes are due October 1, immediately following the January 1 lien date and are delinquent after the following January 31st. A delinquent tax incurs a penalty of 6% beginning February 1, plus 1% for each additional month the tax remains unpaid to a maximum of 12% on July 1. A delinquent tax accrues interest at a rate of 1% for each month or portion of a month until the taxes are paid. Current tax collections for the year ended September 30, 2018, were \$48,976,085 or 97.4% of the current tax levy and total tax collections (including collections on previous years) were \$49,372,778 or 98.2% 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, 2018, 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, 2018 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, 2018**

	General	Housing Grants	Local Finance	Water and Sewer	Drainage Utility District	Nonmajor and Other Funds	Total
Receivables:							
Accounts	\$ 19,327,103	\$ 88,318	\$ 166,380	\$ 10,475,152	\$ 519,141	\$ 115,962	\$ 30,692,056
Ad valorem taxes	2,594,415	-	-	-	-	-	2,594,415
Other taxes	2,001,027	-	-	-	-	59,565	2,060,592
Note receivable	804,560	-	-	-	-	-	804,560
Intergovernmental	5,563,113	-	-	-	-	3,794,827	9,357,940
Gross receivables	30,290,218	88,318	166,380	10,475,152	519,141	3,970,354	45,509,563
Less: allowance for uncollectibles	(12,338,741)	-	-	(331,582)	(19,180)	(13,911)	(12,703,414)
Net total receivables	\$ 17,951,477	\$ 88,318	\$ 166,380	\$ 10,143,570	\$ 499,961	\$ 3,956,443	\$ 32,806,149

The governmental funds report unavailable revenues from the following sources:

<u>Source of revenue</u>	<u>Total</u>
General fund - ambulance accounts receivable	\$ 1,336,039
General fund - ad valorem taxes receivable	1,541,097
General fund - court fines receivable	1,760,068
General fund - accounts receivable, grass and weed mowing	1,922,010
Housing Grants fund - HUD vouchers	88,318
Local Finance capital projects fund - other receivable	21,000
Total unavailable revenues for governmental funds	<u>\$ 6,668,532</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2018**

6. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2018:

	<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	\$ 23,548,932	\$ 231,301	\$ 17,291	\$ 23,762,942
Construction in progress	18,591,557	18,962,468	4,919,592	32,634,433
Total capital assets, not being depreciated	<u>42,140,489</u>	<u>19,193,769</u>	<u>4,936,883</u>	<u>56,397,375</u>
Capital assets, being depreciated:				
Buildings	101,624,421	-	-	101,624,421
Infrastructure	264,105,665	18,849,108	-	282,954,773
Improvements	22,317,570	1,139,801	-	23,457,371
Equipment	66,752,342	4,206,485	2,373,029	68,585,798
Total capital assets, being depreciated	<u>454,799,998</u>	<u>24,195,394</u>	<u>2,373,029</u>	<u>476,622,363</u>
Less accumulated depreciation for:				
Buildings	32,387,275	2,411,023	-	34,798,298
Infrastructure	150,026,465	4,799,335	-	154,825,800
Improvements	11,618,027	969,171	-	12,587,198
Equipment	49,303,114	4,865,431	2,335,144	51,833,401
Total accumulated depreciation	<u>243,334,881</u>	<u>13,044,960</u>	<u>2,335,144</u>	<u>254,044,697</u>
Total capital assets, being depreciated, net	<u>211,465,117</u>	<u>11,150,434</u>	<u>37,885</u>	<u>222,577,666</u>
Governmental activities capital assets, net	<u>\$ 253,605,606</u>	<u>\$ 30,344,203</u>	<u>\$ 4,974,768</u>	<u>\$ 278,975,041</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 12,183,033	\$ 259,913	\$ -	\$ 12,442,946
Construction in progress	13,879,940	9,509,775	6,047,130	17,342,585
Total capital assets, not being depreciated	<u>26,062,973</u>	<u>9,769,688</u>	<u>6,047,130</u>	<u>29,785,531</u>
Capital assets, being depreciated:				
Buildings	9,798,623	-	-	9,798,623
Infrastructure	269,348,244	14,184,034	-	283,532,278
Improvements	2,539,547	2,031,308	-	4,570,855
Equipment	11,113,489	685,577	393,178	11,405,888
Total capital assets, being depreciated	<u>292,799,903</u>	<u>16,900,919</u>	<u>393,178</u>	<u>309,307,644</u>
Less accumulated depreciation for:				
Buildings	2,972,764	223,088	-	3,195,852
Infrastructure	106,548,203	6,064,840	-	112,613,043
Improvements	762,142	227,599	-	989,741
Equipment	6,847,592	1,059,889	393,178	7,514,303
Total accumulated depreciation	<u>117,130,701</u>	<u>7,575,416</u>	<u>393,178</u>	<u>124,312,939</u>
Total capital assets, being depreciated, net	<u>175,669,202</u>	<u>9,325,503</u>	<u>-</u>	<u>184,994,706</u>
Business-type activities capital assets, net	<u>\$ 201,732,176</u>	<u>\$ 19,095,191</u>	<u>\$ 6,047,130</u>	<u>\$ 214,780,238</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2018**

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

Governmental activities:

General government	\$ 2,512,578
Fire services	995,062
Police services	1,128,894
Public Services	6,517,370
Development Services	-
Library services	114,162
Parks and recreation	1,531,823
Community services	245,070
Total governmental activities	<u>\$ 13,044,960</u>

Business-type activities:

Water and sewer	\$ 5,880,683
Drainage utility	1,008,385
Municipal airport	469,843
Golf Course	216,505
Total business-type activities	<u>\$ 7,575,416</u>

Construction Commitments

The City has active construction projects as of September 30, 2018. Projects include street construction, parks and recreation improvements, 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, 2018**

	<u>Spent-to-date</u>	<u>Remaining Construction Commitments</u>
Governmental activities:		
Projects funded by general obligation bonds:		
Streets	\$ 13,074,952	\$ 9,340,422
Fire improvement	7,809,814	2,768,793
Police	-	65,533
Finance	-	53,676
Projects funded by local finance sources:		
Streets	1,817,238	185,329
Finance	419,150	191,628
Parks and recreation	98,786	28,216
Projects funded by general sales tax (4B portion):		
Parks and recreation	2,996,800	400,880
Streets	5,129,319	5,076,053
Total governmental activities	<u>\$ 31,346,059</u>	<u>\$ 18,110,530</u>
Business-type activities:		
Projects funded by revenue bonds:		
Water and sewer	\$ 10,853,425	\$ 4,216,559
Drainage utility district	6,087,978	1,563,392
Total business-type activities	<u>\$ 16,941,403</u>	<u>\$ 5,779,951</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2018**

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 Health Claims and Golf Funds to cover additional cash needed. The current portion of lending/ borrowing arrangements outstanding at September 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Grants Special Revenue Fund	\$ 36,233
General Fund	Health Claims Fund	\$ 3,428,252
General Fund	Golf Fund	\$ 33,078

Transfers-

Transfers were as follows for the fiscal year ended September 30, 2018:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 6,250,000	\$ 17,785,595
Housing Grants	-	150,000
Local Finance	2,034,697	2,264,400
Bond Finance	-	1,188
Debt Service	17,901,658	-
Non-Major Governmental Funds	-	1,948,618
Water and Sewer	364,400	5,072,020
Non-Major Enterprise Fund	370,876	199,810
Internal Service Funds	500,000	-
	<u>\$ 27,421,631</u>	<u>\$ 27,421,631</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2018**

The transfers were for the following purposes:

Transfer from Fund / Purpose	Transfer to Fund	Amount
General Fund-		
Group medical insurance	Medical Insurance	\$ 500,000
Property tax debt service levy	Debt Service	15,300,000
Public Safety Projects	Local Finance	1,776,697
4B Developer Participation Agreement	Local Finance	200,000
Hanger Improvements	Airport	8,898
Housing Grants Fund-		
Indirect cost charge	General	150,000
Local Finance Fund-		
Impact Fees	Debt service	1,714,400
General Obligation Debt Allocation	Debt Service	50,000
Group medical insurance	General	500,000
Bond Finance Fund-		
Interest Income Allocation	Debt Service	1,188
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		
Transportation projects	Airport	361,978
Debt Service	Debt service	478,640
Water and Sewer Enterprise Fund-		
Nonoperating administrative and overhead charge	General	4,550,000
General Obligation Debt Allocation	Debt Service	522,020
Non-Major Enterprise Fund-		
Airport general obligation debt allocation	Debt service	199,810
	Total	\$ 27,421,631

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, \$31,475,000 was issued to advance refund prior tax-exempt bonds in order to lower the overall debt service requirements of the City, make major improvements to two-lane residential streets, as approved by voters in November 2015, 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.
- 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 2018 bond sale was \$16,050,000 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.
- Special Assessment bonds are issued to provide funds for improvements within the City's Public Improvement Districts (PIDs). The Heartland Town Center PID sold bonds in September 2018 to fund certain improvements in Phase 1, \$5,410,000, and Phase 2, \$1,835,000, of the Heartland Town Center development. The bonds will be partially paid by a special assessment tax to be levied on each property in the District along with ad valorem taxes from the Heartland Town Center Tax Increment Reinvestment Zone No. 11.
- 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 2018 bond sale was \$1,415,000 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 \$7,505,000 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

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2018**

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.

Long-term bonded debt at September 30, 2018, 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 2009 refunding	4,245,000	2.00-4.60	02/15/29	855,000	230,000
Series 2010 refunding	1,320,000	2.00-3.625	02/15/23	835,000	155,000
Series 2011 refunding	12,715,000	2.00-5.00	02/15/28	12,395,000	-
Series 2012 refunding	3,765,000	2.00-3.00	02/15/24	2,965,000	465,000
Series 2013 refunding	7,635,000	2.00-3.00	02/15/25	6,225,000	465,000
Series 2014 refunding	9,080,000	3.00-4.00	02/15/26	7,090,000	790,000
Series 2015 refunding	2,935,000	2.00-3.00	02/15/25	2,030,000	295,000
Series 2016 refunding and improvements	40,565,000	1.75-5.00	02/15/36	37,470,000	1,705,000
Series 2017 refunding	7,600,000	2.50-5.00	02/15/29	7,600,000	-
Series 2018 refunding and improvements	31,475,000	1.83-3.20	02/15/38	31,475,000	4,095,000
				<u>108,940,000</u>	<u>8,200,000</u>
Certificate of Obligation Bonds-					
Series 2009	11,260,000	2.00-4.60	02/15/29	2,275,000	615,000
Series 2010	12,340,000	3.00-4.50	02/15/30	8,615,000	575,000
Series 2011	11,575,000	2.00-4.125	02/15/31	7,345,000	440,000
Series 2012	7,235,000	2.00-3.375	02/15/32	5,035,000	455,000
Series 2013	5,450,000	2.00-3.00	02/15/33	3,515,000	370,000
Series 2014	9,715,000	3.00-4.00	02/15/34	8,140,000	370,000
Series 2015	14,835,000	2.00-5.00	02/15/35	12,145,000	760,000
Series 2016	11,815,000	2.00-5.00	02/15/36	8,260,000	660,000
Series 2017	8,285,000	1.00-3.67	02/15/37	4,820,000	305,000
Series 2018	16,050,000	4.00-5.00	02/15/38	16,050,000	1,330,000
				<u>76,200,000</u>	<u>5,880,000</u>
Special Assessment Bonds-					
Series 2018 Phase 1	5,410,000	4.37-5.38	09/01/48	5,410,000	-
Series 2018 Phase 2	1,835,000	5.12-5.63	09/01/48	1,835,000	-
				<u>7,245,000</u>	<u>-</u>
Total governmental activities long-term bonded debt				192,385,000	14,080,000
Add: Net premium/discounts on bonds				12,808,171	4,432,473
Net governmental activities long-term bonded debt				<u>\$ 205,193,171</u>	<u>\$ 18,512,473</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2018**

	<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 2009 improvements	8,380,000	2.00-4.60	03/01/29	395,000	395,000
Series 2010 improvements	8,270,000	2.00-4.25	03/01/30	5,675,000	380,000
Series 2011 refunding and improvements	14,240,000	2.00-4.13	03/01/31	7,565,000	1,070,000
Series 2012 refunding and improvements	7,945,000	2.00-3.38	03/01/32	5,230,000	465,000
Series 2013 refunding and improvements	7,090,000	2.00-3.38	03/01/33	5,035,000	540,000
Series 2014 refunding and improvements	11,655,000	3.00-4.00	03/01/34	9,940,000	385,000
Series 2015 refunding and improvements	10,325,000	2.00-5.00	03/01/35	7,440,000	935,000
Series 2016 refunding and improvements	15,785,000	2.00-5.00	03/01/36	13,965,000	1,410,000
Series 2017 refunding and improvements	12,555,000	2.00-5.00	03/01/37	12,360,000	280,000
Series 2018 refunding and improvements	8,920,000	4.00-5.00	03/01/38	8,920,000	275,000
				<u>76,525,000</u>	<u>6,135,000</u>
Drainage Utility System Revenue Bonds-					
Series 2011 refunding	4,385,000	2.00-3.75	03/01/22	1,175,000	360,000
				<u>1,175,000</u>	<u>360,000</u>
Total business-type activities long-term debt				77,700,000	6,495,000
Add: premium on refunding				4,773,464	575,979
Net business-type activities long-term debt				<u>82,473,464</u>	<u>7,070,979</u>
Net long-term bonded debt				<u>\$ 287,666,635</u>	<u>\$ 25,583,452</u>

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

Fiscal Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	14,080,000	8,020,244	6,495,000	2,965,108
2020	11,860,000	7,200,550	6,405,000	2,659,361
2021	12,230,000	6,808,862	6,045,000	2,455,717
2022	13,180,000	6,360,143	5,855,000	2,261,602
2023	13,945,000	5,856,016	5,305,000	2,075,034
2024-2028	60,925,000	21,161,749	24,640,000	7,310,685
2029-2033	37,095,000	10,596,373	15,565,000	3,046,762
2034-2038	25,295,000	3,604,983	7,390,000	634,650
2039-2043	1,640,000	857,338	-	-
2044-2048	2,135,000	359,888	-	-
Total	\$ 192,385,000	\$ 70,826,146	\$ 77,700,000	\$ 23,408,919

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2018**

Advance Refundings- The City's May 2018 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 \$91,973 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 \$127,770 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	\$ 960,000	\$ 1,415,000
Add: reoffering premium	90,752	138,828
Less: net issuance costs	(11,499)	(30,595)
Reacquisition price	1,039,253	1,523,233
Net carrying amount of old debt	1,023,275	1,506,153
Deferred amount on refunding	\$ 15,978	\$ 17,080
Decrease in total debt service payments of new debt over old debt	\$ 91,973	\$ 127,770
Economic gain on refunding	\$ 81,254	\$ 113,419

In prior years, the City defeased certain general obligation and other bonds by using the proceeds of new bonds to purchase direct obligations of the U. S. government that were placed in separate irrevocable trusts for the purpose of generating resources for all future debt service payments of the debt being refunded. As a result, the refunded bonds are considered to be defeased and the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The principal balance of refunded bonds still outstanding at September 30, 2018 was \$14,665,000 for general obligation bonds and \$9,005,000 for water and sewer bonds.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2018**

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.

