

# City of Mesquite, Texas



**Comprehensive Annual Financial Report  
for Fiscal Year Ended September 30, 2014**

***About the Cover:***

***Mesquite Metro Airport Air Traffic Control Tower***

The Mesquite Metro Airport Air Traffic Control Tower opened for advisory services on December 16, 2013. Five controllers and an Air Traffic Manager staff the facility, which is in operation from 7 a.m. to 9 p.m. year-round. The \$2.8 million tower was funded by the Federal Aviation Airport Improvement Program and the City of Mesquite. It stands more than 80 feet tall and is yet another positive symbol of economic development and growth within the City of Mesquite.

***Photo courtesy of:***  
*Wayne Larson, A.P.R.*  
*Manager of Communications and Marketing*  
*City of Mesquite*

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

**For the Fiscal Year Ended**

**September 30, 2014**

**Prepared by:**

**Finance Department**

**MESQUITE**  
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# City of Mesquite, Texas

## Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2014

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**CITY OF MESQUITE, TEXAS**

**CITY OFFICIALS**

**SEPTEMBER 30, 2014**

***CITY COUNCIL***

John Monaco, Mayor

Shirley Roberts, Mayor Pro Tem

Al Forsythe, Deputy Mayor Pro Tem

Greg Noschese, Council Member

Bruce Archer, Council Member

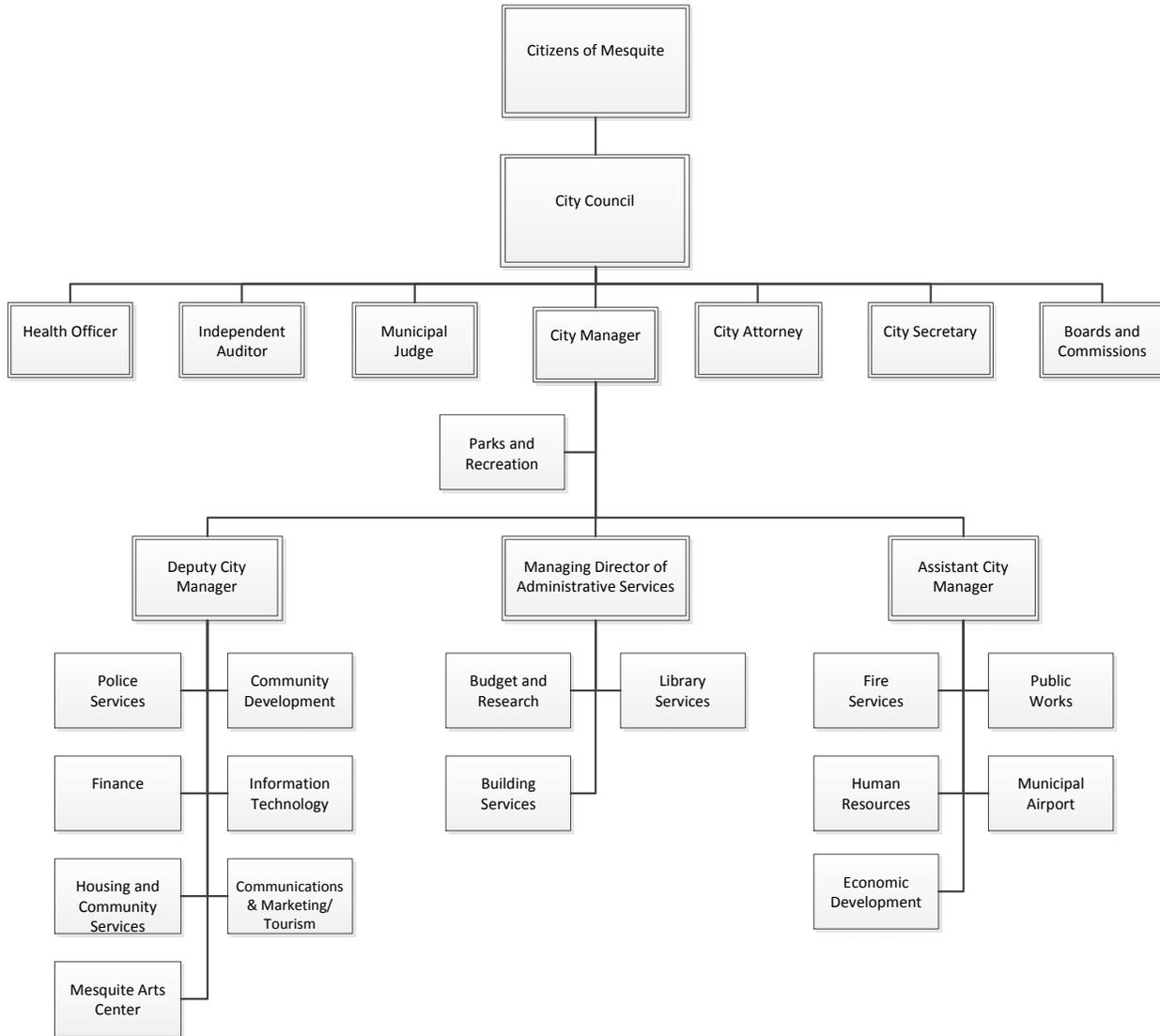
Bill Porter, Council Member

Dennis Tarpley, Council Member

Ted Barron, City Manager  
Deborah Mol, CPA, Director of Finance  
Sheree Haynes, Manager of Accounting Services

# City of Mesquite, Texas

## Organizational Chart October 1, 2013





March 25, 2015

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

The Comprehensive Annual Financial Report (“CAFR”) of the City of Mesquite, Texas (the City), for the fiscal year ended September 30, 2014, is hereby submitted.

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

Grant Thornton LLP has issued an unmodified (“clean”) opinion on the City’s financial statements for the year ending September 30, 2014. The independent auditors’ report is located at the front of the financial section of this report.

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

Article IV, Section 32 of the City Charter requires an annual audit of the books of account and transactions of all city departments be conducted by an independent certified public accountant selected by City Council. The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the single audit, including the supplemental schedule of federal awards, schedules of findings and questioned costs, and independent auditors’ reports on internal controls and compliance are included at the end of this report.

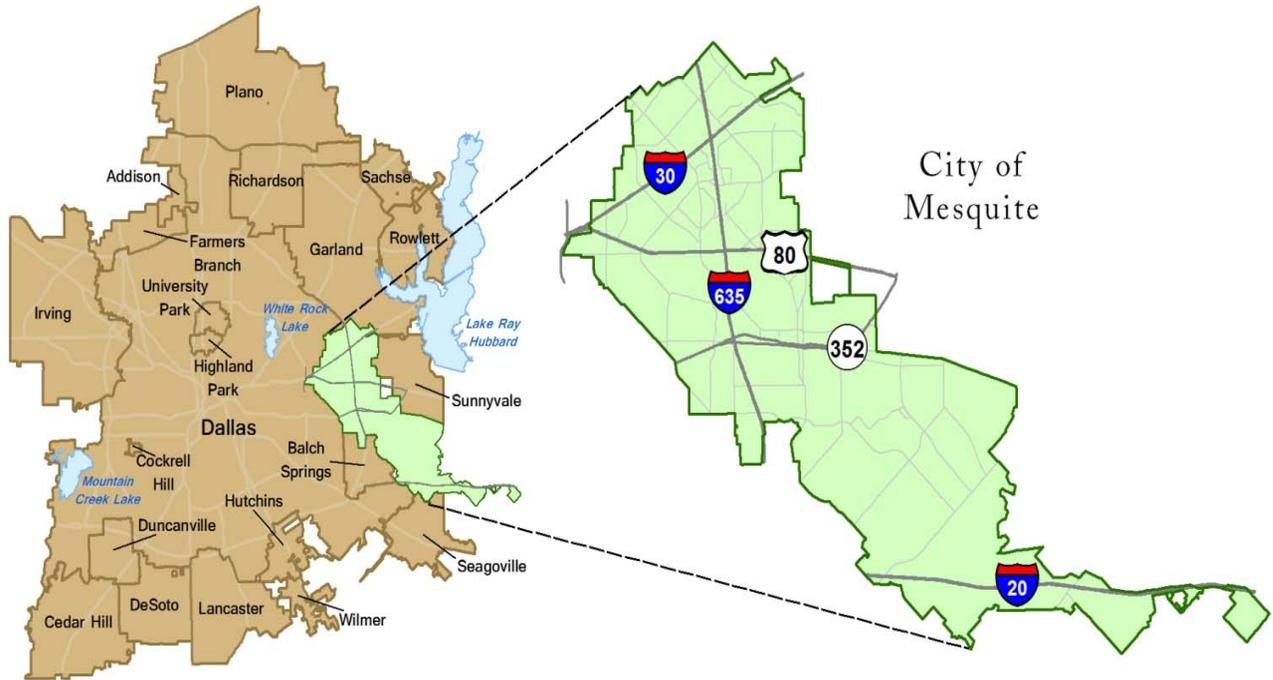
### **Profile of the City of Mesquite, Texas**

The City is located in eastern Dallas County, with its corporate limits adjoining the corporate limits of Dallas for a distance of about eight miles. The old downtown section of Mesquite is approximately 13 miles from downtown Dallas. The incorporated area of Mesquite is presently 46.963 square miles.