Net Pension and OPEB – Net pension and OPEB represent the estimated liability for employees’ retirement obligation for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund and Enterprise Funds based on the assignment of an employee at termination.

Long-term liabilities activity for the year ended September 30, 2018 was as follows:

	<u>Beginning Balance, as restated</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	\$ 82,210,000	\$ 31,475,000	\$ 4,670,000	\$ (75,000)	\$ 108,940,000	\$ 8,200,000
Certificates of obligation	69,235,000	16,050,000	8,135,000	(950,000)	76,200,000	5,880,000
Special Assessment Bonds	-	7,245,000	-	-	7,245,000	-
Total bonds payable	<u>151,445,000</u>	<u>54,770,000</u>	<u>12,805,000</u>	<u>(1,025,000)</u>	<u>192,385,000</u>	<u>14,080,000</u>
Add: premium on refunding	9,385,301	5,135,756	1,712,886	-	12,808,171	1,678,815
Total bonds payable	<u>160,830,301</u>	<u>59,905,756</u>	<u>14,517,886</u>	<u>(1,025,000)</u>	<u>205,193,171</u>	<u>15,758,815</u>
Other General Fund long-term liability:						
Notes payable	578,096	-	578,096	-	-	-
Net pension liability	116,916,581	-	20,759,518	-	96,157,063	-
Total other postemployment benefit (OPEB) liability	32,793,086	-	447,465	-	32,345,621	2,128,595
Accrued compensated absences	19,452,186	1,057,204	617,072	-	19,892,318	7,554,627
Estimated claims payable	<u>3,380,472</u>	<u>12,348,240</u>	<u>12,600,464</u>	-	<u>3,128,248</u>	<u>1,718,165</u>
Total governmental activities	<u>333,950,722</u>	<u>73,311,200</u>	<u>49,520,501</u>	<u>(1,025,000)</u>	<u>356,716,421</u>	<u>27,160,202</u>
Business-type activities:						
Bonds payable:						
Revenue bonds -water/sewer	75,100,000	8,920,000	5,990,000	(1,505,000)	76,525,000	6,135,000
Revenue bonds -drainage	<u>1,625,000</u>	-	<u>450,000</u>	-	<u>1,175,000</u>	<u>360,000</u>
Total revenue bonds payable	76,725,000	8,920,000	6,440,000	(1,505,000)	77,700,000	6,495,000
Add: premium on refunding	<u>4,376,177</u>	<u>925,129</u>	<u>527,842</u>	-	<u>4,773,464</u>	<u>575,979</u>
Net revenue bonds payable	81,101,177	9,845,129	6,967,842	(1,505,000)	82,473,464	7,070,979
Net pension liability	8,909,589	448,996	1,562,066	-	7,796,519	-
Total other postemployment benefit (OPEB) liability	2,658,899	-	36,281	-	2,622,618	172,589
Accrued compensated absences	<u>1,120,213</u>	<u>100,591</u>	<u>82,445</u>	-	<u>1,138,359</u>	<u>232,444</u>
Total business-type activities	<u>93,789,878</u>	<u>10,394,716</u>	<u>8,648,634</u>	<u>(1,505,000)</u>	<u>94,030,960</u>	<u>7,476,012</u>

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

9. RETIREMENT PLAN

Plan Description- The City participates as one of 883 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, 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 – TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

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 contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2018**

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	777
Inactive employees entitled to but not yet receiving benefits	381
Active employees	<u>1,103</u>
	<u>2,261</u>

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 13.50% for January 2018 through September 2018 and 12.30% for October 2017 through December 2017. The City's contributions to TMRS for the year ended September 30, 2018, were \$9,712,228, and were equal to the required contributions.

Net Pension Liability- The City's net pension liability was measured as of December 31, 2017, 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, 2017 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.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The postretirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

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.

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. 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%	3.90%
Real Return	10.00%	3.80%
Real Estate	10.00%	4.50%
Absolute Return	10.00%	3.75%
Private Equity	5.00%	7.50%
	<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, 2018**

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at September 30, 2017	\$ 525,528,488	\$ 399,702,318	\$ 125,826,170
Changes for the year:			
Service cost	15,375,279	-	15,375,279
Interest (on the total pension liability)	35,019,294	-	35,019,294
Difference between expected and actual experience	(3,377,576)	-	(3,377,576)
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(28,823,538)	(28,823,538)	-
Administrative expense	-	(287,093)	287,093
Contributions - member	-	5,010,566	(5,010,566)
Contributions - employer	-	8,804,273	(8,804,273)
Net investment income	-	55,376,389	(55,376,389)
Other	-	(14,550)	14,550
Net Changes	<u>18,193,459</u>	<u>40,066,047</u>	<u>(21,872,588)</u>
Balance at September 30, 2018	<u>\$ 543,721,947</u>	<u>\$ 439,768,365</u>	<u>\$ 103,953,582</u>

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%
\$ 176,759,742	\$ 103,953,582	\$ 43,283,089

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.

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2018

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

For the year ended September 30, 2018, the City recognized pension expense of \$18,341,048.

At September 30, 2018, 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	\$ -	\$ 4,585,863
Difference between projected and actual investment earnings on pension plan investments	-	10,895,987
Changes in assumptions	1,543,359	-
Change in proportional share	882,869	882,869
Employer contributions subsequent to the measurement date	7,312,368	-
	<u>\$ 9,738,596</u>	<u>\$ 16,364,719</u>

Deferred outflows of resources of \$7,312,368 related to pensions resulting from contributions subsequent to the measurement date but before the end of September 30, 2018 will be recognized in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2019	\$ (364,696)
2020	(868,440)
2021	(6,303,810)
2022	(6,348,356)
2023	(53,191)
Total	<u>\$ (13,938,493)</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.

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 25-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 \$22.001 million for the fiscal year ended September 30, 2018.

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, 2018, was approximately \$9.224 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 exceed this self-insured coverage in fiscal year 2018 by \$723 thousand.

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.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2018**

The Group Medical Insurance internal service fund began the fiscal year with (\$5,150,430) in unrestricted net deficit after inclusion of \$1,191,354 of estimated outstanding health claims payable. During the year, operating and non-operating revenues exceeded operating and non-operating expenses by \$558,708 resulting in a (\$4,591,722) balance in unrestricted net deficit at year end. Actual claims paid totaled \$10,023,089. The increase in net position was due to an increase in the City’s contributions to the plan. The City has continued a contract with an outside firm to assist the City in controlling and monitoring medical claims. The City plans to continue eliminating the deficit fund balance through proposed plan changes, increased premium charges, and increased City contributions to the plan.

The estimated claims payable of \$1,013,124 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 2017 and 2018 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2017	\$ 951,034	\$ 8,574,307	\$ 8,333,987	\$ 1,191,354
2018	\$ 1,191,354	\$ 9,844,859	\$ 10,023,089	\$ 1,013,124

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 and 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 three fiscal years.

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2018

The General Liability fund began the fiscal year with unrestricted net position of (\$1,001,928). During the year, operating and non-operating revenues exceeded operating expenses by \$512,750, resulting in a (\$489,178) balance in unrestricted net position at year end. Actual claims paid were \$1,384,155. The estimated claims payable of \$2,115,124 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 2017 and 2018 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2017	\$ 2,012,628	\$ 1,591,321	\$ 1,414,831	\$ 2,189,118
2018	\$ 2,189,118	\$ 1,384,155	\$ 1,458,149	\$ 2,115,124

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 OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan description- 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75. The plan does not issue a separate financial report.

Benefits provided- These benefits are provided to retired employees and their dependents under the same plan options as active employees in accordance with City ordinances. To be eligible for City-subsidized coverage, retired employees who were hired before October 1, 2004 must have 20 years of full-time service with the City or 10 years of service and be at least 60. Former employees age 60 and over with at least 5 years of service may participate in the plan after retirement. However, the City makes no contribution towards those benefits unless the employee had at least 10 years of service with the City.

Employees hired on and after October 1, 2004 may retire with City-subsidized coverage after the later of 15 years of service and attainment of age 55.

Prior to Medicare eligibility, retirees can remain in a high-deductible health plan (HDHP) with a \$4,000 deductible. Effective January 1, 2018, the City no longer makes contributions to the HSA account for retirees.

Retirees over the age of 65 are offered coverage in one of two fully-insured Medicare Supplement plans (“High Option” and “Low Option”) issued by United American.

Participating retirees must make monthly contributions. The contribution rates are set by the City, and generally change on each January 1. The retiree’s contribution rate for the HDHP depends on the dependents covered. The retiree’s contribution rate may also vary based on the number of years of service at retirement, depending on the date of retirement. The Medicare Supplement policies are funded by both city and retiree contributions.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2018**

Employees covered by benefit terms – At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	347
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>1,071</u>
	<u><u>1,418</u></u>

Total OPEB Liability – The City’s total OPEB liability of \$34,968,239 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs – The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Salary increases	3.0%, average, including inflation
Discount rate	3.80%
Healthcare cost trend rates - pre-65	6.5% for 2018, decreasing annually, to an ultimate rate of 3.9% for 2075 and later years
Healthcare cost trend rates - post-65	No increases are assumed
Retirees' share of benefit-related costs	Future contributions for pre-65 retirees are assumed to increase at the same rate as medical trend.

The discount rate of 3.83% was based on the September 30, 2018 Fidelity General Obligation AA 20-Year Yield. The prior year discount rate was 4.0%, based on the Fidelity General Obligation AA 20-Year Yield.

Mortality rates for active employees were based on the RPH-2014 Blue Collar Employee Mortality Table, Projected to 2048 with Scale MP-2018, for males or females, as appropriate.

Mortality rates for inactive employees were based on the RPH-2014 Blue Collar Healthy Annuitant Mortality Table, Projected to 2048 with Scale MP-2018, for males or females, as appropriate.

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2018

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance as of 10/01/17	\$ 35,451,985
Changes for the year	
Service cost	748,034
Interest	1,349,945
Differences between expected and actual experience	(674,886)
Benefit payments	<u>(1,906,839)</u>
Net changes	<u>(483,746)</u>
Balance at 9/30/18	<u><u>\$ 34,968,239</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate- The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.83 percent) or 1-percentage-point higher (4.83 percent) than the current discount rate:

1% Decrease	Discount Rate	1% Increase
<u>2.83%</u>	<u>3.83%</u>	<u>4.83%</u>
\$ 38,490,962	\$ 34,968,239	\$ 31,932,726

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates- The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Healthcare Cost Trend Rates	1% Increase
<u>\$ 30,225,277</u>	<u>\$ 34,968,239</u>	<u>\$ 40,539,723</u>

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended September 30, 2018, the City recognized OPEB expense of \$1,963,001. At September 30, 2018, the City reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Difference in expected and actual experience	\$ 539,910

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2019	\$	(134,977)
2020		(134,977)
2021		(134,978)
2022		(134,978)
2023		-
Total	\$	<u>(539,910)</u>

Required Supplementary Information - Required supplementary information for the schedule of changes in the City's total OPEB liability and related ratios is presented immediately following the Notes to the Basic Financial Statements.

13. COMMITMENTS AND CONTINGENT LIABILITIES

Encumbrances- As discussed in Note 1 Summary of Significant Accounting Policies - Encumbrances, encumbrances are commitments related to underperformed contracts for goods or services (i.e. purchase orders). At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year in the General fund were \$98,393. There were no other significant encumbrances for any of the other major funds.

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 19, 2018. No rebate liability was due to the federal government. Information for the next computation period is due in March of 2019. Management does not anticipate there will be a material liability once the computation is completed.

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

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, 2018, is as follows.

<u>Series</u>	<u>Mesquite Health Facilities Corporation</u>
2014	595,000
2014	1,670,000
2014	4,985,000
2014	3,800,000
2014	19,030,000
2016	4,000,000
2016	6,225,000
2016	420,000
2016	3,355,000
2016	815,000
2016	10,500,000
Total	<u>\$ 55,395,000</u>

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

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2018

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.

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

Description	General Fund	Housing Grants	Local Finance	Bond Finance	Debt Service	Other Governmental Funds	Total Governmental Funds
Nonspendable:							
Prepays	\$ 40,939	\$ 1,699	\$ -	\$ 136,008	\$ -	\$ 8,878	\$ 187,524
Inventory	1,073,563	-	-	-	-	-	1,073,563
Cemetery trust principal	-	-	-	-	-	101,112	101,112
Long-term note receivable	804,560	-	-	-	-	-	804,560
Total Nonspendable	1,919,062	1,699	-	136,008	-	109,990	2,166,759
Restricted for:							
Debt Retirement	-	-	-	-	45,694	-	45,694
Purpose of grantors, trustees, and donors	-	1,297,904	-	-	-	1,312,128	2,610,032
4B Sales Tax projects	-	-	-	-	-	2,505,771	2,505,771
Promotion of Tourism	-	-	-	-	-	1,718,849	1,718,849
Law Enforcement	-	-	-	-	-	2,043,531	2,043,531
Capital Projects	-	-	-	49,456,483	-	-	49,456,483
Community Access Projects	-	-	-	-	-	622,869	622,869
Road Surface Repairs	-	-	238,687	-	-	-	238,687
Tax Increment Financing							
Districts	-	-	14,440,970	-	-	-	14,440,970
Public Improvement Districts	-	-	7,202,893	-	-	-	7,202,893
Hike and Bike Trail	-	-	39,938	-	-	-	39,938
Developer's Deposits	-	-	1,646,763	-	-	-	1,646,763
Capital Replacement	-	-	699,733	-	-	-	699,733
Other Purposes	-	-	384,214	-	-	200,275	584,489
Total Restricted	-	1,297,904	24,653,198	49,456,483	45,694	8,403,423	83,856,702
Assigned to:							
Encumbrances	98,393	-	-	-	-	-	98,393
Other Capital Projects	-	-	1,383,887	-	-	-	1,383,887
Other Purposes	-	-	879,345	-	-	429,008	1,308,353
Total Assigned	98,393	-	2,263,232	-	-	429,008	2,790,633
Unassigned	18,896,003	-	-	-	-	-	18,896,003
TOTAL FUND BALANCES	\$20,913,458	\$1,299,603	\$26,916,430	\$49,592,491	\$45,694	\$8,942,421	\$ 107,710,097

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.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2018

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.

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, 2018, the City of Mesquite had 15 economic development agreements that included sales and/or property tax abatement provisions. In total, \$510,267 in sales tax and \$54,926 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 refund impact fees up to \$340,000 related to a project in which the company intends to invest at least \$15 million in new capital improvements to construct a 487,200 square foot facility and lease 25% of the facility to one or more tenants.
- The City has agreed to refund roadway impact fees up to \$65,000 related to a project in which the company intends to invest at least \$2 million in new capital improvements for a 50,000 square foot building and leasing 50% of the building to a tenant expanding its business in the City.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2018**

16. NEW FINANCIAL REPORTING REQUIREMENTS

The GASB has issued the following statement, which became effective for fiscal year 2018. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – This statement changes the focus of OPEB accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer’s financial statements for any actuarially unfunded portion of pension benefits earned to date. Adoption of GASB Statement No.75 resulted in adjustments to beginning government wide net position governmental activities and business-type activities. Adoption of GASB Statement No. 75 had the same impact on the proprietary fund financial statements as the business-type activities at the government-wide level.

Adoption of GASB Statement No. 75 resulted in the following adjustments to beginning net position at October 1, 2017:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Position at October 01, 2017, as previously reported	\$ 53,187,358	\$ 166,730,807	\$ 219,918,165
Elimination of OPEB liability at October 01, 2017, as previously reported	5,191,139	-	5,191,139
Recording of total OPEB liability at October 01, 2017	(32,793,086)	(2,658,899)	(35,451,985)
Adjustment to beginning net position for GASB Statement No. 75 implementation	<u>(27,601,947)</u>	<u>(2,658,899)</u>	<u>(30,260,846)</u>
Net Position at October 01, 2017, as restated	<u>\$ 25,585,411</u>	<u>\$ 164,071,908</u>	<u>\$ 189,657,319</u>

Statement No. 89: Accounting for Interest Costs Incurred Before the End of a Construction Period

GASB Statement No. 89: Accounting for Interest Costs Incurred Before the End of a Construction Period supersedes the requirements of paragraphs 5-22 of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, and requires interest costs incurred before the end of a construction period to be recognized as expense in the period incurred under the economic resources measurement focus. This standard was early adopted by the City in fiscal year 2018 and did not have a material effect on the City.

End of Notes to Basic Financial Statements

City of Mesquite, Texas

Required Supplementary Information (Unaudited)
September 30, 2018

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	Measurement Year 2017
Total pension liability:				
Service cost	\$ 10,206,837	\$ 11,282,680	\$ 11,607,011	\$ 15,375,279
Interest (on the Total Pension Liability)	32,088,206	33,164,585	33,628,738	35,019,294
Difference between expected and actual experience	(5,189,415)	(721,632)	(265,481)	(3,377,576)
Change in assumptions	-	3,677,030	-	-
Benefit payments, including refunds of employee contributions	(21,934,850)	(22,598,587)	(23,683,590)	(28,823,538)
Net change in total pension liability	15,170,778	24,804,076	21,286,678	18,193,459
Total pension liability - beginning	464,266,956	479,437,734	504,241,810	525,528,488
Total pension liability - ending (a)	\$ 479,437,734	\$ 504,241,810	\$ 525,528,488	\$ 543,721,947
Plan fiduciary net position:				
Contributions - employer	6,999,796	7,390,890	7,083,990	8,804,273
Contributions - employee	4,533,599	4,872,185	4,819,479	5,010,566
Net investment income	21,993,586	584,061	26,059,766	55,376,389
Benefit payments, including refunds of employee contributions	(21,934,850)	(22,598,587)	(23,683,590)	(28,823,538)
Administrative expense	(229,654)	(355,783)	(294,412)	(287,093)
Other	(18,881)	(17,572)	(15,862)	(14,550)
Net change in plan fiduciary net position	11,343,596	(10,124,806)	13,969,371	40,066,047
Plan fiduciary net position - beginning	384,514,157	395,857,753	385,732,947	399,702,318
Plan fiduciary net position - ending (b)	\$ 395,857,753	\$ 385,732,947	\$ 399,702,318	\$ 439,768,365
Net pension liability - ending (a) - (b)	\$ 83,579,981	\$ 118,508,863	\$ 125,826,170	\$ 103,953,582
Plan fiduciary net position as a percentage of total pension liability	82.57%	76.50%	76.06%	80.88%
Covered payroll	\$ 64,709,631	\$ 69,261,386	\$ 68,843,479	\$ 71,579,511
Net pension liability as a percentage of covered payroll	129.16%	171.10%	182.77%	145.23%

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, 2018**

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

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Actuarially determined contribution	\$ 7,094,555	\$ 7,128,122	\$ 8,324,268	\$ 9,712,228
Contribution in relation of the actuarially determined contribution	7,094,555	7,128,122	8,324,268	9,712,228
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 66,484,370	\$ 68,679,246	\$ 70,725,844	\$ 73,676,746
Contributions as a percentage of covered payroll	10.67%	10.38%	11.77%	13.18%

Notes to Schedule of Contributions

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months 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	28 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, 2018**

**Retiree Healthcare Plan
Schedule of the City's Changes in Total OPEB Liability and Related Ratios**

	Measurement Year 2018
	<hr/>
Total OPEB liability:	
Service cost	\$ 748,034
Interest (on the Total OPEB Liability)	1,349,945
Difference between expected and actual experience	(674,886)
Benefit payments	(1,906,839)
Net change in total OPEB liability	<hr/> (483,746)
Total OPEB liability - beginning	<hr/> 35,451,985
Total OPEB liability - ending	<hr/> <hr/> \$ 34,968,239
Covered employee payroll	<hr/> <hr/> \$ 64,280,893
Total OPEB liability as a percentage of covered-employee payroll	54.40%

Notes to Schedule:

Changes of Benefit Terms:

None

Changes of Assumptions:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	3.83%
------	-------

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 (September 30).

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.

City of Mesquite, Texas

**Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2018**

	Special Revenue			
	Hotel/Motel Tax	Confiscated Drug	Mesquite Quality of Life Corporation (4B Sales Tax)	Other Grants
ASSETS:				
Pooled cash and investments	\$ 1,762,227	\$ 1,955,563	\$ 1,046,870	\$ 841,397
Receivables (net of allowance for uncollectibles):				
Accounts receivable	13,418	-	-	-
Other taxes receivable	-	-	-	-
Intergovernmental	1,380	-	3,492,175	263,951
Prepays	7,967	-	-	-
Accrued interest	1,740	2,032	2,092	-
	<u>\$ 1,786,732</u>	<u>\$ 1,957,595</u>	<u>\$ 4,541,137</u>	<u>\$ 1,105,348</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 59,916	\$ 35,635	\$ 1,772,634	\$ 193,114
Retainage payable	-	-	262,732	7,500
Deposits	-	191,396	-	-
Due to other funds	-	-	-	36,233
	<u>59,916</u>	<u>227,031</u>	<u>2,035,366</u>	<u>236,847</u>
Fund Balances:				
Nonspendable	7,967	-	-	-
Restricted	1,718,849	1,730,564	2,505,771	868,501
Assigned	-	-	-	-
	<u>1,726,816</u>	<u>1,730,564</u>	<u>2,505,771</u>	<u>868,501</u>
Total Fund Balances	<u>1,726,816</u>	<u>1,730,564</u>	<u>2,505,771</u>	<u>868,501</u>
Total Liabilities and Fund Balances	<u>\$ 1,786,732</u>	<u>\$ 1,957,595</u>	<u>\$ 4,541,137</u>	<u>\$ 1,105,348</u>

<u>Other Special Revenue</u>	<u>Total Other Governmental Funds</u>
\$ 2,170,389	\$ 7,776,446
20,187	33,605
59,565	59,565
37,321	3,794,827
911	8,878
<u>2,267</u>	<u>8,131</u>
<u>\$ 2,290,640</u>	<u>\$ 11,681,452</u>
\$ 179,871	\$ 2,241,170
-	270,232
-	191,396
<u>-</u>	<u>36,233</u>
<u>179,871</u>	<u>2,739,031</u>
102,023	109,990
1,579,738	8,403,423
<u>429,008</u>	<u>429,008</u>
<u>2,110,769</u>	<u>8,942,421</u>
<u>\$ 2,290,640</u>	<u>\$ 11,681,452</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, 2018**

	Special Revenue			
	Hotel/Motel Tax	Confiscated Drug	Mesquite Quality of Life Corporation (4B Sales Tax)	Other Grants
REVENUES:				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ -
Sales tax	1,629,514	-	10,947,601	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	55,289	-	-
Investment income	26,316	41,068	48,625	-
Charges for services	-	-	-	-
Intergovernmental	-	-	1,865,511	1,525,655
Contributions and donations	-	-	56,240	-
Other revenues	-	-	10,540	152,955
Total Revenues	1,655,830	96,357	12,928,517	1,678,610
EXPENDITURES:				
Current-				
General government	916,994	-	250,000	-
Fire services	-	-	259	196,536
Police services	-	546,323	-	45,606
Public works	-	-	1,712,282	-
Planning and community development	192,128	-	-	373,957
Library services	-	-	-	2,408
Parks and recreation	-	-	7,218,340	83,600
Housing and community services	-	-	-	940,796
Capital outlay	-	622,308	6,488,015	104,803
Total Expenditures	1,109,122	1,168,631	15,668,896	1,747,706
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	546,708	(1,072,274)	(2,740,379)	(69,096)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(58,000)	-	(840,618)	-
Total Other Financing Sources (Uses)	(58,000)	-	(840,618)	-
NET CHANGE IN FUND BALANCE	488,708	(1,072,274)	(3,580,997)	(69,096)
FUND BALANCES AT BEGINNING OF YEAR	1,238,108	2,802,838	6,086,768	937,597
FUND BALANCES AT END OF YEAR	<u>\$ 1,726,816</u>	<u>\$ 1,730,564</u>	<u>\$ 2,505,771</u>	<u>\$ 868,501</u>

<u>Other Special Revenue</u>	<u>Total Other Governmental Funds</u>
\$ 245,960	\$ 245,960
-	12,577,115
30,675	30,675
308,438	363,727
37,441	153,450
1,048,358	1,048,358
-	3,391,166
258,302	314,542
-	<u>163,495</u>
<u>1,929,174</u>	<u>18,288,488</u>
128,350	1,295,344
162,117	358,912
449,375	1,041,304
-	1,712,282
181,962	748,047
4,141	6,549
41,091	7,343,031
16,761	957,557
<u>10,365</u>	<u>7,225,491</u>
<u>994,162</u>	<u>20,688,517</u>
<u>935,012</u>	<u>(2,400,029)</u>
-	-
<u>(1,050,000)</u>	<u>(1,948,618)</u>
<u>(1,050,000)</u>	<u>(1,948,618)</u>
(114,988)	(4,348,647)
<u>2,225,757</u>	<u>13,291,068</u>
<u>\$ 2,110,769</u>	<u>\$ 8,942,421</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, 2018
 With Comparative Actual Totals for the Year Ended September 30, 2017**