Mesquite celebrated its 127<sup>th</sup> birthday on December 3, 2014. Although the little farming settlement had existed as an unfranchised township since being organized at the arrival of the Texas and Pacific railroad in 1873, not until December 3, 1887, did its citizens take action to make it the first incorporated Dallas County town outside the county seat city.

The town, little more than a frontier outpost at the time, struggled for each meager step of progress under the leadership of dedicated early-day residents. Mesquite grew not only in numbers but in strength and

importance, becoming a viable agricultural center by the turn of the century. The town's population increased threefold between the 1890 and 1900 U. S. censuses - from 135 to 405 - and grew to 729 by 1930. Twenty years later, in 1950, Mesquite was home to 1,696 citizens, and that is when explosive growth set in. The population total jumped to 27,526 in 1960, to 67,053 in 1980, and to 124,523 in 2000. Today, the headcount stands at an estimated 142,210, and Mesquite is still one of the most dynamic cities in the Metroplex, served by excellent schools, churches, healthcare institutions, cultural and entertainment facilities, parks, playgrounds and many other amenities.



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

The City of Mesquite is a Home Rule City operating under a Council/Manager form of government. The City Council consists of the Mayor and six council members. Council members serve two-year terms and are responsible for appointing the City Manager, Municipal Judge, City Attorney, City Secretary, and members of various boards and commissions. The mayor and six council members are elected at large; however, four Council positions have residency requirements. The City Manager serves as the administrative head of the municipal government and is responsible for carrying out policies and for daily management of the City.

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

## **Local Economy**

Our Nation continues to improve from perhaps the longest economic recession since the Great Depression. A positive factor for the City of Mesquite over the years has been the strength of the Dallas area economy. The Metroplex has ranked high nationally in attracting new businesses and expansion of existing companies. The area remains the distribution and financial center of the Southwest, and the growth of high-tech industries, services industries, trade, and corporate headquarters have provided a strong, stable and diverse local economy. These factors helped curb the major economic downturn that our nation faced over the past few years but did not totally eliminated its effects.

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

During fiscal year 2014 Mesquite attracted many new businesses and persuaded several existing businesses to expand. A recent Texas Retail Survey reported that Mesquite was the 35<sup>th</sup> largest retail market in the state of Texas. Town East Mall continued to operate at 97% occupancy throughout the year. The Market East Shopping Center underwent new management with plans to revitalize, upgrade and rebuild the facility. Vista Crossing began redeveloping the old Albertsons on Highway 80 for a new Latin grocery store and other new shops. Herb Mart opened a new health food store on Beltline Road. Mesquite's rapidly growing medical community remains a strong economic driver for the city. First Choice Emergency Room renovated an old Blockbuster retail store into their new 52,638-square foot medical office building and Saifee Medical Park completed their new facility on Galloway Avenue which provides medical office space. Several new businesses came to town including Taco Casa, Quick Trip, Fuel City and Krispy Kreme. On the industrial side, Pepsi, one of Mesquite's largest employers, began adding on to their facility; Strukmyer Medical, a medical device supplier, underwent a huge expansion; and Union Pacific Railroad has plans to invest more than \$100 million dollars to expand the Mesquite Intermodal Facility for the second time. Mesquite also expanded transportation services in the area of bus, rail and air. Compass bus service to the DART rail system now offers mid-day service. STAR Transit took over operations of the City's MTED bus program in the fall of 2014 and increased ridership by 43-percent with their expanded service program; and, with the addition of the air traffic control tower in January 2014, air traffic at the Mesquite Metro Airport increased 20-percent making it one of the busiest municipal airports in Texas. Educational offerings were expanded when Columbia College established a presence in Mesquite offering junior and senior level courses which allow students with an associate degree to transition directly into a bachelor degree program. The Mesquite Police Department also graduated its first class of officers from the department's newly established police training academy.

## **Major Initiatives**

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

In fiscal year 2014 the City experienced a turnaround in its fiscal condition. Sales tax revenues surpassed pre-recession levels and property tax revenues saw a slight increase over the prior year. The City completed a

major software project to upgrade most of the City's financial software applications. The software project brought about many improved processes which resulted in measurable cost savings and helped toward achieving the City Council goal of becoming a digital city. The City completed a major renovation to the Mesquite Golf Club earning "2014 Golf Course of the Year" by the Texas Turfgrass Association. The focus on other capital projects was one of finishing projects already started and starting necessary projects to keep the City on track with maintenance of key infrastructure such as roads and the water and sewer system. The MD&A section of this report provides further review of the current year operating results.

### **Long Term Financial Planning**

In January of 2011 City Council met to establish their overall goals for the City. Developing a stronger fiscal condition, a digital city government, a safe city reputation, expanded parks and recreation opportunities, viable transit options, reliable sound infrastructure, quality development and redevelopment, and a positive hometown image will be the focus of City Council and city management over the next several years. City management continued to make great progress in 2014 in assigning objectives to work at achieving or maintaining each of these goals.

Capital projects such as new roads, continued traffic improvements along the Interstate 635 interchange area, drainage improvements throughout the City, and new water storage and distribution projects will continue to be a priority as well as maintenance and expansion of the City's general infrastructure. To address these goals, the City has developed a five-year capital projects plan that provides a framework for the development and maintenance of infrastructure to meet current and future needs.

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

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

### **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 are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

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

During the course of the fiscal year, monthly expenditure reports are generated by the Accounting Division using the City's automated accounting system. These reports provide budget, expenditure, and encumbrance data for each cost center. In addition, on-line inquiry capability is provided to every department to review appropriation, project, document, and vendor file data. At month-end, a summarized Monthly Financial Report is 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 in either operating fund 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, 2013. This was the thirty-fifth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully Submitted,