	2018				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Hotel/Motel Tax	\$ 1,360,000	\$ 1,360,000	\$ 1,629,514	\$ 269,514	\$ 1,539,448
Investment income	6,500	18,000	26,316	8,316	8,061
TOTAL REVENUES	<u>1,366,500</u>	<u>1,378,000</u>	<u>1,655,830</u>	<u>277,830</u>	<u>1,547,509</u>
EXPENDITURES:					
Other-					
Administration projects-					
Personal Service	52,600	52,600	12,672	39,928	33,718
Contractual services	282,400	282,400	235,912	46,488	201,350
	<u>335,000</u>	<u>335,000</u>	<u>248,584</u>	<u>86,416</u>	<u>235,068</u>
Convention and Visitor Bureau					
Personal services	305,300	305,300	260,771	44,529	233,851
Supplies	21,450	9,950	6,679	3,271	7,677
Contractual services	366,910	383,382	208,832	174,550	168,282
	<u>693,660</u>	<u>698,632</u>	<u>476,282</u>	<u>222,350</u>	<u>409,810</u>
Arts Council projects					
Contractual services	152,400	152,400	192,128	(39,728)	179,734
	<u>152,400</u>	<u>152,400</u>	<u>192,128</u>	<u>(39,728)</u>	<u>179,734</u>
Historic Commission projects-					
Contractual services	152,400	152,400	192,128	(39,728)	179,734
	<u>152,400</u>	<u>152,400</u>	<u>192,128</u>	<u>(39,728)</u>	<u>179,734</u>
TOTAL EXPENDITURES	<u>1,333,460</u>	<u>1,338,432</u>	<u>1,109,122</u>	<u>229,310</u>	<u>1,004,346</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>33,040</u>	<u>39,568</u>	<u>546,708</u>	<u>507,140</u>	<u>543,163</u>
OTHER FINANCING USES:					
Transfers out	<u>(58,000)</u>	<u>(58,000)</u>	<u>(58,000)</u>	-	<u>(58,000)</u>
TOTAL OTHER FINANCING USES	<u>(58,000)</u>	<u>(58,000)</u>	<u>(58,000)</u>	-	<u>(58,000)</u>
NET CHANGE IN FUND BALANCE	\$ <u>(24,960)</u>	\$ <u>(18,432)</u>	488,708	\$ 507,140	485,163
FUND BALANCE AT BEGINNING OF YEAR			<u>1,238,108</u>		<u>752,945</u>
FUND BALANCE AT END OF YEAR			<u>\$ 1,726,816</u>		<u>\$ 1,238,108</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, 2018
 With Comparative Actual Totals for the Year Ended September 30, 2017**

	2018				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Fines and forfeitures	\$ 430,000	\$ 430,000	\$ 55,289	\$ (374,711)	\$ 417,252
Investment income	<u>19,500</u>	<u>30,000</u>	<u>41,068</u>	<u>11,068</u>	<u>28,994</u>
TOTAL REVENUES	<u>449,500</u>	<u>460,000</u>	<u>96,357</u>	<u>(363,643)</u>	<u>446,246</u>
EXPENDITURES:					
Police services-					
Supplies	104,750	327,750	327,686	64	255,051
Contractual services	286,960	362,960	218,637	144,323	1,011,527
Capital outlay	<u>150,990</u>	<u>1,068,538</u>	<u>622,308</u>	<u>446,230</u>	<u>134,529</u>
TOTAL EXPENDITURES	<u>542,700</u>	<u>1,759,248</u>	<u>1,168,631</u>	<u>590,617</u>	<u>1,401,107</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(93,200)</u>	<u>(1,299,248)</u>	<u>(1,072,274)</u>	<u>226,974</u>	<u>(954,861)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (93,200)</u>	<u>\$ (1,299,248)</u>	<u>(1,072,274)</u>	<u>\$ 226,974</u>	<u>(954,861)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>2,802,838</u>		<u>3,757,699</u>
FUND BALANCE AT END OF YEAR			<u>\$ 1,730,564</u>		<u>\$ 2,802,838</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, 2018
 With Comparative Actual Totals for the Year Ended September 30, 2017**

	2018		Actual Amounts	Variance with Final Budget - Positive (Negative)	2017 Actual Amounts
	Budgeted Amounts				
	Original	Final			
REVENUES:					
Sales tax	\$ 10,750,000	\$ 10,750,000	\$ 10,947,601	\$ 197,601	\$ 10,916,110
Investment income	30,000	30,000	48,625	18,625	37,828
Intergovernmental	187,500	5,059,406	1,865,511	(3,193,895)	468,227
Contributions and donations	70,000	70,000	56,240	(13,760)	-
Other revenues	-	3,810,000	10,540	(3,799,460)	25,000
TOTAL REVENUES	<u>11,037,500</u>	<u>19,719,406</u>	<u>12,928,517</u>	<u>(6,790,889)</u>	<u>11,447,165</u>
EXPENDITURES:					
Current-					
General government	200,000	250,000	250,000	-	200,000
Fire services	-	-	259	(259)	-
Public works	-	1,700,000	1,712,282	(12,282)	743,436
Parks and recreation	9,085,650	9,206,443	7,218,340	1,988,103	6,121,813
Capital Projects					
Public safety projects	36,000	36,000	28,880	7,120	-
Transportation projects	1,010,000	10,693,258	3,583,824	7,109,434	1,123,739
Parks and recreation projects	-	3,000,000	2,875,311	124,689	4,872,039
TOTAL EXPENDITURES	<u>10,331,650</u>	<u>24,885,701</u>	<u>15,668,896</u>	<u>9,216,805</u>	<u>13,061,027</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>705,850</u>	<u>(5,166,295)</u>	<u>(2,740,379)</u>	<u>2,425,916</u>	<u>(1,613,862)</u>
OTHER FINANCING USES:					
Transfers Out	<u>(478,640)</u>	<u>(478,640)</u>	<u>(840,618)</u>	<u>361,978</u>	<u>(324,081)</u>
TOTAL OTHER FINANCING USES	<u>(478,640)</u>	<u>(478,640)</u>	<u>(840,618)</u>	<u>361,978</u>	<u>(324,081)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 227,210</u>	<u>\$ (5,644,935)</u>	<u>(3,580,997)</u>		<u>(1,937,943)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>6,086,768</u>		<u>8,024,711</u>
FUND BALANCE AT END OF YEAR			<u>\$ 2,505,771</u>		<u>\$ 6,086,768</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, 2018
 With Comparative Actual Totals for the Year Ended September 30, 2017

	2018				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	<u>2017 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Intergovernmental	\$ 1,001,920	\$ 1,550,788	\$ 1,525,655	\$ (25,133)	\$ 1,193,599
Other revenues	-	-	152,955	152,955	13,985
TOTAL REVENUES	<u>1,001,920</u>	<u>1,550,788</u>	<u>1,678,610</u>	<u>127,822</u>	<u>1,207,584</u>
EXPENDITURES:					
Current-					
Fire services	-	-	196,536	(196,536)	73,477
Police services	-	-	45,606	(45,606)	62,683
Library services	-	-	2,408	(2,408)	9,999
Planning and community development	182,169	346,029	373,957	(27,928)	456,625
Parks and recreation	-	-	83,600	(83,600)	77,618
Housing and community services	819,751	1,204,759	940,796	263,963	509,543
Capital Outlay	-	-	104,803	(104,803)	41,482
TOTAL EXPENDITURES	<u>1,001,920</u>	<u>1,550,788</u>	<u>1,747,706</u>	<u>(196,918)</u>	<u>1,231,427</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(69,096)</u>	<u>(69,096)</u>	<u>(23,843)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(69,096)</u>	<u>\$ (69,096)</u>	<u>(23,843)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>937,597</u>		<u>961,440</u>
FUND BALANCE AT END OF YEAR			<u>\$ 868,501</u>		<u>\$ 937,597</u>

MESQUITE

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City of Mesquite, Texas

Non-Major Enterprise Funds

Enterprise Funds:

Enterprise funds are a proprietary fund type used to account for activities that involve business-like interactions. Enterprise funds are 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 Enterprise Funds
September 30, 2018**

	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	\$ 72,125	\$ -	\$ 72,125
Receivables (net of allowance for uncollectibles)	44,667	23,779	68,446
Inventory	38,161	9,969	48,130
Total current assets	<u>154,953</u>	<u>33,748</u>	<u>188,701</u>
Noncurrent assets:			
Capital assets-			
Land and construction in progress	8,352,977	1,408,432	9,761,409
Other capital assets (net of accumulated depreciation)	8,104,413	2,228,607	10,333,020
Total noncurrent assets	<u>16,457,390</u>	<u>3,637,039</u>	<u>20,094,429</u>
Total Assets	<u>16,612,343</u>	<u>3,670,787</u>	<u>20,283,130</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred pension contributions	36,562	36,561	73,123
Difference in assumption changes - pension	7,717	7,717	15,434
Change in proportional share - pension	23,931	756,163	780,094
Total deferred outflows of resources	<u>68,210</u>	<u>800,441</u>	<u>868,651</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	20,513	55,635	76,148
Due to other funds	-	33,078	33,078
Deposits and other liabilities	32,678	-	32,678
Total other postemployment benefit liability	11,506	11,506	23,012
Total current liabilities	<u>64,697</u>	<u>100,219</u>	<u>164,916</u>
Noncurrent liabilities:			
Accrued compensated absences	-	101,211	101,211
Total other postemployment benefit liability	163,335	163,335	326,670
Net pension liability	519,768	519,768	1,039,536
Total noncurrent liabilities	<u>683,103</u>	<u>784,314</u>	<u>1,467,417</u>
Total Liabilities	<u>747,800</u>	<u>884,533</u>	<u>1,632,333</u>
DEFERRED INFLOWS OF RESOURCES:			
Difference in expected and actual experience - pension	22,929	22,929	45,858
Difference in assumption changes - pension	-	-	-
Difference in projected and actual earnings on pension assets	54,480	54,480	108,960
Difference in expected and actual experience - OPEB	2,700	2,700	5,400
Change in proportional share - pension	19,929	-	19,929
Total deferred inflows of resources	<u>100,038</u>	<u>80,109</u>	<u>180,147</u>
NET POSITION:			
Net investment in capital assets	16,457,391	3,637,039	20,094,430
Unrestricted	(624,676)	(130,453)	(755,129)
Total Net Position	<u>\$ 15,832,715</u>	<u>\$ 3,506,586</u>	<u>\$ 19,339,301</u>

City of Mesquite, Texas

**Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position
Non Major Enterprise Funds
For the Year Ended September 30, 2018**

	<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	\$ 1,808,463	\$ 1,089,276	\$ 2,897,739
Total operating revenues	<u>1,808,463</u>	<u>1,089,276</u>	<u>2,897,739</u>
Operating expenses:			
Personal services	404,667	936,708	1,341,375
Supplies	861,643	152,205	1,013,848
Contractual services	281,784	276,325	558,109
Depreciation	469,843	216,505	686,348
Total operating expenses	<u>2,017,937</u>	<u>1,581,743</u>	<u>3,599,680</u>
Operating loss	<u>(209,474)</u>	<u>(492,467)</u>	<u>(701,941)</u>
Nonoperating revenues:			
Investment income	70	1,711	1,781
Gain on sale of capital assets	3,793	-	3,793
Other nonoperating income (expense)	50,000	871	50,871
Total nonoperating revenues	<u>53,863</u>	<u>2,582</u>	<u>56,445</u>
Loss before transfers	(155,611)	(489,885)	(645,496)
Transfers in	370,876	-	370,876
Transfers out	(199,810)	-	(199,810)
Change in net position	<u>15,455</u>	<u>(489,885)</u>	<u>(474,430)</u>
Total net position - beginning of year	15,994,520	4,173,731	20,168,251
Change in accounting principle (see note 16)	(177,260)	(177,260)	(354,520)
Net position - beginning of year, as restated	<u>15,817,260</u>	<u>3,996,471</u>	<u>19,813,731</u>
Total net position - ending	<u>\$ 15,832,715</u>	<u>\$ 3,506,586</u>	<u>\$ 19,339,301</u>

City of Mesquite, Texas

**Combining Statement of Cash Flows
Non Major Enterprise Funds
For the Year Ended September 30, 2018**

	<u>Business-type Activities - Enterprise Funds</u> <u>Non Major Funds</u>		
	<u>Municipal</u> <u>Airport</u>	<u>Municipal</u> <u>Golf</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,839,958	\$ 1,088,941	\$ 2,928,899
Cash paid to suppliers for goods and services	(1,131,533)	(406,771)	(1,538,304)
Cash paid to employees for services	<u>(414,050)</u>	<u>(664,622)</u>	<u>(1,078,672)</u>
Net cash provided by (used for) operating activities	<u>294,375</u>	<u>17,548</u>	<u>311,923</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash loan from other City funds	(76,535)	(19,970)	(96,505)
Nonoperating income(expense)	50,000	871	50,871
Transfers out to other funds	<u>(199,810)</u>	<u>-</u>	<u>(199,810)</u>
Net cash provided by (used for) noncapital financing activities	<u>(226,345)</u>	<u>(19,099)</u>	<u>(245,444)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of capital assets	3,793	-	3,793
Transfers in from other funds for capital purchases	370,876	-	370,876
Acquisition and construction of capital assets	<u>(370,876)</u>	<u>-</u>	<u>(370,876)</u>
Net cash used for capital and related financing activities	<u>3,793</u>	<u>-</u>	<u>3,793</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	<u>50</u>	<u>1,551</u>	<u>1,601</u>
Net cash provided by investing activities	<u>50</u>	<u>1,551</u>	<u>1,601</u>
NET INCREASE (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS	71,873	-	71,873
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><u>\$ 72,125</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 72,125</u></u>
RECONCILIATION OF TOTAL POOLED CASH AND CASH EQUIVALENTS:			
Current assets:			
Pooled cash and investments	<u><u>\$ 72,125</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 72,125</u></u>

(Continued on following page)

City of Mesquite, Texas

**Combining Statement of Cash Flows
Non Major Enterprise Funds
For the Year Ended September 30, 2018**

	<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)	\$ (209,474)	\$ (492,467)	\$ (701,941)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-			
Depreciation	469,843	216,505	686,348
Changes in assets, deferred outflows of resources, deferred inflows of resources, and liabilities -			
(Increase) decrease in accounts receivable	28,243	(2,593)	25,650
(Increase) decrease in inventory	6,173	-	6,173
(Increase) decrease in deferred outflows of resources	61,234	(235,842)	(174,608)
Increase (decrease) in accounts payable	5,801	19,395	25,196
Increase (decrease) in deposits	3,252	2,258	5,510
Increase (decrease) in accrued compensated absences	(51,783)	27,087	(24,696)
Increase (decrease) in deferred inflows of resources	59,094	36,628	95,722
Increase (decrease) in total OPEB liability	(2,419)	(2,419)	(4,838)
Increase (decrease) in net pension liability	(75,589)	448,996	373,407
	<u>503,849</u>	<u>510,015</u>	<u>1,013,864</u>
 NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	 <u>\$ 294,375</u>	 <u>\$ 17,548</u>	 <u>\$ 311,923</u>
 NONCASH CAPITAL ACTIVITIES:			
Contribution of capital assets from government	\$ -	\$ -	\$ -
 Total noncash capital activities	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

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City of Mesquite, Texas

Non-Major Internal Service Funds

Internal Service Funds:

Internal Service funds account for the financing of goods or services provided by one department to another. The following are the City's two non-major internal service funds.