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

Director of Finance



Government Finance Officers Association

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

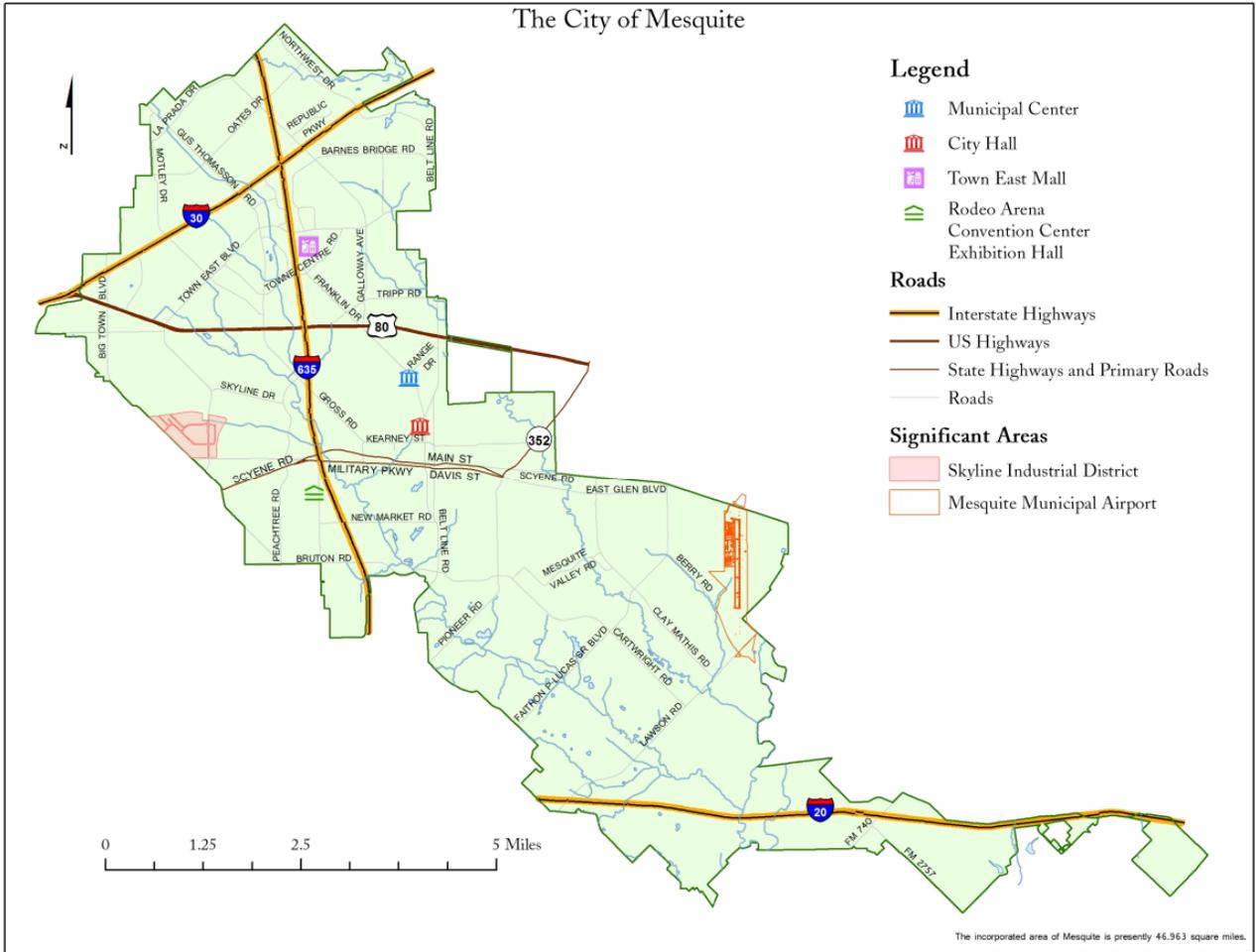
Presented to

**City of Mesquite  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2013**

Executive Director/CEO





## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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The Honorable Mayor, City Council and City Manager  
The City of 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 (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As disclosed in Note 14, the City adopted Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities, as of October 1, 2013. Our opinion is not modified with respect to this matter.

### **Other matters**

#### ***Required supplementary information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 15, and the Texas Municipal Retirement System Schedule of Funding Progress and the Other Post Employment Benefits Schedule of Funding Progress on page 68, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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.

#### ***Supplementary 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 schedule of expenditures of federal awards and the schedule of expenditures of state awards for the year ended September 30, 2014, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas *Single Audit Circular*, respectively, the combining financial statements, individual nonmajor fund financial statements, and individual fund budget to actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other information***

The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 have also issued our report, dated March 25, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

GRANT THORNTON LLP

Dallas, Texas  
March 25, 2015

**MESQUITE**  
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**Mesquite, City of Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended September 30, 2014**

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, 2014. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the financial statements which follow this section.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$302 million (net position). Of this amount, approximately \$32 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2.2 million this fiscal year. Governmental activities which receive taxes and other non-exchange revenues decreased \$93 thousand while business type activities increased by \$2.3 million.
- As of the close of the current fiscal year, the City of Mesquite's governmental funds reported combined ending fund balances of \$55 million, an increase of \$6 million from the prior year. Of this amount, \$19 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 \$16 million and total fund balance was \$17 million. Total fund balance represents over 17.2 percent of expenditures and transfers out and exceeds the 15 percent required by the City's adopted fund balance policy. On a current financial resources basis, total fund balance for the general fund decreased \$255 thousand which was primarily the result of spending the previous year's encumbrances that were carried forward to fiscal year 2014.
- The City's net bonded debt increased by \$2.5 million during this current fiscal year. The City issued certificate of obligation debt for street, equipment, municipal building improvements, as well as revenue bonded debt for water and sewer improvements.
- The City experienced a high claims year in its Health Claims Internal Service fund which created a deficit fund balance at the end of the year. The City will eliminate the deficit fund balance through proposed plan changes, increased premium charges, and increased City contributions to the plan.

**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, with the difference between the two 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 and municipal airport services.

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

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

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

The City maintains ten governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Housing Grants Special Revenue, Local Finance Capital Project, and Bond Finance Capital Project funds, all of which are major funds. Data from the other six funds are combined into a single, aggregated presentation.

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

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

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

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

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Mesquite, assets exceeded liabilities by \$302 million as of September 30, 2014.

The largest portion of the City's net position (85.8 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, infrastructure and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)
Current and other assets	\$ 71,291	\$ 64,753	\$ 39,808	\$ 39,431	\$ 111,099	\$ 104,184
Capital assets	237,722	241,368	190,517	188,850	428,239	430,218
Total assets	<u>309,013</u>	<u>306,121</u>	<u>230,325</u>	<u>228,281</u>	<u>539,338</u>	<u>534,402</u>
Deferred outflow of resources	1,931	1,686	875	771	2,806	2,457
Long-term liabilities outstanding	144,581	141,675	76,075	77,534	220,656	219,209
Other liabilities	<u>7,143</u>	<u>7,309</u>	<u>6,985</u>	<u>5,930</u>	<u>14,128</u>	<u>13,239</u>
Total liabilities	<u>151,724</u>	<u>148,984</u>	<u>83,060</u>	<u>83,464</u>	<u>234,784</u>	<u>232,448</u>
Net investment in capital assets	129,187	130,543	129,832	127,872	259,019	258,415
Restricted net position	7,467	7,258	3,064	3,109	10,531	10,367
Unrestricted net position	<u>18,704</u>	<u>17,650</u>	<u>13,494</u>	<u>13,065</u>	<u>32,198</u>	<u>30,715</u>
Total net position	<u>\$ 155,358</u>	<u>\$ 155,451</u>	<u>\$ 146,390</u>	<u>\$ 144,046</u>	<u>\$ 301,748</u>	<u>\$ 299,497</u>

An additional portion of the City's net position (3.4 percent) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$32 million may be used to meet the government's ongoing obligation to citizens and creditors.

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

**Analysis of the City's Operations.** Governmental and Business-type activities increased the City's net position by \$2.2 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	
	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 32,770	\$ 29,929	\$ 51,274	\$ 49,007	\$ 84,044	\$ 78,936
Operating grants and contributions	13,954	13,463	-	-	13,954	13,463
Capital grants and contributions	112	480	969	753	1,081	1,233
General revenues:						
Ad valorem taxes	35,172	35,075	-	-	35,172	35,075
Gross receipts taxes	8,633	7,865	-	-	8,633	7,865
Sales taxes	41,180	39,736	-	-	41,180	39,736
Sale of capital assets	85	38	36	-	121	38
Investment income	67	75	33	36	100	111
<b>Total revenues</b>	<b>131,973</b>	<b>126,661</b>	<b>52,312</b>	<b>49,796</b>	<b>184,285</b>	<b>176,457</b>
<b>Expenses:</b>						
General government	24,919	26,194	-	-	24,919	26,194
Fire services	26,105	25,570	-	-	26,105	25,570
Police services	32,112	32,994	-	-	32,112	32,994
Field services	9,312	13,826	-	-	9,312	13,826
Public works	8,769	4,703	-	-	8,769	4,703
Community development	3,551	3,182	-	-	3,551	3,182
Housing & community services	14,487	14,206	-	-	14,487	14,206
Library services	2,015	1,905	-	-	2,015	1,905
Parks and recreation	11,004	11,368	-	-	11,004	11,368
Interest on long-term debt	3,498	5,031	-	-	3,498	5,031
Water and sewer	-	-	42,615	42,469	42,615	42,469
Drainage utility	-	-	1,412	1,611	1,412	1,611
Municipal airport	-	-	2,235	2,319	2,235	2,319
<b>Total expenses</b>	<b>135,772</b>	<b>138,979</b>	<b>46,262</b>	<b>46,399</b>	<b>182,034</b>	<b>185,378</b>
Increase (decrease) in net position before transfers	(3,799)	(12,318)	6,050	3,397	2,251	(8,921)
Transfers	3,706	4,575	(3,706)	(4,575)	-	-
Increase (decrease) in net position	(93)	(7,743)	2,344	(1,178)	2,251	(8,921)
Net position, restated - October 1, 2013	155,451	163,194	144,046	145,224	299,497	308,418
Net position - September 30, 2014	<u>\$ 155,358</u>	<u>\$ 155,451</u>	<u>\$ 146,390</u>	<u>\$ 144,046</u>	<u>\$ 301,748</u>	<u>\$ 299,497</u>

The implementation of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities"; resulted in the restatement of beginning net position. Refer to Note 14 in the Basic Financial Statements for further detail.

## **Governmental Activities**

Governmental activities decreased the City of Mesquite's net position by \$93 thousand.

The City's program revenues from governmental activities increased approximately \$3 million (6.8 percent) during the year. Charges for services increased approximately \$2.8 million, operating grants and contributions increased approximately \$490 thousand and capital grants and contributions decreased approximately \$368 thousand. The increase in charges for services was the result of an increase in Fire Services of \$1.7 million for ambulance service billings, an increase in Public works of \$596 thousand due to Texas Department of Transportation reimbursements for capital projects, an increase in Community development of \$798 thousand due to the sale of six Neighborhood Stabilization Program houses and additional grass and weed charges, an increase in Parks and Recreation of \$180 thousand due to the reopening of the Mesquite Municipal Golf Course all of which is offset with a decrease in Field Services of \$395 thousand due to the write off of old uncollectible special assessments. Operating grants and contributions increased \$491 thousand due to a \$222 thousand increase in grant revenues in the CDBG housing rehab program, and a \$187 thousand increase in State grant revenues for Fire grants, and \$82 thousand increase in Public works for the COMPASS/DART bus service reimbursements from North Central Texas Council of Governments. The decrease of \$368 thousand in Capital grants and contributions is due to funding for fire grants classified as operating grants in fiscal year 2014.

General revenues of the City's governmental activities increased \$2.3 million (2.7 percent) during the year. General revenue from property taxes increased \$97 thousand due to slightly higher property tax values for the year. Sales tax revenues increased \$1.4 million due to improvements in the economy. Gross receipts tax revenue increased \$768 thousand mostly due to increased activity in right of way franchise fees.

Expenses for the City's governmental activities experienced a net decrease of \$3.2 million (2.3 percent) compared with the prior fiscal year. The major decreases were in Field services \$4.5 million, General government \$1.3 million, Interest on long term debt \$1.5 million, Police services \$882 thousand, and Parks and recreation \$364 thousand. These decreases were offset by increases in Public works \$4.1 million, Fire services \$535 thousand, Community development \$369 thousand, Housing and community services \$281 thousand and Library services \$110 thousand. The decreases were due to major capital outlay expenditures in each area that occurred in 2013; for General government there was the purchase of a new financial software system, Police services purchased police video equipment for police vehicles, and Parks and recreation renovated the Municipal Golf Course. Field services decrease and Public works increase were related in their capital outlay activity and resulted in a net decrease due to less capital outlay activity in fiscal year 2014. The decrease in Interest on long term debt is related to recording of the change in deferred offering costs due to the implementation of GASB 65. Further explanation of the restatement of these costs can be found in Note 14 of the Basic Financial Statements. Fire services increased due to the purchase of a new fire pumper truck. Housing and community services increased due to the purchase of new buses for the MTED program. Library Services increased due to the purchase of a roof top heat pump unit for the North Branch Library. Community Development increased due to additional funding for the Community Development Block Grant Housing Rehabilitation program.

## **Business-type Activities**

Business-type activities increased the City of Mesquite's net position by \$2.3 million.

The City's overall revenues for business-type activities increased by \$2.5 million (5.1 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 \$2.3 million due to a rate increase effective in fiscal year 2014. Capital grants and contributions increased \$216 thousand. The increase in capital grants

sewer operations. Water and sewer customer charges increased \$2.3 million due to a rate increase effective in fiscal year 2014. Capital grants and contributions increased \$216 thousand. The increase in capital grants and contributions was due to an increase in the developer contributions which is a result of increased development in the City.

Expenses attributable to the business-type activities decreased approximately \$137 thousand (.30 percent) this fiscal year. The decrease is mainly due to less depreciation expense compared to 2013. Net transfers out for fiscal year 2014 were less than fiscal year 2013 by \$869 thousand. The decrease is due to more capital contributions from the airport related to the new air traffic control tower.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$55.3 million. Approximately 29 percent of this total amount (\$16 million) constitutes unassigned fund balance. The remainder of the fund balance is comprised of \$775 thousand for nonspendable, which represents funds committed to pay for prepaid and inventory items, \$36 million for restricted, which represents funds restricted for specific purposes by their providers (such as grantors, bondholders, and higher levels of government), and \$2.6 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 \$5.8 million from the previous fiscal year. This 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 \$16 million while the total fund balance was at \$17 million. The total fund balance decreased by \$255 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 percent of total General Fund expenditures and transfers out, while the total fund balance represents 17 percent of that same amount. By the City's adopted fund balance policy, fund balance is required to be maintained at 15 percent of General Fund expenditures.

In the General Fund, total revenues increased \$2.1 million from the prior year. Ad valorem taxes increased \$60 thousand due to a slight increase in assessed property values. Sales tax revenue increased \$1 million as we continue to see a turn-around in the local economy. Fines and Forfeitures decreased \$407 thousand in criminal fines due to a decrease in traffic citations, number of arrests, and reported crimes. Other Revenues increased \$331 thousand due to franchise fees for utility service organizations. On the expenditure side, the actual expenditures increased \$783 thousand. General government increased \$143 thousand due to the additional contribution of \$500 thousand to the Health Claims Fund offset by no major capital purchases in the General Fund in 2014. Fire Services increased \$865 thousand due to the purchase of a new fire engine and new fire staff going through fire training. Parks and recreation increased \$392 thousand due to the opening of the renovated Mesquite Municipal Golf Course in 2014. Housing and community services increased \$439 thousand due to the purchase of three new MTED buses. These increases were offset with decreases in Police Services and Field Services. Police Services decreased \$397 thousand due to decrease in vehicle purchases and computer equipment as compared to the prior year. Field Services decreased \$663 thousand due to the lower cost of fuel and no major equipment purchases in the General Fund in 2014. Net transfers out were more in fiscal year 2014 by \$1.9 million. This increase is due to less transfers in from the

bond sale. Bond proceeds for purchase of equipment and computers were recorded in the Bond Finance Capital Projects Fund.

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 \$662 thousand at the end of the year. Fund balance decreased by \$440 thousand due to program spending in excess of program funding during the year. The Housing voucher program received less funding from the U. S. Department of Housing and Urban Development. The program maintained the same level of service by spending down the fund balance.

The Local Finance capital projects fund is reported as a major fund in fiscal year 2014 and is used to account for capital project expenditures from the proceeds of local revenue sources. Fund balance at year end is \$11 million, \$9.2 million of which is restricted for various capital projects and specified spending and \$1.8 million is assigned for other capital projects indentified by the City. The fund balance decreased \$462 thousand which is due to timing fluctuations of capital project spending from year to year. Project spending carries over from year to year depending on the scheduled activity.

The Bond Finance capital projects fund is a major fund used to account for capital project expenditures from the proceeds of governmental debt. Fund balance at year end is \$11.6 million, all of which is restricted for use for the capital projects approved within the various bond issues. The fund balance increased \$4.8 million which is due to timing fluctuations of capital project spending from year to year.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the year amounted to \$11.5 million and the Drainage Utility District amounted to \$2.5 million. The change in unrestricted net position for both funds was a decrease of \$2 million in the Water/Sewer Fund and an increase of \$1.4 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 customer charges of \$630 thousand. The increase in customer charges was due to \$1.50 rate increase for residential and \$.04 per 100 square feet of impervious area rate increase for commercial.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City made revisions to the original appropriations approved by the City Council. Overall these changes resulted in an increase in budgeted revenues from the original budget of \$1.4 million and an increase in budgeted expenditures from the original budget of \$1.4 million. The increase in budgeted revenues was to reflect increased collections of sales tax revenue during the year by approximately \$1.3 million, an increase in fines and forfeitures activity by approximately \$225 thousand and an increase in gross receipts activity of \$119 thousand. These increases were offset by decreases in charges for services of \$420 thousand to reflect actual activity. The main increase in expenditures were in Fire services of \$1.1 million, general government of \$831 thousand and field services of \$360 thousand, which were offset by a decrease in parks and recreation of \$425 thousand and police services of \$500 thousand. The increase in fire services is due to the purchase of a fire engine and new recruits going through training. The increase in general government is due to the additional funds transferred in to the Health Claims fund. The increase in field services is due to the activity in the equipment maintenance parts and labor. The decrease in parks and recreation was to reflect budget not needed for golf course operations during renovations. The decrease in police services is due to the timing of purchasing public safety equipment. Transfers Out increased \$260 thousand mainly due to additional transfers needed to the Health Claims Fund.

The main budget variances as compared to actual were additional revenues of \$201 thousand and additional expenditures of \$251 thousand. Additional revenues were mainly from increased utility franchise fees for natural gas and additional sales tax revenues received. These were offset by decreases in Licenses and permits and Fines and forfeitures due to less activity in both areas. Additional expenditures were primarily due to Field Services for equipment maintenance parts and labor, Public Works for less developmental activity, and Housing and community services purchasing additional buses for the MTED/Star Transit program. Police services had variances in salaries and wages due to staffing fluctuations. Fire Services expenditures were less due to the purchase of the new fire engine coming in less than budgeted. Parks and recreation expenditures were less primarily due to the golf course being closed for renovations.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2014, the City had over \$428 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 decrease in the City of Mesquite's net investment in capital assets was .46 percent for the current fiscal year.