Group Medical Insurance Fund - to account for the City's medical insurance plans offered to City employees in various departments and retirees.

General Liability Insurance Fund - to account for the City's general liability insurance and workers compensation insurance costs that cover employees in various departments as well as City assets.

City of Mesquite, Texas

Combining Statement of Net Position (Deficit)

Internal Service Funds

September 30, 2018

With Comparative Totals for September 30, 2017

	Group Medical <u>Insurance</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2018</u>	<u>2017</u>
ASSETS:				
Current assets:				
Pooled cash and investments	\$ -	\$ 1,584,263	\$ 1,584,263	\$ 1,238,186
Accounts Receivable	-	\$ 89,082	\$ 89,082	\$ -
Prepays and other assets	195,010	178,000	373,010	324,675
Accrued interest	<u>-</u>	<u>1,679</u>	<u>1,679</u>	<u>530</u>
Total Assets	<u>195,010</u>	<u>1,853,024</u>	<u>2,048,034</u>	<u>1,563,391</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	345,356	227,078	572,434	564,134
Estimated claims payable	1,013,124	705,041	1,718,165	1,921,060
Due to other funds	<u>3,428,252</u>	<u>-</u>	<u>3,428,252</u>	<u>3,771,143</u>
Total current liabilities	<u>4,786,732</u>	<u>932,119</u>	<u>5,718,851</u>	<u>6,256,337</u>
Noncurrent liabilities:				
Estimated claims payable	<u>-</u>	<u>1,410,083</u>	<u>1,410,083</u>	<u>1,459,412</u>
Total noncurrent liabilities	<u>-</u>	<u>1,410,083</u>	<u>1,410,083</u>	<u>1,459,412</u>
Total Liabilities	<u>4,786,732</u>	<u>2,342,202</u>	<u>7,128,934</u>	<u>7,715,749</u>
NET POSITION (DEFICIT):				
Unrestricted	<u>(4,591,722)</u>	<u>(489,178)</u>	<u>(5,080,900)</u>	<u>(6,152,358)</u>
Total Net Position (Deficit)	<u>\$ (4,591,722)</u>	<u>\$ (489,178)</u>	<u>\$ (5,080,900)</u>	<u>\$ (6,152,358)</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, 2018

With Comparative Totals for September 30, 2017

	Group Medical <u>Insurance</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2018</u>	<u>2017</u>
Operating revenues:				
Contributions - City				
Medical insurance	\$ 10,370,000	\$ -	\$ 10,370,000	\$ 7,920,441
Life and dental insurance	1,496,844	-	1,496,844	1,367,045
General liability	-	1,405,000	1,405,000	1,405,000
Workers' compensation	-	1,794,348	1,794,348	1,747,078
Total contributions - City	<u>11,866,844</u>	<u>3,199,348</u>	<u>15,066,192</u>	<u>12,439,564</u>
Contributions - Other				
Employees - medical insurance	1,843,839	-	1,843,839	2,106,722
Stop loss and other contributions	32,894	-	32,894	401,451
Other revenues	-	157,171	157,171	52,064
Total contributions - other	<u>1,876,733</u>	<u>157,171</u>	<u>2,033,904</u>	<u>2,560,237</u>
Total operating revenues	<u>13,743,577</u>	<u>3,356,519</u>	<u>17,100,096</u>	<u>14,999,801</u>
Operating expenses:				
Claims incurred	9,844,859	1,384,155	11,229,014	10,165,628
Insurance premiums	2,427,747	813,845	3,241,592	3,141,600
Administrative fees	854,235	609,268	1,463,503	1,470,993
Other expenses	558,028	62,469	620,497	692,578
Total operating expenses	<u>13,684,869</u>	<u>2,869,737</u>	<u>16,554,606</u>	<u>15,470,799</u>
Operating income (loss)	<u>58,708</u>	<u>486,782</u>	<u>545,490</u>	<u>(470,998)</u>
Nonoperating revenues:				
Investment income	-	25,968	25,968	8,290
Total nonoperating revenues	<u>-</u>	<u>25,968</u>	<u>25,968</u>	<u>8,290</u>
Income(loss) before transfers	<u>58,708</u>	<u>512,750</u>	<u>571,458</u>	<u>(462,708)</u>
Transfers In	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Change in net position (deficit)	558,708	512,750	1,071,458	(462,708)
Total net position (deficit) - beginning	<u>(5,150,430)</u>	<u>(1,001,928)</u>	<u>(6,152,358)</u>	<u>(5,689,650)</u>
Total net position (deficit) - ending	<u>\$ (4,591,722)</u>	<u>\$ (489,178)</u>	<u>\$ (5,080,900)</u>	<u>\$ (6,152,358)</u>

City of Mesquite, Texas

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended September 30, 2018

With Comparative Actual Totals for the Year ended September 30, 2017

	Health	General	Totals	
	<u>Claims</u>	<u>Liability</u>	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from City funds	\$ 11,866,844	\$ 3,199,348	\$ 15,066,192	\$ 12,439,564
Cash received from other operating sources	\$ 1,876,733	86,539	1,963,272	2,560,237
Cash paid to suppliers for goods and services	\$ (3,880,753)	(1,503,325)	(5,384,078)	(5,069,502)
Cash paid to claimants	\$ (10,023,089)	(1,458,149)	(11,481,238)	(9,748,818)
Net cash provided by (used for) operating activities	<u>(160,265)</u>	<u>324,413</u>	<u>164,148</u>	<u>181,481</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash loan (repaid to) other City funds	(342,891)	-	(342,891)	379,274
Transfers in from other funds	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>157,109</u>	<u>-</u>	<u>157,109</u>	<u>379,274</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	<u>-</u>	<u>24,819</u>	<u>24,819</u>	<u>8,726</u>
Net cash provided by investing activities	<u>-</u>	<u>24,819</u>	<u>24,819</u>	<u>8,726</u>
NET INCREASE (DECREASE) IN POOLED CASH AND INVESTMENTS	(3,156)	349,232	346,076	569,481
POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR	<u>3,156</u>	<u>1,235,031</u>	<u>1,238,187</u>	<u>668,706</u>
POOLED CASH AND INVESTMENTS AT END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 1,584,263</u></u>	<u><u>\$ 1,584,263</u></u>	<u><u>\$ 1,238,187</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:				
Operating income (loss)	\$ 58,708	\$ 486,782	\$ 545,490	\$ (470,998)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-				
Changes in assets and liabilities-				
(Increase) decrease in accounts receivable	-	(70,632)	(70,632)	92,212
(Increase) decrease in prepaid items	(92,786)	26,000	(66,786)	21,043
Increase (decrease) in accounts payable	52,043	(43,743)	8,300	400,898
Increase (decrease) in claims payable	<u>(178,230)</u>	<u>(73,994)</u>	<u>(252,224)</u>	<u>138,326</u>
Total adjustments	<u>(218,973)</u>	<u>(162,369)</u>	<u>(381,342)</u>	<u>652,479</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u><u>\$ (160,265)</u></u>	<u><u>\$ 324,413</u></u>	<u><u>\$ 164,148</u></u>	<u><u>\$ 181,481</u></u>

City of Mesquite, Texas

Fiduciary Funds

Fiduciary Funds:

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City reports only one fiduciary fund, an agency fund.

Agency Fund - Tax Clearing Fund - to account for ad valorem taxes collected on behalf of the Mesquite Independent School District.

City of Mesquite, Texas

Statement of Changes in Assets and Liabilities

Agency Fund

For the Year Ended September 30, 2018

	Agency Fund - Tax Clearing Fund			
	Balance October 1, 2017	Additions	Deductions	Balance September 30, 2018
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 118,182	\$ 164,117,553	\$ 164,109,119	\$ 126,616
Taxes receivable levied for other governments (net of allowance for uncollectibles)	3,799,931	225,505,321	225,421,742	3,883,510
Total Assets	\$ 3,918,113	\$ 389,622,874	\$ 389,530,861	\$ 4,010,126
 LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 118,182	\$ 283,641,626	\$ 283,650,060	\$ 126,616
Due to other governments	3,799,931	225,421,742	225,505,321	3,883,510
Total Liabilities	\$ 3,918,113	\$ 509,063,368	\$ 509,155,381	\$ 4,010,126

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	108
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	120
These schedules contain information to help the reader assess the city's most significant local revenue sources, sales and property tax.	
Debt Capacity	129
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	134
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	136
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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities:				
Net Investment in capital assets	\$ 149,214	\$ 147,492	\$ 141,703	\$ 136,034
Restricted	6,131	4,617	5,683	7,702
Unrestricted	<u>16,157</u>	<u>16,658</u>	<u>20,945</u>	<u>19,458</u>
Total governmental activities net position	<u>\$ 171,502</u>	<u>\$ 168,767</u>	<u>\$ 168,331</u>	<u>\$ 163,194</u>
Business-type activities:				
Net Investment in capital assets	\$ 118,870	\$ 120,751	\$ 116,898	\$ 125,070
Restricted	3,386	3,042	3,121	3,064
Unrestricted	<u>12,820</u>	<u>13,499</u>	<u>20,925</u>	<u>17,090</u>
Total business-type activities net position	<u>\$ 135,076</u>	<u>\$ 137,292</u>	<u>\$ 140,944</u>	<u>\$ 145,224</u>
Primary government:				
Net Investment in capital assets	\$ 268,084	\$ 268,243	\$ 258,601	\$ 261,104
Restricted	9,517	7,659	8,804	10,766
Unrestricted	<u>28,977</u>	<u>30,157</u>	<u>41,870</u>	<u>36,548</u>
Total primary government net position	<u>\$ 306,578</u>	<u>\$ 306,059</u>	<u>\$ 309,275</u>	<u>\$ 308,418</u>

Notes:

(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.

(2) The City implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" in 2018, and beginning amounts were restated.