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 24,566	\$ 24,190	\$ 9,969	\$ 9,969	\$ 34,535	\$ 34,159
Construction in progress	2,855	5,789	4,283	3,059	7,138	8,848
Buildings	75,580	77,546	6,897	4,507	82,477	82,053
Infrastructure	105,884	105,877	166,050	168,875	271,934	274,752
Improvements	10,160	8,081	320	349	10,480	8,430
Equipment	18,677	19,885	2,998	2,091	21,675	21,976
<b>Totals</b>	<b>\$ 237,722</b>	<b>\$ 241,368</b>	<b>\$ 190,517</b>	<b>\$ 188,850</b>	<b>\$ 428,239</b>	<b>\$ 430,218</b>

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

- Approximately \$12.9 million was expended for capital projects in 2014 and \$14.6 million was completed and placed into service.
- Over \$5.7 million was expended for transportation, street and alley projects including continuing work on concrete street rehab projects, alley reconstruction, Pioneer and Motley Drive construction and street lighting projects and \$5.1 million was completed and placed into service.
- Approximately \$2.6 million was expended on Parks and Recreation capital projects for land acquisition, renovation of the golf course, Mesquite Heritage Trail, park system equipment, and recreation center renovations, and \$6.1 million was completed and placed into service.
- Over \$4.6 million of infrastructure and equipment was expended on the water and sewer system capital projects and \$2.3 was completed and placed into service.
- Approximately \$1.1 million was completed and placed into service for the Mesquite Municipal Airport.

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

### Debt Administration

At year-end, the City had \$195.7 million in net bonded debt outstanding. Of this total amount, \$120 million or 61 percent is comprised of bonded debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specified revenue sources (i.e., revenue bonds).

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation	\$ 39,424	\$ 36,964	\$ -	\$ -	\$ 39,424	\$ 36,964
Certificates of obligation	80,605	80,035	-	-	80,605	80,035
Public property finance contractual obligations	-	390	-	-	-	390
Revenue bonds	<u>-</u>	<u>-</u>	<u>75,706</u>	<u>75,828</u>	<u>75,706</u>	<u>75,828</u>
<b>Totals</b>	<b><u>\$ 120,029</u></b>	<b><u>\$ 117,389</u></b>	<b><u>\$ 75,706</u></b>	<b><u>\$ 75,828</u></b>	<b><u>\$ 195,735</u></b>	<b><u>\$ 193,217</u></b>

During the fiscal year, the City had three debt issuances. The first debt issue was for \$9.08 million in general obligation debt to advance refund prior tax exempt bonds. The second debt issue was for \$9.7 million of certificate of obligation debt for constructing and improving streets, roads, and alleys including related drainage, signalization, landscaping, lighting and signage, major repairs and renovations to existing municipal buildings, acquisition of equipment and vehicles for various City departments, acquisition of computer equipment and software for various City departments, and paying for legal, fiscal, engineering and other professional fees in connection with such projects. The third debt issue was for \$11.6 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 2014 general obligation refunding bonds and series 2014 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 2014 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.

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

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In this coming fiscal year the City's budget will reflect a slight turn around in the economy. Although we are seeing signs of recovery, we are by no means back to where we were before the recession began. On the positive side, the City has seen continued growth in its retail and industrial communities.

In the 2014-15 budget General Fund revenues and transfers in are projected to increase by 2.55 percent from the 2013-14 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 4.7 percent over the preceding year while the City tax rate will remain the same at \$.64 per \$100 of assessed valuation. General sales tax receipts are projected to increase 1 percent over the prior year's receipts. This revenue source comprises 29.8 percent of General Fund revenues and transfers in and is the most volatile and subject to change based on the economy. Charges for services revenues are projected to increase 7.2 percent over last year primarily due to golf course fee revenues. The golf course was closed for major renovations most of 2014 and is currently open as of August 2014. The 2014-15 budget includes other modest increases 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 2.35 percent increase over the 2013-14 final budget. The 2014-15 budget includes a market adjustment in compensation of approximately \$700 thousand to bring 302 non-executive/manager level employees within the market average for the Dallas Fort Worth area, a 2% raise for employees whose positions were not included in the market adjustment and the required step increases for firefighters and police officers with less than five years of service. 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 slightly increase by .03 percent in fiscal year 2015. The projected ending fund balance is approximately 17 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. A new tiered water rate structure will be implemented in 2014-15. The new minimum water rate will increase from the current rate of \$9.65 per month to a new amount depending on meter size (a range of \$11.00-\$40.00). The new water consumption rate will increase depending on actual consumption. In addition, the sewer minimum rate will increase \$.20 and the tier rate will increase \$.11 per monthly billing cycle.

## **CONTACTING THE CITY'S FINANCIAL MANAGMENT**

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](mailto:shaynes@cityofmesquite.com).

# MESQUITE

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**City of Mesquite, Texas**

**Statement of Net Position  
September 30, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Pooled cash and investments	\$ 50,975,615	\$ 31,980,616	\$ 82,956,231
Receivables (net of allowance for uncollectibles)	18,318,763	8,036,574	26,355,337
Internal balances	595,982	(595,982)	-
Inventory	751,937	369,215	1,121,152
Prepays and other assets	168,444	-	168,444
Accrued interest	35,201	17,447	52,648
Net pension benefit asset	444,492	-	444,492
Capital assets-			
Land and construction in progress	27,420,934	14,251,787	41,672,721
Other capital assets (net of accumulated depreciation)	<u>210,301,407</u>	<u>176,265,799</u>	<u>386,567,206</u>
Total Assets	<u>309,012,775</u>	<u>230,325,456</u>	<u>539,338,231</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>			
Deferred charges on refunding	<u>\$ 1,930,524</u>	<u>\$ 875,042</u>	<u>\$ 2,805,566</u>
<b>LIABILITIES:</b>			
Accounts payable	5,496,983	3,232,881	8,729,864
Accrued interest payable	661,630	246,846	908,476
Deposits and other liabilities	984,256	3,505,113	4,489,369
Long-term liabilities:			
Due within one year:			
Capital lease payable	5,973	17,992	23,965
Bonds payable	7,385,000	5,690,000	13,075,000
Notes payable	574,296	-	574,296
Accrued compensated absences	7,366,736	397,532	7,764,268
Estimated claims payable	1,213,866	-	1,213,866
Due in more than one year:			
Capital lease payable	-	6,282	6,282
Bonds payable	114,575,000	70,890,844	185,465,844
Notes payable	1,763,191	-	1,763,191
Net other post employment benefit (OPEB) liability	2,891,655	-	2,891,655
Accrued compensated absences	11,719,111	822,725	12,541,836
Estimated claims payable	<u>947,818</u>	<u>-</u>	<u>947,818</u>
Total Liabilities	<u>155,585,515</u>	<u>84,810,215</u>	<u>240,395,730</u>
<b>NET POSITION:</b>			
Net investment in capital assets	129,187,461	129,831,747	259,019,208
Restricted for:			
Capital projects	6,320,855	-	6,320,855
Housing grants	662,606	-	662,606
Debt service	483,072	3,063,927	3,546,999
Unrestricted	<u>18,703,790</u>	<u>13,494,609</u>	<u>32,198,399</u>
Total Net Position	<u>\$ 155,357,784</u>	<u>\$ 146,390,283</u>	<u>\$ 301,748,067</u>

The accompanying notes are an integral part of this statement.

**City of Mesquite, Texas**

**Statement of Activities**

**For the Year Ended September 30, 2014**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTION / PROGRAM ACTIVITIES:				
Governmental activities:				
General government	\$ 24,918,793	\$ 6,435,953	\$ -	\$ -
Fire services	26,104,607	3,159,642	215,232	-
Police services	32,112,600	6,718,875	127,707	-
Field services	9,311,664	7,526,906	57,148	112,070
Public works	8,769,419	984,701	191,509	-
Community development	3,551,123	5,489,677	-	-
Housing & community services	14,486,769	282,115	13,029,514	-
Library services	2,014,813	68,706	23,742	-
Parks and recreation	11,003,720	2,102,821	309,254	-
Interest on long-term debt	3,498,236	-	-	-
Total governmental activities	<u>135,771,744</u>	<u>32,769,396</u>	<u>13,954,106</u>	<u>112,070</u>
Business-type activities:				
Water and sewer	42,614,560	46,795,006	-	871,306
Drainage utility	1,411,694	2,798,030	-	43,288
Municipal airport	2,235,276	1,681,337	-	54,500
Total business-type activities	<u>46,261,530</u>	<u>51,274,373</u>	<u>-</u>	<u>969,094</u>
Total function / program activities	<u>\$ 182,033,274</u>	<u>\$ 84,043,769</u>	<u>\$ 13,954,106</u>	<u>\$ 1,081,164</u>
General revenues:				
Ad valorem taxes				
Gross receipts taxes				
Sales taxes				
Sale of capital assets				
Investment income				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning, restated (See Note 14)				
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>
\$ (18,482,840)	\$ -	\$ (18,482,840)
(22,729,733)	-	(22,729,733)
(25,266,018)	-	(25,266,018)
(1,615,540)	-	(1,615,540)
(7,593,209)	-	(7,593,209)
1,938,554	-	1,938,554
(1,175,140)	-	(1,175,140)
(1,922,365)	-	(1,922,365)
(8,591,645)	-	(8,591,645)
<u>(3,498,236)</u>	<u>-</u>	<u>(3,498,236)</u>
<u>(88,936,172)</u>	<u>-</u>	<u>(88,936,172)</u>
-	5,051,752	5,051,752
-	1,429,624	1,429,624
-	<u>(499,439)</u>	<u>(499,439)</u>
<u>-</u>	<u>5,981,937</u>	<u>5,981,937</u>
<u>(88,936,172)</u>	<u>5,981,937</u>	<u>(82,954,235)</u>
35,172,299	-	35,172,299
8,632,884	-	8,632,884
41,179,755	-	41,179,755
85,194	35,531	120,725
67,141	32,782	99,923
<u>3,705,600</u>	<u>(3,705,600)</u>	<u>-</u>
<u>88,842,873</u>	<u>(3,637,287)</u>	<u>85,205,586</u>
(93,299)	2,344,650	2,251,351
<u>155,451,083</u>	<u>144,045,633</u>	<u>299,496,716</u>
<u>\$ 155,357,784</u>	<u>\$ 146,390,283</u>	<u>\$ 301,748,067</u>

**City of Mesquite, Texas**

**Balance Sheet - Governmental Funds  
September 30, 2014**

	<u>General</u>	<u>Housing Grants</u>	<u>Local Finance</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>						
Pooled cash and investments	\$ 11,114,085	\$ 668,300	\$ 11,559,869	\$ 12,221,651	\$ 13,699,653	\$ 49,263,558
Receivables (net of allowance):						
Accounts receivable	7,298,013	54,143	26,850	-	47,642	7,426,648
Ad valorem taxes	1,222,592	-	-	-	-	1,222,592
Other taxes receivable	1,931,243	-	-	-	31,154	1,962,397
Intergovernmental	5,493,867	-	-	-	2,213,260	7,707,127
Due from other funds	685,394	-	-	-	-	685,394
Inventory	751,937	-	-	-	-	751,937
Prepays	23,224	-	-	-	29,220	52,444
Accrued interest	17,585	508	3,218	5,837	6,802	33,950
	<u>28,537,940</u>	<u>722,951</u>	<u>11,589,937</u>	<u>12,227,488</u>	<u>16,027,731</u>	<u>69,106,047</u>
<b>Total Assets</b>	<b>\$ 28,537,940</b>	<b>\$ 722,951</b>	<b>\$ 11,589,937</b>	<b>\$ 12,227,488</b>	<b>\$ 16,027,731</b>	<b>\$ 69,106,047</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 3,441,080	\$ 6,202	\$ 97,288	\$ 564,436	\$ 693,098	\$ 4,802,104
Retainage payable	-	-	145,157	4,320	27,487	176,964
Deposits	544,842	-	271,990	-	167,424	984,256
Due to other funds	-	-	-	-	287,741	287,741
	<u>3,985,922</u>	<u>6,202</u>	<u>514,435</u>	<u>568,756</u>	<u>1,175,750</u>	<u>6,251,065</u>
<b>Total Liabilities</b>	<b>3,985,922</b>	<b>6,202</b>	<b>514,435</b>	<b>568,756</b>	<b>1,175,750</b>	<b>6,251,065</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable revenue	7,401,399	54,143	24,600	-	-	7,480,142
	<u>7,401,399</u>	<u>54,143</u>	<u>24,600</u>	<u>-</u>	<u>-</u>	<u>7,480,142</u>
<b>Total Deferred Inflows of Resources</b>	<b>7,401,399</b>	<b>54,143</b>	<b>24,600</b>	<b>-</b>	<b>-</b>	<b>7,480,142</b>
<b>Fund Balances:</b>						
Nonspendable	775,161	-	-	-	-	775,161
Restricted	-	662,606	9,202,835	11,658,732	14,345,201	35,869,374
Assigned	299,967	-	1,848,067	-	506,780	2,654,814
Unassigned	16,075,491	-	-	-	-	16,075,491
	<u>17,150,619</u>	<u>662,606</u>	<u>11,050,902</u>	<u>11,658,732</u>	<u>14,851,981</u>	<u>55,374,840</u>
<b>Total Fund Balances</b>	<b>17,150,619</b>	<b>662,606</b>	<b>11,050,902</b>	<b>11,658,732</b>	<b>14,851,981</b>	<b>55,374,840</b>
<b>Total Liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 28,537,940</b>	<b>\$ 722,951</b>	<b>\$ 11,589,937</b>	<b>\$ 12,227,488</b>	<b>\$ 16,027,731</b>	<b>\$ 69,106,047</b>

The accompanying notes are an integral part of this statement.

**City of Mesquite, Texas**

**Reconciliation of the Balance Sheet  
of Governmental Funds  
To the Statement of Net Position  
As of September 30, 2014**

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

Total fund balance per balance sheet	\$ 55,374,840
Net pension benefit asset in the governmental type activities is not a current financial resource and therefore is not reported in the governmental funds balance sheet.	444,492
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	237,722,341
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.	7,480,142
Internal service funds are used by management to charge the costs of health claims and general liability to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.	(651,963)
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.	(661,630)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities consist of:	
General obligation bonds payable	(41,355,000)
Certificate of obligation bonds payable	(80,605,000)
Notes Payable	(2,337,487)
Capital lease payable	(5,973)
Less: deferred amounts	1,930,524
Net other post employment benefit (OPEB) liability	(2,891,655)
Accrued compensated absences	<u>(19,085,847)</u>
	<u>(144,350,438)</u>
Net position of governmental activities	<u>\$ 155,357,784</u>

The accompanying notes are an integral part of this statement.

**City of Mesquite, Texas**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2014**

	<u>General</u>	<u>Housing Grants</u>	<u>Local Finance</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>						
Taxes-						
Ad valorem	\$ 35,198,532	\$ -	\$ -	\$ -	\$ -	\$ 35,198,532
Gross receipts	8,388,756	-	-	-	244,128	8,632,884
Sales	30,085,010	-	-	-	11,094,745	41,179,755
Licenses and permits	1,126,989	-	-	-	19,495	1,146,484
Fines and forfeitures	3,521,315	-	-	-	604,541	4,125,856
Investment income	31,687	1,141	6,123	13,080	12,572	64,603
Charges for services	12,979,136	-	3,679,806	-	1,024,098	17,683,040
Intergovernmental	826,396	11,166,023	-	-	1,573,380	13,565,799
Contributions and donations	224,835	-	57,148	-	92,188	374,171
Other revenues	974,093	82,480	653,089	199,752	746,160	2,655,574
<b>Total Revenues</b>	<u>93,356,749</u>	<u>11,249,644</u>	<u>4,396,166</u>	<u>212,832</u>	<u>15,411,307</u>	<u>124,626,698</u>
<b>EXPENDITURES:</b>						
Current-						
General government	12,706,266	-	1,132,512	543,113	1,005,527	15,387,418
Fire services	24,308,123	-	-	42,159	250,222	24,600,504
Police services	30,526,252	-	6,955	86,737	359,632	30,979,576
Field services	9,605,472	-	-	515,320	-	10,120,792
Public works	2,419,632	-	6,449	90,588	686,381	3,203,050
Community development	2,622,418	-	4,550	24,907	737,218	3,389,093
Library services	1,880,170	-	-	29,202	21,813	1,931,185
Parks and recreation	3,141,302	-	-	12,633	6,270,914	9,424,849
Housing and community services	2,338,560	11,539,689	-	6,926	880,560	14,765,735
Capital outlay	-	-	2,479,305	3,122,262	2,715,667	8,317,234
Debt service						
Principal	-	-	492,263	-	6,255,000	6,747,263
Interest and fiscal charges	-	-	109,535	-	4,652,801	4,762,336
Bond issuance costs	-	-	-	17,963	31,499	49,462
<b>Total Expenditures</b>	<u>89,548,195</u>	<u>11,539,689</u>	<u>4,231,569</u>	<u>4,491,810</u>	<u>23,867,234</u>	<u>133,678,497</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,808,554</u>	<u>(290,045)</u>	<u>164,597</u>	<u>(4,278,978)</u>	<u>(8,455,927)</u>	<u>(9,051,799)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers in	5,536,095	-	-	1,320	11,500,661	17,038,076
Transfers out	(9,600,000)	(150,000)	(626,887)	(645,600)	(889,320)	(11,911,807)
Issuance of debt	-	-	-	9,715,000	-	9,715,000
Issuance of refunding debt	-	-	-	9,080,000	-	9,080,000
Premium on bonds issued	-	-	-	962,764	-	962,764
Payment to refunding bond agent	-	-	-	(10,037,638)	-	(10,037,638)
<b>Total Other Financing Sources (Uses)</b>	<u>(4,063,905)</u>	<u>(150,000)</u>	<u>(626,887)</u>	<u>9,075,846</u>	<u>10,611,341</u>	<u>14,846,395</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(255,351)</u>	<u>(440,045)</u>	<u>(462,290)</u>	<u>4,796,868</u>	<u>2,155,414</u>	<u>5,794,596</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>17,405,970</u>	<u>1,102,651</u>	<u>11,513,192</u>	<u>6,861,864</u>	<u>12,696,567</u>	<u>49,580,244</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 17,150,619</u>	<u>\$ 662,606</u>	<u>\$ 11,050,902</u>	<u>\$ 11,658,732</u>	<u>\$ 14,851,981</u>	<u>\$ 55,374,840</u>