Schedule 1

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>	<u>2018 (2)</u>
\$ 130,543	\$ 129,187	\$ 122,230	\$ 119,854	\$ 119,708	\$ 131,473
7,258	7,467	8,329	9,199	23,620	27,208
<u>17,885</u>	<u>18,704</u>	<u>(56,876)</u>	<u>(65,812)</u>	<u>(90,141)</u>	<u>(128,928)</u>
<u>\$ 155,686</u>	<u>\$ 155,358</u>	<u>\$ 73,683</u>	<u>\$ 63,241</u>	<u>\$ 53,187</u>	<u>\$ 29,753</u>
\$ 127,872	\$ 129,832	\$ 130,785	\$ 131,551	\$ 139,837	\$ 148,215
3,109	3,064	2,690	3,387	3,507	3,210
<u>14,328</u>	<u>13,494</u>	<u>13,008</u>	<u>18,647</u>	<u>23,386</u>	<u>25,970</u>
<u>\$ 145,309</u>	<u>\$ 146,390</u>	<u>\$ 146,483</u>	<u>\$ 153,585</u>	<u>\$ 166,730</u>	<u>\$ 177,395</u>
\$ 258,415	\$ 259,019	\$ 253,015	\$ 251,405	\$ 259,545	\$ 279,688
10,367	10,531	11,019	12,586	27,127	30,418
<u>32,213</u>	<u>32,198</u>	<u>(43,868)</u>	<u>(47,165)</u>	<u>(66,755)</u>	<u>(102,958)</u>
<u>\$ 300,995</u>	<u>\$ 301,748</u>	<u>\$ 220,166</u>	<u>\$ 216,826</u>	<u>\$ 219,917</u>	<u>\$ 207,148</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses				
Governmental activities:				
General government	\$ 19,888	\$ 23,832	\$ 22,552	\$ 26,028
Fire services	23,531	24,541	24,532	25,330
Police services	31,767	32,280	31,965	31,995
Field services	13,608	13,499	21,767	14,348
Public works	3,552	7,802	(569)	3,766
Planning and community development	3,510	5,737	3,020	3,706
Housing and community services	14,017	14,146	14,159	14,900
Library services	1,939	2,034	2,137	1,942
Parks and recreation	12,940	10,122	10,510	10,475
Interest on long-term debt	4,649	4,514	5,010	5,032
Total governmental activities	<u>129,401</u>	<u>138,507</u>	<u>135,083</u>	<u>137,522</u>
Business-type activities:				
Water and sewer	33,431	34,905	38,216	37,665
Drainage utility	1,714	1,677	2,436	1,806
Municipal airport	1,602	1,691	1,766	1,922
Total business-type activities	<u>36,747</u>	<u>38,273</u>	<u>42,418</u>	<u>41,393</u>
Total primary government	<u>\$ 166,148</u>	<u>\$ 176,780</u>	<u>\$ 177,501</u>	<u>\$ 178,915</u>
Program Revenues				
Governmental activities:				
Charges for services				
Field Services	\$ 6,992	\$ 7,054	\$ 7,612	\$ 7,670
Planning and community development	5,438	4,702	4,790	4,361
General government	5,214	5,418	7,131	6,048
Other charges for services	9,429	8,907	11,140	13,178
Operating grants and contributions	12,222	16,184	15,791	14,616
Capital grants and contributions	1,360	8,075	2,735	960
Total governmental activities	<u>40,655</u>	<u>50,340</u>	<u>49,199</u>	<u>46,833</u>
Business-type activities:				
Charges for services:				
Water and sewer	35,714	39,492	45,965	44,231
Drainage utility	2,170	2,165	2,153	2,196
Municipal airport	1,336	1,328	1,609	1,568
Operating grants and contributions	-	-	-	-
Capital grants and contributions	3,110	1,255	1,149	1,874
Total business-type activities	<u>42,330</u>	<u>44,240</u>	<u>50,876</u>	<u>49,869</u>
Total primary government	<u>\$ 82,985</u>	<u>\$ 94,580</u>	<u>\$ 100,075</u>	<u>\$ 96,702</u>

Schedule 2

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 26,194	\$ 24,919	\$ 29,905	\$ 35,751	\$ 38,015	\$ 31,854
25,570	26,105	26,679	27,167	28,820	28,918
32,994	32,112	32,829	35,089	36,382	36,952
13,826	9,312	9,839	-	-	-
4,703	8,769	10,253	19,722	20,007	20,675
3,182	3,551	3,513	2,991	3,294	3,532
14,206	14,487	15,005	15,425	15,981	16,942
1,905	2,015	2,074	2,064	2,168	2,264
11,368	11,004	12,732	12,252	9,805	10,481
4,796	3,498	3,745	5,093	6,081	5,711
<u>138,744</u>	<u>135,772</u>	<u>146,574</u>	<u>155,554</u>	<u>160,553</u>	<u>157,329</u>
41,293	42,614	45,496	49,822	51,545	55,859
1,523	1,412	1,618	1,876	1,829	2,196
2,319	2,235	1,981	1,900	2,940	3,599
<u>45,135</u>	<u>46,261</u>	<u>49,095</u>	<u>53,598</u>	<u>56,314</u>	<u>61,654</u>
<u>\$ 183,879</u>	<u>\$ 182,033</u>	<u>\$ 195,669</u>	<u>\$ 209,152</u>	<u>\$ 216,867</u>	<u>\$ 218,983</u>
\$ 7,922	\$ 7,527	\$ 7,795	\$ -	\$ -	\$ -
4,692	5,490	5,148	6,603	7,759	8,146
6,483	6,436	7,586	7,921	7,158	4,985
10,833	13,316	10,312	19,412	18,668	18,400
13,463	13,954	13,825	14,052	14,995	15,899
480	112	409	603	1,125	4,322
<u>43,873</u>	<u>46,835</u>	<u>45,075</u>	<u>48,591</u>	<u>49,705</u>	<u>51,752</u>
44,859	46,795	53,559	59,677	63,465	67,609
2,169	2,798	3,366	3,795	3,965	3,966
1,979	1,681	1,602	1,548	2,681	2,898
-	-	-	23	67	283
753	969	603	674	1,025	3,830
<u>49,760</u>	<u>52,243</u>	<u>59,130</u>	<u>65,717</u>	<u>71,203</u>	<u>78,586</u>
<u>\$ 93,633</u>	<u>\$ 99,078</u>	<u>\$ 104,205</u>	<u>\$ 114,308</u>	<u>\$ 120,908</u>	<u>\$ 130,338</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net (Expenses)/Program Revenues				
Governmental activities	\$ (88,746)	\$ (88,167)	\$ (85,884)	\$ (90,689)
Business-type activities	<u>5,583</u>	<u>5,967</u>	<u>8,458</u>	<u>8,476</u>
Total primary government net expenses	<u>\$ (83,163)</u>	<u>\$ (82,200)</u>	<u>\$ (77,426)</u>	<u>\$ (82,213)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Ad valorem taxes	\$ 40,791	\$ 38,304	\$ 36,572	\$ 35,787
Gross receipts taxes	7,617	7,637	7,931	7,760
Sales taxes	33,348	34,920	36,154	37,440
Investment income	1,467	505	245	145
Gain (loss) on sale of capital assets	92	82	(327)	109
Transfers	<u>2,202</u>	<u>3,983</u>	<u>4,873</u>	<u>4,310</u>
Total governmental activities	<u>85,517</u>	<u>85,431</u>	<u>85,448</u>	<u>85,551</u>
Business-type activities:				
Investment income	668	228	113	73
Gain (loss) on sale of capital assets	11	5	(45)	41
Transfers	<u>(2,202)</u>	<u>(3,983)</u>	<u>(4,873)</u>	<u>(4,310)</u>
Total business-type activities	<u>(1,523)</u>	<u>(3,750)</u>	<u>(4,805)</u>	<u>(4,196)</u>
Total primary government	<u>\$ 83,994</u>	<u>\$ 81,681</u>	<u>\$ 80,643</u>	<u>\$ 81,355</u>
Change in Net Position				
Governmental activities	\$ (3,229)	\$ (2,736)	\$ (436)	\$ (5,136)
Business-type activities	<u>4,060</u>	<u>2,217</u>	<u>3,653</u>	<u>4,279</u>
Total primary government	<u>\$ 831</u>	<u>\$ (519)</u>	<u>\$ 3,217</u>	<u>\$ (857)</u>

Note: Operating grants and contributions for business-type activities presented separately starting with fiscal year 2016.

Schedule 2
(Continued)

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ (94,871)	\$ (88,937)	\$ (101,499)	\$ (106,963)	\$ (110,848)	\$ (105,577)
<u>4,625</u>	<u>5,982</u>	<u>10,035</u>	<u>12,119</u>	<u>14,889</u>	<u>16,932</u>
<u>\$ (90,246)</u>	<u>\$ (82,955)</u>	<u>\$ (91,464)</u>	<u>\$ (94,844)</u>	<u>\$ (95,959)</u>	<u>\$ (88,645)</u>
\$ 35,074	\$ 35,172	\$ 36,710	\$ 38,328	\$ 44,479	\$ 49,921
7,865	8,633	8,081	7,806	7,698	7,988
39,736	41,180	42,848	44,761	45,476	45,700
75	67	151	392	741	1,330
38	85	(33)	-	257	268
<u>4,575</u>	<u>3,706</u>	<u>4,866</u>	<u>5,235</u>	<u>2,143</u>	<u>4,537</u>
<u>87,363</u>	<u>88,843</u>	<u>92,623</u>	<u>96,522</u>	<u>100,794</u>	<u>109,744</u>
36	33	71	179	339	799
-	36	54	38	60	124
<u>(4,575)</u>	<u>(3,706)</u>	<u>(4,866)</u>	<u>(5,235)</u>	<u>(2,143)</u>	<u>(4,537)</u>
<u>(4,539)</u>	<u>(3,637)</u>	<u>(4,741)</u>	<u>(5,018)</u>	<u>(1,744)</u>	<u>(3,614)</u>
<u>\$ 82,824</u>	<u>\$ 85,206</u>	<u>\$ 87,882</u>	<u>\$ 91,504</u>	<u>\$ 99,050</u>	<u>\$ 106,130</u>
\$ (7,508)	\$ (94)	\$ (8,876)	\$ (10,441)	\$ (10,054)	\$ 4,167
<u>86</u>	<u>2,345</u>	<u>5,294</u>	<u>7,101</u>	<u>13,145</u>	<u>13,318</u>
<u>\$ (7,422)</u>	<u>\$ 2,251</u>	<u>\$ (3,582)</u>	<u>\$ (3,340)</u>	<u>\$ 3,091</u>	<u>\$ 17,485</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund:				
Reserved	\$ 1,440	\$ 1,063	\$ -	\$ -
Nonspendable	-	-	858	962
Assigned	-	-	6	50
Unreserved/Unassigned	<u>16,520</u>	<u>16,672</u>	<u>16,153</u>	<u>16,026</u>
 Total General Fund	 <u>\$ 17,960</u>	 <u>\$ 17,735</u>	 <u>\$ 17,017</u>	 <u>\$ 17,038</u>
 All other governmental funds:				
Reserved for:				
Encumbrances	\$ 7,482	\$ 14,142	\$ -	\$ -
Debt service	612	563	-	-
Unreserved, reported in:				
Special revenue funds	6,848	5,493	-	-
Capital projects	28,200	24,227	-	-
Nonspendable for:				
Prepays	-	-	866	-
Cemetery trust principal	-	-	-	-
Restricted for:				
Debt Retirement	-	-	61	56
Purpose of grantors, trustees, and donors	-	-	1,141	1,844
4B Sales Tax projects	-	-	3,905	6,283
Promotion of Tourism	-	-	-	-
Law Enforcement	-	-	5,024	5,294
Capital Projects	-	-	12,256	11,056
Community Access Projects	-	-	258	164
Road Surface Repairs	-	-	290	97
Tax Increment Financing Districts	-	-	8,224	3,961
Public Improvement Districts	-	-	-	-
Hike and Bike Trail	-	-	3,583	3,603
Developer's Deposits	-	-	1,511	1,505
Capital Replacement	-	-	212	84
Other Purposes	-	-	373	374
Assigned to:				
Promotion of Tourism	-	-	102	52
Other Capital Projects	-	-	729	2,099
Other Purposes	-	-	185	194
 Total of all other governmental funds	 <u>\$ 43,142</u>	 <u>\$ 44,425</u>	 <u>\$ 38,720</u>	 <u>\$ 36,666</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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
725	775	764	1,183	1,813	1,919
221	300	41	90	105	98
<u>16,460</u>	<u>16,076</u>	<u>15,897</u>	<u>17,003</u>	<u>18,312</u>	<u>18,896</u>
<u>\$ 17,406</u>	<u>\$ 17,151</u>	<u>\$ 16,702</u>	<u>\$ 18,276</u>	<u>\$ 20,230</u>	<u>\$ 20,913</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	146
-	-	-	101	101	101
138	483	471	85	599	46
1,836	1,865	2,192	2,418	2,691	2,610
5,698	6,321	7,078	8,025	6,087	2,506
-	-	440	753	1,238	1,719
5,315	5,593	4,750	4,127	3,139	2,043
6,862	11,659	21,253	44,978	25,433	49,456
400	564	738	658	745	623
103	159	130	219	521	239
4,830	6,373	7,599	9,778	12,126	14,441
-	-	-	-	-	7,203
2,755	680	454	457	460	40
1,511	1,576	1,682	1,621	1,594	1,647
21	39	157	321	505	700
376	557	574	557	608	585
184	253	-	-	-	-
1,918	1,815	1,136	1,176	1,524	1,384
<u>227</u>	<u>287</u>	<u>251</u>	<u>1,124</u>	<u>469</u>	<u>1,308</u>
<u>\$ 32,174</u>	<u>\$ 38,224</u>	<u>\$ 48,905</u>	<u>\$ 76,398</u>	<u>\$ 57,840</u>	<u>\$ 86,797</u>

City of Mesquite, Texas

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

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

	Fiscal Year			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues				
Taxes	\$ 81,535	\$ 80,891	\$ 80,656	\$ 81,028
Licenses and permits	1,108	985	1,159	1,090
Fines and forfeitures	3,401	3,365	4,358	4,522
Investment income	1,421	480	236	138
Charges for services	17,104	16,492	17,064	17,089
Intergovernmental	12,229	17,147	15,743	14,794
Contributions and donations	297	4,242	2,771	779
Other revenues	1,134	952	2,425	3,219
Total revenues	<u>118,229</u>	<u>124,554</u>	<u>124,412</u>	<u>122,659</u>
Expenditures				
General government	15,032	16,195	14,883	18,845
Fire services	23,989	23,396	23,540	23,608
Police services	30,284	30,438	30,474	30,936
Field services (1)	10,136	10,001	13,864	10,967
Public works	2,800	6,618	2,586	2,711
Planning and community development	3,433	5,186	3,711	3,665
Housing services	11,587	11,996	11,543	12,406
Library services	1,949	2,012	2,089	1,927
Parks and recreation	12,122	9,371	9,752	9,614
Community services	2,401	2,477	2,327	2,252
Housing and community services	-	-	-	-
Capital outlay	20,218	11,029	20,970	7,812
Debt service - principal	8,123	7,519	7,006	6,314
Debt service - interest and bond issuance costs	4,645	4,614	4,924	5,323
Total expenditures	<u>146,719</u>	<u>140,852</u>	<u>147,669</u>	<u>136,380</u>
Deficiency of revenues under expenditures	<u>(28,490)</u>	<u>(16,298)</u>	<u>(23,257)</u>	<u>(13,721)</u>
Other financing sources (uses)				
Transfer in	20,575	20,272	18,875	19,056
Transfers out	(15,830)	(15,456)	(13,834)	(13,998)
Capital lease proceeds	-	-	-	-
Bond proceeds	13,125	12,340	11,575	7,235
Notes payable proceeds	-	-	-	-
Proceeds of refunding bonds	4,245	1,320	12,715	3,765
Premium on debt	-	137	1,163	236
Payment to refunded bond agent	(4,203)	(1,257)	(13,660)	(3,724)
Gain on sale of Capital Assets	-	-	-	-
Total other financing sources (uses)	<u>17,912</u>	<u>17,356</u>	<u>16,834</u>	<u>12,570</u>
Net change in fund balances	<u>\$ (10,578)</u>	<u>\$ 1,058</u>	<u>\$ (6,423)</u>	<u>\$ (1,151)</u>
Debt service as a percentage of noncapital expenditures	10.16%	9.49%	9.60%	9.17%

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

Schedule 4

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 82,740	\$ 85,011	\$ 87,368	\$ 90,911	\$ 97,633	\$ 103,468
1,172	1,146	1,728	2,236	2,399	2,281
4,925	4,126	3,226	3,586	3,772	3,295
71	65	147	388	733	1,304
17,254	17,683	19,701	20,926	21,302	16,672
13,426	13,566	13,353	14,299	15,204	19,936
447	374	788	313	346	1,703
<u>1,595</u>	<u>2,656</u>	<u>1,338</u>	<u>2,421</u>	<u>1,537</u>	<u>1,730</u>
<u>121,630</u>	<u>124,627</u>	<u>127,649</u>	<u>135,080</u>	<u>142,925</u>	<u>150,389</u>
15,294	15,387	16,285	15,330	15,316	16,737
24,024	24,600	24,811	25,631	27,573	28,082
32,125	30,980	31,267	33,267	36,907	37,060
10,771	10,121	10,191	-	-	-
3,089	3,203	3,244	13,158	14,189	14,316
3,150	3,389	3,458	2,874	3,173	3,535
11,722	11,540	11,585	-	-	-
1,876	1,931	2,022	1,917	2,055	2,083
10,408	9,425	10,717	10,437	8,126	8,662
2,290	3,226	2,347	-	-	-
-	-	-	15,268	16,001	16,711
10,355	8,317	9,984	16,879	33,453	36,255
6,353	6,747	7,897	9,019	11,185	13,383
<u>5,016</u>	<u>4,812</u>	<u>5,001</u>	<u>5,214</u>	<u>6,557</u>	<u>6,829</u>
<u>136,473</u>	<u>133,678</u>	<u>138,809</u>	<u>148,994</u>	<u>174,535</u>	<u>183,652</u>
<u>(14,843)</u>	<u>(9,051)</u>	<u>(11,160)</u>	<u>(13,914)</u>	<u>(31,610)</u>	<u>(33,263)</u>
19,272	17,038	17,686	21,099	24,375	26,728
(14,193)	(11,912)	(12,285)	(15,823)	(18,383)	(22,692)
-	-	-	-	-	-
5,450	9,715	14,835	35,085	8,285	53,810
-	-	-	-	-	-
7,635	9,080	2,935	17,295	7,600	960
539	963	1,265	5,232	1,477	5,136
(7,985)	(10,038)	(3,044)	(19,907)	(8,607)	(1,039)
-	-	-	-	257	-
<u>10,718</u>	<u>14,846</u>	<u>21,392</u>	<u>42,981</u>	<u>15,004</u>	<u>62,903</u>
<u>\$ (4,125)</u>	<u>\$ 5,795</u>	<u>\$ 10,232</u>	<u>\$ 29,067</u>	<u>\$ (16,606)</u>	<u>\$ 29,640</u>
9.12%	9.34%	9.97%	10.77%	12.58%	13.92%

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>
2009	81,535	40,571	32,063	191	1,093
% Total	100.0	49.7	39.3	0.2	1.3
2010	80,891	38,334	33,911	194	815
% Total	100.0	47.4	42.0	0.3	1.0
2011	80,656	36,571	35,069	194	891
% Total	100.0	45.3	43.5	0.2	1.1
2012	81,028	35,828	36,357	173	910
% Total	100.0	44.2	44.9	0.2	1.1
2013	82,412	35,138	38,497	199	1,040
% Total	100.0	42.6	46.7	0.2	1.3
2014	84,767	35,198	39,780	250	1,150
% Total	100.0	41.5	46.9	0.3	1.4
2015	87,368	36,439	41,310	271	1,267
% Total	100.0	41.7	47.3	0.3	1.5
2016	90,912	38,345	43,191	274	1,296
% Total	100.0	42.2	47.5	0.3	1.4
2017	97,633	44,459	43,664	273	1,539
% Total	100.0	45.5	44.7	0.3	1.6
2018	103,468	49,780	43,790	279	1,630
% Total	100.0	48.1	42.3	0.3	1.6

Gross Receipts Taxes					
<u>Electrical</u>	<u>Gas</u>	<u>Telephone</u>	<u>Cable TV</u>	<u>Sanitation</u>	<u>Other</u>
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
4,146	1,255	-	1,230	1,079	279
4.0	1.2	-	1.2	1.0	0.3

City of Mesquite, Texas

Taxable Sales by Category Last Ten Fiscal Years

(amounts expressed in thousands)
(Unaudited)

	Fiscal Year			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Merchandise Stores	208,641	218,240	224,141	235,820
Eating and Drinking Establishments	196,369	199,660	213,021	223,860
Clothing and Apparel Stores	160,788	158,831	165,529	174,670
Building Materials, Garden Equipment, and Supplies	103,442	97,458	108,653	124,763
Home Furnishings and Appliances	111,078	102,210	119,292	125,966
Automotive Dealers, Service, and Supplies	43,898	46,046	49,545	55,177
Food and Grocery Stores (2)	32,223	33,058	34,237	44,979
Gas Stations	17,371	21,269	26,068	37,021
Other Retail Stores	130,580	127,059	133,170	138,624
All Other Outlets	<u>592,930</u>	<u>673,199</u>	<u>731,278</u>	<u>654,958</u>
Total Taxable Sales (1)	<u>1,597,320</u>	<u>1,677,030</u>	<u>1,804,934</u>	<u>1,815,838</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 FY18 will not tie to the financial statements from this schedule due to taxpayers' amended returns and late filers.

Schedule 6

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018 (3)</u>
240,520	235,681	256,248	282,485	284,451	319,095
233,982	240,528	259,762	273,022	281,283	310,365
191,244	193,470	196,123	198,003	212,609	205,322
130,072	126,543	133,744	155,725	149,725	136,885
129,970	114,419	134,511	152,402	138,242	170,556
58,316	60,449	64,477	68,707	67,741	70,090
53,449	53,765	54,923	56,981	59,041	72,279
38,120	41,399	45,480	48,377	49,944	56,052
147,084	158,885	168,257	181,988	185,967	204,796
<u>705,904</u>	<u>789,761</u>	<u>764,131</u>	<u>746,715</u>	<u>775,586</u>	<u>880,401</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>	<u>2,425,842</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>2018</u>		<u>2009</u>	
	<u>Number of Filers</u>	<u>Tax Liability</u>	<u>Number of Filers</u>	<u>Tax Liability</u>
Retail Trade	2,434	\$24,817,772	884	\$16,121,325
Services	2,163	13,113,040	1,188	8,471,728
Transportation and Utilities	107	3,267,308	77	3,438,417
Wholesale Trade	1,292	2,528,464	798	1,034,982
Manufacturing	1,074	2,280,628	544	1,355,843
Construction	871	1,589,623	403	924,651
Finance, Insurance, and Real Estate	351	911,019	274	544,174
Agricultural	7	4,422	3	2,369
Mining	5	227	10	2,636
Public Administration	7	4,329	7	12,182
Total	<u>8,311</u>	<u>48,516,832</u>	<u>4,188</u>	<u>31,908,307</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		
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%
2018	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%

Source: Texas Comptroller of Public Accounts

Note: 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	
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
2018	5,433,038	2,252,673	206,414	114,705	966,735	8,973,565

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 \$222,549. 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. (\$7,099,325 + \$222,549= \$7,321,874).
- (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>
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
1,651,691	-	222,549	1,874,240	7,099,325	.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	
2009	.48727	.15273	.64000	.2281	.2540	.08940	.004930	1.40	2.61643
2010	.48443	.15557	.64000	.2281	.2740	.09490	.005210	1.42	2.66221
2011	.47076	.16924	.64000	.2431	.2710	.09923	.010000	1.42	2.68333
2012	.46859	.17141	.64000	.2431	.2710	.09967	.010000	1.42	2.68377
2013	.46225	.17775	.64000	.2431	.2710	.119375	.009937	1.42	2.70341
2014	.45953	.18047	.64000	.2431	.2760	.1247	.010000	1.41	2.70380
2015	.46220	.17780	.64000	.2431	.2860	.124775	.010000	1.41	2.71388
2016	.43637	.20363	.64000	.2431	.2860	.12365	.010000	1.41	2.71275
2017	.45542	.23158	.68700	.2431	.2794	.122933	.009271	1.46	2.80170
2018	.44972	.23728	.68700	.2431	.2794	.12424	.010000	1.46	2.80374

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	2018			Per 2009 CAFR		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Town East Mall	\$ 138,240,990	1	1.95%	\$ 134,118,200	1	2.09%
Pepsi Cola	72,960,660	2	1.03%	29,303,070	4	0.46%
Market East Associates LLC	61,500,000	3	0.87%			-
Oncor Electric Delivery	49,574,040	4	0.70%	45,874,020	2	0.72%
Ocean Barons LP	44,188,380	5	0.62%			-
United Parcel Service	37,054,860	6	0.52%			-
IRIS USA Inc.	35,894,710	7	0.51%			-
BRE DDR Marketplace	35,100,000	8	0.49%	22,179,790	10	0.35%
SPI Mission Ranch LLC	32,290,000	9	0.45%			-
MREIC Mesquite LLC	31,000,000	10	0.44%			-
Sun Life Asure Co of Can			-	41,142,890	3	0.64%
Barons Investors II LP			-	28,000,000	5	0.44%
Alliance WE LP			-	27,675,000	6	0.43%
American Multicinema Inc			-	26,179,650	7	0.41%
CURCI Mesquite Prop LP			-	25,397,240	8	0.40%
Southwestern Bell			-	24,465,050	9	0.38%
Total	<u>\$ 537,803,640</u>		7.58%	<u>\$ 404,334,910</u>		6.32%
Total Taxable Assessed Valuation	<u>\$ 7,099,325,220</u>			<u>\$ 6,402,085,000</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
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	256,839	43,668,117	99.35
2018	48,024,985	47,447,876	98.80		47,447,876	98.80

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

Current year collections for fiscal year 2018 are net of the amount collected for the Tax Incentive Financing District (TIF) in the amount of \$1,528,209.

(\$47,447,876 + \$1,528,209 = \$48,976,085; 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	Special Assessment Bonds	Net Premium/ (Discount) on Bonds (2)	Public Property Finance Contractual Obligations	Notes Payable	Capital Lease Obligations	Total
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
2018	108,940,000	76,200,000	7,245,000	12,808,171	-	-	-	205,193,171

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)
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
2018	76,525,000	1,175,000	4,773,464	-	82,473,464	287,666,635	10.18%	2,006.74

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>
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	160,830,301	599,175	160,231,126	2.45%	1,120.03
2018	143,350	7,099,325	205,193,171	45,694	205,147,477	2.89%	1,431.10

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, 2018**
(Unaudited)

<u>Taxing Jurisdiction</u>	Total Outstanding Debt (1)	Estimated Percent Applicable (2)	Direct and Estimated Overlapping Debt
Direct- City of Mesquite	\$ 205,193,171	100.00%	\$ 205,193,171
Overlapping-			
Dallas County	172,265,000	3.01%	5,185,177
Dallas County Community College District	224,030,000	3.01%	6,743,303
Dallas County Hospital District	687,775,000	3.09%	21,252,248
Dallas County Schools	36,600,000	3.01%	1,101,660
Kaufman County	61,952,925	0.10%	61,953
Mesquite Independent School District	637,013,142	86.77%	552,736,303
Dallas Independent School District	2,817,050,000	0.13%	3,662,165
Forney Independent School District	267,286,523	0.22%	588,030
Garland Independent School District	595,540,090	0.03%	178,662
 Total overlapping	 <u>5,499,512,680</u>		 <u>591,509,501</u>
 Total direct and estimated overlapping bonded debt	 <u>\$ 5,704,705,851</u>		 <u>\$ 796,702,672</u>

Ratio, direct and estimated overlapping debt to fiscal 2018 taxable assessed valuation (3) 11.22%

Per capita direct and estimated overlapping bonded debt (4) \$5,558

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 2018 taxable assessed valuation (Net of TIF): \$7,099,325,220
- (4) Based on 2018 population of 143,350.

**Computation of Legal Debt Margin
September 30, 2018**

(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, 2018, is \$0.68700 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>							
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
2018	68,430,178	52,242,775	16,187,403	99,859,175	20	4,992,959	3.2
<u>DRAINAGE UTILITY DISTRICT BONDS</u>							
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
2018	4,062,964	1,139,921	2,923,043	1,249,744	4	312,436	9.4

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>
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%
2018	143,350	N/A	2,824,625	55,890	50,539	41,022	3.7%

- Sources:
- (1) Population estimates were prepared by North Central Texas Council of Governments for 2009; 2010 population count was from the official US Census Bureau; 2011 forward were determined by official ordinance adopted by City Council as of October 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>2018</u> <u>Range</u>	<u>2009</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	100-499
Eastfield College	500-999	1,000 +
Texas Dept of Transportation - Dallas District		100-499
Integracolor Ltd		100-499
Christian Care Center		100-499
Macy's		100-499
Baker Brothers	100-499	
Orora Visual	100-499	
Dillards		100-499
<hr/>		
Total Estimated City Employment	74,511	73,830

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
By Functions					
General government	102.00	102.00	112.00	111.13	113.25
Fire services	206.50	206.50	207.00	207.00	208.00
Police services	314.50	315.50	315.50	315.00	315.00
Field services	130.00	130.00	129.00	129.00	129.00
Public works	22.00	21.00	24.00	24.00	24.00
Planning and Community development	35.70	37.50	37.60	37.40	35.40
Housing services	21.30	20.50	21.40	21.60	21.60
Library services	34.93	31.45	31.45	32.08	32.08
Parks and recreation	129.59	128.59	120.66	123.68	123.68
Community services	28.00	28.00	28.00	28.10	28.10
Water and Sewer	104.57	107.07	107.07	107.07	109.07
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>8.05</u>
Total employees by function	<u>1,143.47</u>	<u>1,142.49</u>	<u>1,148.06</u>	<u>1,150.44</u>	<u>1,154.23</u>
By Departments					
Administration	14.00	14.00	29.50	28.50	30.00
City Secretary	3.00	3.00	3.00	3.00	3.00
City Attorney	7.00	7.00	7.00	7.00	7.00
Human Resources	15.00	15.00	14.00	14.00	14.00
Budget and Research	2.00	2.00	2.00	2.00	2.00
Finance	54.50	55.00	54.50	54.63	57.25
Information Technology	19.00	19.00	15.00	15.00	15.00
Fire service	206.50	206.50	207.00	207.00	208.00
Police Service	314.50	315.50	315.50	315.00	315.00
Public Works	251.07	252.07	254.07	254.07	254.07
Housing and community service	49.30	48.50	49.40	49.70	49.70
Planning and Community development	35.70	37.50	37.60	37.40	35.40
Parks/ Recreation/Building service	129.59	128.59	120.66	123.68	123.68
Library service	34.93	31.45	31.45	32.08	32.08
Airport service	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>8.05</u>
Total employees by department	<u>1,143.47</u>	<u>1,142.49</u>	<u>1,148.06</u>	<u>1,150.44</u>	<u>1,154.23</u>
By Fund					
General	1,002.72	1,000.04	1,002.21	1,004.39	1,005.51
Grants	21.80	21.00	22.40	22.60	22.60
Water and Sewer	104.57	107.07	107.07	107.07	109.07
Drainage Utility District	7.00	7.00	7.00	7.00	7.00
Municipal Airport	7.38	7.38	7.38	7.38	8.05
Golf Course (1)	-	-	2.00	2.00	2.00
Hotel/Motel	-	-	2.00	2.00	2.00
Total employees by fund	<u>1,143.47</u>	<u>1,142.49</u>	<u>1,148.06</u>	<u>1,150.44</u>	<u>1,154.23</u>

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

Notes:

(1) Golf Course fund created in 2017.

Schedule 20

Fiscal Year				
<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
117.25	118.50	124.86	131.61	135.39
206.00	207.00	207.00	212.00	214.00
314.50	314.50	324.50	327.50	331.50
129.00	129.00	129.00	131.00	130.00
23.00	22.00	22.00	23.00	23.00
36.40	36.40	42.95	45.05	48.25
21.10	20.60	20.55	19.45	18.50
32.08	31.71	31.72	32.72	32.72
123.54	117.47	121.09	120.09	122.09
27.85	27.35	18.35	18.35	17.35
109.07	109.07	109.07	112.07	117.57
7.00	7.00	7.00	7.00	7.00
<u>7.90</u>	<u>7.90</u>	<u>7.90</u>	<u>7.90</u>	<u>7.90</u>
<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>	<u>1,187.74</u>	<u>1,205.27</u>
31.00	33.50	38.00	42.25	42.25
3.00	3.00	4.00	4.00	4.00
8.00	8.00	8.00	9.00	9.00
15.00	14.00	13.00	14.50	14.50
1.00	1.00	-	-	-
58.25	58.00	60.86	60.86	63.14
16.00	16.00	16.00	16.00	16.50
206.00	207.00	207.00	212.00	214.00
314.50	314.50	324.50	327.50	331.50
253.07	252.07	252.07	258.07	263.57
48.95	47.95	38.90	37.80	35.85
36.40	36.40	42.95	45.05	48.25
123.54	117.47	121.09	120.09	122.09
32.08	31.71	31.72	32.72	32.72
<u>7.90</u>	<u>7.90</u>	<u>7.90</u>	<u>7.90</u>	<u>7.90</u>
<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>	<u>1,187.74</u>	<u>1,205.27</u>
1,007.62	1,000.43	1,017.72	1,036.32	1,032.58
21.10	20.60	20.30	19.45	18.50
109.07	110.07	110.57	113.57	119.07
7.00	7.00	7.00	7.00	7.00
7.90	7.90	7.90	7.90	7.90
			16.72	16.72
<u>2.00</u>	<u>2.50</u>	<u>2.50</u>	<u>3.50</u>	<u>3.50</u>
<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>	<u>1,204.46</u>	<u>1,205.27</u>

City of Mesquite, Texas

Operating Indicators by Function Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Functions				
Fire services				
Number of calls answered	14,048	14,058	12,151	15,247
Inspections	7,916	8,461	4,151	4,784
Police services				
Reported index crimes	6,149	7,273	6,997	6,940
Criminal arrests	4,895	4,788	5,207	5,316
Traffic citations	36,810	31,254	36,745	38,477
Field services				
Residential solid waste customers	37,900	38,000	37,500	37,500
Annual tons recycled	28,500	33,850	31,268	32,124
Work hours per mile of streets and alleys	74.43	77.38	81.51	80.62
Public works				
Traffic studies conducted	190	201	355	314
Engineering Information requests	98,000	16,988	52,845	55,998
Housing services				
Number of HUD allocated unit months	16,380	16,190	15,156	16,848
Community development				
Residential building permits	1,260	1,208	1,375	1,272
Commercial building permits	215	197	252	147
Environmental code violations	18,184	18,012	12,791	20,205
Food inspections conducted	1,759	1,868	1,949	1,806
Library services				
Library visits per capita	2.91	2.78	2.61	2.52
Registered borrowers per capita	0.30	0.30	0.28	0.33
Parks and recreation				
Work hours per acre of park land	58.54	59.84	59.84	59.84
Athletic program participants	16,500	13,054	20,417	15,020
Aquatic program participants	61,500	79,678	99,350	92,738
Tennis program participants	7,800	7,437	7,200	6,000
Recreation centers programs offered	835	854	850	1,010
Community services				
Number of health clinic clients	6,274	4,850	3,709	3,787
Number of volunteer hours	45,000	46,250	49,483	54,622
Arts center events	611	516	489	601
Arts center participants	92,000	80,530	95,002	67,227
Animals processed by animal shelter	8,363	7,896	6,605	7,419
Water and Sewer				
Number of gallons of water pumped (000s)	6,346,928	6,312,198	6,893,829	6,164,038
Water main breaks	198	225	334	237
Miles of sewer mains cleaned	134	120	167	129

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

Schedule 21

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
15,086	16,823	17,693	18,539	18,691	18,558
3,279	3,077	2,493	1,250	1,812	3,068
6,865	6,237	6,346	6,323	5,923	5,798
5,086	4,737	4,679	4,749	4,996	6,147
42,330	33,970	24,965	18,116	26,912	31,188
37,500	37,540	37,540	37,500	37,600	37,600
35,556	37,804	37,850	37,850	40,296	40,084
79.08	84.10	82.25	298.10	289.06	249.07
313	302	330	355	648	554
52,744	41,377	107,853	371,971	486,417	937,595
16,848	16,848	16,848	16,848	16,848	16,848
1,414	1,344	1,580	2,229	2,181	2,744
166	299	626	633	720	890
15,094	15,685	15,881	14,132	25,701	20,472
1,411	1,917	1,909	2,072	2,128	2,198
2.42	2.24	2.32	2.06	1.89	1.83
0.33	0.31	0.31	0.22	0.23	0.21
60.13	60.13	59.23	59.41	60.24	36.04
2,111	2,945	3,100	3,515	3,523	3,182
76,242	76,301	85,000	78,586	78,247	73,516
8,589	8,691	8,500	9,327	8,500	6,500
1,000	1,100	1,000	1,037	1,135	900
2,844	2,624	2,430	2,187	2,307	2,713
59,564	65,733	68,868	80,843	74,945	83,075
486	588	1,206	1,180	1,330	1,050
57,318	70,925	138,225	167,850	174,300	143,660
6,523	6,648	6,592	6,070	5,567	6,112
5,789,895	5,516,359	5,855,090	5,973,641	5,346,643	5,787,400
306	286	276	395	105	243
128	116	82	118	126	110

City of Mesquite, Texas

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

(Unaudited)

	Fiscal Year			
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Functions				
Police services				
Police vehicles	223	220	233	223
Field services				
Miles of streets	440	440	440	440
Miles of alleys	220	220	220	220
Number of vehicles in City fleet	677	681	715	702
Parks and recreation				
Parks acreage	1,430	1,430	1,430	1,430
Number of parks	68	69	68	68
Water and Sewer				
Water system miles	567	567	567	567
Water system connections	51,709	54,828	54,921	54,961
Sewer system miles	493	493	493	493
Sewer system connections	51,500	54,674	53,677	53,750

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

Schedule 22

Fiscal Year					
<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
226	262	221	226	217	220
440	440	440	440	440	440
220	220	220	220	220	220
690	760	734	660	702	675
1,450	1,450	1,650	1,650	1,700	1,700
68	69	70	70	70	70
567	567	568	568	585	585
54,000	54,964	55,135	55,174	54,608	54,775
493	493	494	494	483	483
53,700	53,714	53,764	53,803	52,604	52,744

MESQUITE
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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 28, 2019, which contained an emphasis of matter paragraph regarding a change in accounting principle.

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
March 28, 2019

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, 2018. 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, 2018.

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
March 28, 2019

City of Mesquite, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

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:				
<i>CDBG – Entitlement Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218		\$ 126,400	\$ 1,333,757
<i>Housing Voucher Cluster</i>				
Section 8 Housing Choice Vouchers	14.871		-	13,021,084
Total Department of Housing and Urban Development			126,400	14,354,841
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, EMW- 2017-SS-00005	-	252,673
Total Department of Homeland Security			-	252,673
Department of Transportation				
<i>Federal Transit Cluster</i>				
Direct Program:				
Federal Transit – Formula Grants	20.507		-	220,908
Passed through from:				
North Central Texas Council of Governments				
Federal Transit – Formula Grants	20.507	TX-90-X980-01	-	66,882
<i>Total Federal Transit Cluster</i>			-	287,790
Passed through from:				
Texas Department of Transportation				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	0918-47-143	-	1,060,644
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	2017-Mesquite-S-1YG-0082 2017-Mesquite-CIOT-00004, 2017-Mesquite-IDM-00010		20,000
National Priority Safety Programs	20.616			12,743
<i>Total Highway Safety Cluster</i>			-	32,743
Total Department of Transportation			-	1,381,177

The accompanying notes are an integral part of this schedule.

City of Mesquite, Texas
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2018

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 Justice				
Direct Program:				
Equitable Sharing Program	16.922		\$ -	\$ 407,013
Passed through from:				
The City of Dallas				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-H2659-TX-DJ, 2017-H2460-TX-DJ	-	35,097
Total Department of Justice			<u>-</u>	<u>442,110</u>
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	-	83,600
Total Department of Health and Human Services			<u>-</u>	<u>83,600</u>
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	-	1
Total Institute of Museum and Library Services			<u>-</u>	<u>1</u>
Total Federal Awards Expended			<u>\$ 126,400</u>	<u>\$ 16,514,402</u>

The accompanying notes are an integral part of this schedule.

City of Mesquite, Texas
Schedule of Expenditures of State Awards
Year Ended September 30, 2018

State Agency / Pass-Through Entity	Grant Number	Total State Expenditures
Texas Department of Transportation		
State Section 5307 Urban Public Transportation Project Grant	51309012618	\$ 142,455
Routine Airport Maintenance Program (RAMP) Grant	M118MSQTE	<u>50,000</u>
Total Texas Department of Transportation		<u>192,455</u>
Texas Commission on Environmental Quality		
Passed through from:		
North Central Texas Council of Governments (NCTCOG) 2009 Sustainable Development Grant	0918-47-020	<u>450,613</u>
Total Texas Commission on Environmental Quality		<u>450,613</u>
Total State Awards Expended		<u><u>\$ 643,068</u></u>

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, 2018

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, 2018. 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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are 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, 2018

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, 2018

7. The City's major federal programs were:

Cluster/Program	CFDA Number
<i>Housing Voucher Cluster</i>	
Section 8 Housing Choice Vouchers	14.871
<i>Highway Planning and Construction Cluster</i>	
Highway Planning and Construction	20.205

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, 2018

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, 2018

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

No matters are reportable.

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ETHICS



City of Mesquite

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Accounting Office

Phone: 972-288-7711

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