The accompanying notes are an integral part of this statement.

**City of Mesquite, Texas**

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended September 30, 2014**

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

Net change in fund balance - total governmental funds	\$ 5,794,596
All payments for other post employment benefits for the year are recorded as expenditures. However, in the government-wide statement of activities only the actuarially required contribution is considered an expense and accrued as a liability in the Statement of Net Position. This adjustment is to recognize the change in the net other post employment benefits (OPEB) asset/liability.	(1,114,576)
All payments for pension benefits for the year are recorded as expenditures. However, in the government-wide statement of activities only the actuarially required contribution is considered expense. Any excess payment is recorded as an asset. This adjustment is to recognize change in the net pension benefit asset.	(3,158)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay expenditures	9,933,698
Depreciation expense	<u>(13,691,211)</u>
	(3,757,513)
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.	112,070
Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	2,321,779
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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal amount of debt issued	(18,795,000)
Refunded bond debt amortization	(218,235)
Principal amount of debt payed to bondholders	15,675,000
Principal amount of capital lease paid	72,836
Principal amount of notes paid	552,292
Net change in accrued interest payable	35,210
Net deferred offering costs and related debt issuance items	<u>933,226</u>
	(1,744,671)
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.	(183,425)
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>(1,518,401)</u>
Change in net position of governmental activities	<u>\$ (93,299)</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes-				
Ad valorem	\$ 35,130,000	\$ 35,180,000	\$ 35,198,532	\$ 18,532
Gross receipts	7,901,000	8,020,000	8,388,756	368,756
Sales	28,637,000	29,945,000	30,085,010	140,010
Licenses and permits	1,276,000	1,258,300	1,126,989	(131,311)
Fines and forfeitures	3,600,000	3,825,000	3,521,315	(303,685)
Investment income	50,000	40,000	31,687	(8,313)
Charges for services	13,395,000	12,974,700	12,979,136	4,436
Intergovernmental	560,455	781,755	826,396	44,641
Contributions and donations	280,000	176,457	224,835	48,378
Other revenues	864,700	954,700	974,093	19,393
TOTAL REVENUES	<u>91,694,155</u>	<u>93,155,912</u>	<u>93,356,749</u>	<u>200,837</u>
EXPENDITURES:				
General government	11,967,833	12,798,840	12,706,266	92,574
Fire services	23,542,681	24,641,334	24,308,123	333,211
Police services	30,939,360	30,440,167	30,526,252	(86,085)
Field services	9,035,161	9,395,379	9,605,472	(210,093)
Public works	2,266,354	2,284,890	2,419,632	(134,742)
Community development	2,776,816	2,631,876	2,622,418	9,458
Library services	1,958,793	1,886,251	1,880,170	6,081
Parks and recreation	3,535,933	3,111,024	3,141,302	(30,278)
Housing and community services	1,886,366	2,107,343	2,338,560	(231,217)
TOTAL EXPENDITURES	<u>87,909,297</u>	<u>89,297,104</u>	<u>89,548,195</u>	<u>(251,091)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,784,858</u>	<u>3,858,808</u>	<u>3,808,554</u>	<u>(50,254)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,565,000	5,545,000	5,536,095	(8,905)
Transfer out	(9,339,505)	(9,600,000)	(9,600,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,774,505)</u>	<u>(4,055,000)</u>	<u>(4,063,905)</u>	<u>(8,905)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 10,353</u>	<u>\$ (196,192)</u>	<u>(255,351)</u>	<u>\$ (59,159)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>17,405,970</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 17,150,619</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ 1,000	\$ 600	\$ 1,141	\$ 541
Intergovernmental	10,600,428	11,472,111	11,166,023	(306,088)
Other revenues	<u>54,000</u>	<u>54,000</u>	<u>82,480</u>	<u>28,480</u>
TOTAL REVENUES	<u>10,655,428</u>	<u>11,526,711</u>	<u>11,249,644</u>	<u>(277,067)</u>
EXPENDITURES:				
Current-				
Housing and community services	<u>11,577,325</u>	<u>11,411,018</u>	<u>11,539,689</u>	<u>(128,671)</u>
TOTAL EXPENDITURES	<u>11,577,325</u>	<u>11,411,018</u>	<u>11,539,689</u>	<u>(128,671)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(921,897)</u>	<u>115,693</u>	<u>(290,045)</u>	<u>(405,738)</u>
OTHER FINANCING USES:				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>\$ (1,071,897)</u>	<u>\$ (34,307)</u>	<u>(440,045)</u>	<u>\$ (405,738)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>1,102,651</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 662,606</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Net Position

Proprietary Funds

September 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund	Totals	
	Water and Sewer	Drainage Utility District	Municipal Airport		
<b>ASSETS:</b>					
Current assets:					
Pooled cash and investments	\$ 9,333,726	\$ 2,454,793	\$ 200	\$ 11,788,719	\$ 1,712,057
Restricted pooled cash and investments	19,246,535	238,677	-	19,485,212	-
Receivables (net of allowance for uncollectibles)	7,792,629	200,643	43,302	8,036,574	-
Inventory	319,025	-	50,190	369,215	-
Prepays and other assets	-	-	-	-	116,000
Accrued interest	15,943	1,504	-	17,447	1,250
Total current assets	<u>36,707,858</u>	<u>2,895,617</u>	<u>93,692</u>	<u>39,697,167</u>	<u>1,829,307</u>
Noncurrent assets:					
Revenue bond reserve-					
Pooled cash and investments	288,472	418,213	-	706,685	-
Capital assets-					
Land and construction in progress	5,032,174	1,801,907	7,417,706	14,251,787	-
Other capital assets (net of accumulated depreciation)	139,972,003	26,224,171	10,069,625	176,265,799	-
Total noncurrent assets	<u>145,292,649</u>	<u>28,444,291</u>	<u>17,487,331</u>	<u>191,224,271</u>	<u>-</u>
Total Assets	<u>182,000,507</u>	<u>31,339,908</u>	<u>17,581,023</u>	<u>230,921,438</u>	<u>1,829,307</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>					
Deferrd charges on refunding	\$ 828,165	\$ 46,877	\$ -	\$ 875,042	\$ -
<b>LIABILITIES:</b>					
Current liabilities:					
Accounts payable	1,568,538	32,545	26,200	1,627,283	517,915
Estimated claims payable	-	-	-	-	1,213,866
Due to other funds	-	-	72,127	72,127	325,526
Deposits and other liabilities	3,474,053	1,056	30,004	3,505,113	-
Capital lease payable	17,992	-	-	17,992	-
Accrued compensated absences	365,346	32,186	-	397,532	-
Total current liabilities	<u>5,425,929</u>	<u>65,787</u>	<u>128,331</u>	<u>5,620,047</u>	<u>2,057,307</u>
Current liabilities payable from restricted assets:					
Accounts payable	1,605,598	-	-	1,605,598	-
Accrued interest payable	239,837	7,009	-	246,846	-
Bonds payable	5,275,000	415,000	-	5,690,000	-
Total current liabilities payable from restricted assets	<u>7,120,435</u>	<u>422,009</u>	<u>-</u>	<u>7,542,444</u>	<u>-</u>
Total current liabilities	<u>12,546,364</u>	<u>487,796</u>	<u>128,331</u>	<u>13,162,491</u>	<u>2,057,307</u>
Noncurrent liabilities:					
Estimated claims payable	-	-	-	-	947,818
Capital lease payable	6,282	-	-	6,282	-
Bonds payable	68,358,157	2,532,687	-	70,890,844	-
Accrued compensated absences	734,222	36,048	52,455	822,725	-
Total noncurrent liabilities	<u>69,098,661</u>	<u>2,568,735</u>	<u>52,455</u>	<u>71,719,851</u>	<u>947,818</u>
Total Liabilities	<u>81,645,025</u>	<u>3,056,531</u>	<u>180,786</u>	<u>84,882,342</u>	<u>3,005,125</u>
<b>NET POSITION:</b>					
Net investment in capital assets	87,217,526	25,126,890	17,487,331	129,831,747	-
Restricted for debt service	2,702,518	649,881	-	3,352,399	-
Unrestricted	11,263,603	2,553,483	(87,094)	13,729,992	(1,175,818)
Total Net Position	<u>\$ 101,183,647</u>	<u>\$ 28,330,254</u>	<u>\$ 17,400,237</u>	<u>\$ 146,914,138</u>	<u>\$ (1,175,818)</u>

RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF NET POSITION:

Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds	(523,855)
Total Net Position for Business Type Activities	<u>\$ 146,390,283</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  
 Proprietary Funds  
 For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
Operating revenues:					
Customer charges	\$ 46,795,006	\$ 2,798,030	\$ 1,681,337	\$ 51,274,373	\$ -
Contributions - City	-	-	-	-	13,266,985
Contributions - other	-	-	-	-	3,939,703
Total operating revenues	<u>46,795,006</u>	<u>2,798,030</u>	<u>1,681,337</u>	<u>51,274,373</u>	<u>17,206,688</u>
Operating expenses:					
Personal services	5,459,118	439,928	367,898	6,266,944	-
Supplies	1,043,329	4,958	1,040,596	2,088,883	-
Contractual services	28,228,588	243,017	325,871	28,797,476	18,786,368
Depreciation	4,735,500	631,929	500,911	5,868,340	-
Total operating expenses	<u>39,466,535</u>	<u>1,319,832</u>	<u>2,235,276</u>	<u>43,021,643</u>	<u>18,786,368</u>
Operating income (loss)	<u>7,328,471</u>	<u>1,478,198</u>	<u>(553,939)</u>	<u>8,252,730</u>	<u>(1,579,680)</u>
Nonoperating revenues (expenses):					
Investment income	30,301	2,481	-	32,782	2,538
Gain on sale of capital assets	33,538	1,993	-	35,531	-
Other nonoperating income	83,795	4,258	54,500	142,553	-
Interest expense	(3,089,284)	(91,862)	-	(3,181,146)	-
Total nonoperating revenues (expenses)	<u>(2,941,650)</u>	<u>(83,130)</u>	<u>54,500</u>	<u>(2,970,280)</u>	<u>2,538</u>
Income (loss) before contributions and transfers	4,386,821	1,395,068	(499,439)	5,282,450	(1,577,142)
Capital contributions	787,511	39,030	1,420,669	2,247,210	-
Transfers in	-	-	76,887	76,887	-
Transfers out	(5,003,352)	-	(199,804)	(5,203,156)	-
Change in net position	170,980	1,434,098	798,313	2,403,391	(1,577,142)
Total net position - beginning, as restated (See Note 14)	<u>101,012,667</u>	<u>26,896,156</u>	<u>16,601,924</u>		<u>401,324</u>
Total net position - ending	<u>\$ 101,183,647</u>	<u>\$ 28,330,254</u>	<u>\$ 17,400,237</u>		<u>\$ (1,175,818)</u>
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(58,741)	
Change in net position of business-type activities				<u>\$ 2,344,650</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, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from customers	\$ 46,433,388	\$ 2,728,518	\$ 1,765,162	\$ 50,927,068	\$ -
Cash received from City funds	-	-	-	-	13,266,985
Cash received from other operating sources	-	-	-	-	3,939,703
Cash paid to suppliers for goods and services	(29,083,226)	(235,779)	(1,355,251)	(30,674,256)	(4,794,664)
Cash paid to employees for services	(5,383,020)	(436,952)	(365,668)	(6,185,640)	-
Cash paid to claimants	-	-	-	-	(14,069,831)
Net cash provided by (used for) operating activities	<u>11,967,142</u>	<u>2,055,787</u>	<u>44,243</u>	<u>14,067,172</u>	<u>(1,657,807)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Cash loan from other City funds	-	-	24,174	24,174	325,526
Grant revenues received for airport maintenance	-	-	54,500	54,500	-
Transfers in from other funds	-	-	76,887	76,887	-
Transfers out to other funds	(5,003,352)	-	(199,804)	(5,203,156)	-
Net cash provided by (used for) noncapital financing activities	<u>(5,003,352)</u>	<u>-</u>	<u>(44,243)</u>	<u>(5,047,595)</u>	<u>325,526</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from the sale of revenue bonds	11,655,000	-	-	11,655,000	-
Premium from the sale of revenue bonds	1,014,379	-	-	1,014,379	-
Proceeds from the sale of capital assets	33,538	1,993	-	35,531	-
Acquisition and construction of capital assets	(4,373,866)	(151,843)	-	(4,525,709)	-
Principal paid on revenue bond maturities	(12,090,000)	(435,000)	-	(12,525,000)	-
Interest paid on revenue bonds	(3,071,566)	(92,650)	-	(3,164,216)	-
Principal paid on capital lease obligation	(16,779)	-	-	(16,779)	-
Bond issuance costs and other debt related activity	(179,017)	-	-	(179,017)	-
Net cash used for capital and related financing activities	<u>(7,028,311)</u>	<u>(677,500)</u>	<u>-</u>	<u>(7,705,811)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest received on investments	<u>23,042</u>	<u>1,544</u>	<u>-</u>	<u>24,586</u>	<u>2,207</u>
Net cash provided by investing activities	<u>23,042</u>	<u>1,544</u>	<u>-</u>	<u>24,586</u>	<u>2,207</u>
<b>NET INCREASE (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS</b>	<b>(41,479)</b>	<b>1,379,831</b>	<b>-</b>	<b>1,338,352</b>	<b>(1,330,074)</b>
<b>POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>28,910,212</b>	<b>1,731,852</b>	<b>200</b>	<b>30,642,264</b>	<b>3,042,131</b>
<b>POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 28,868,733</b>	<b>\$ 3,111,683</b>	<b>\$ 200</b>	<b>\$ 31,980,616</b>	<b>\$ 1,712,057</b>
<b>RECONCILIATION OF TOTAL POOLED CASH AND CASH EQUIVALENTS:</b>					
Current assets:					
Pooled cash and investments	\$ 9,333,726	\$ 2,454,793	\$ 200	\$ 11,788,719	\$ 1,712,057
Restricted pooled cash and investments	19,246,535	238,677	-	19,485,212	-
Noncurrent assets:					
Revenue bond reserve-pooled cash and investments	288,472	418,213	-	706,685	-
	<u>\$ 28,868,733</u>	<u>\$ 3,111,683</u>	<u>\$ 200</u>	<u>\$ 31,980,616</u>	<u>\$ 1,712,057</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, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 7,328,471	\$ 1,478,198	\$ (553,939)	\$ 8,252,730	\$ (1,579,680)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-					
Depreciation	4,735,500	631,929	500,911	5,868,340	-
Changes in assets and liabilities-					
(Increase)decrease in accounts receivable	(423,345)	(69,512)	85,383	(407,474)	-
Decrease in inventory	5,625	-	24,457	30,082	-
Decrease in prepaid items	-	-	-	-	5,000
Increase (decrease) in accounts payable	225,317	17,446	(11,557)	231,206	(156,978)
Increase in estimated claims payable	-	-	-	-	73,851
Increase(decrease) in deposits	45,711	-	(1,558)	44,153	-
Increase(decrease) in accrued compensated absences	49,863	(2,274)	546	48,135	-
Total adjustments	4,638,671	577,589	598,182	5,814,442	(78,127)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 11,967,142	\$ 2,055,787	\$ 44,243	\$ 14,067,172	\$ (1,657,807)
NONCASH CAPITAL ACTIVITIES:					
Contribution of capital assets from developers	\$ 787,511	\$ 39,030	\$ -	\$ 826,541	\$ -
Contribution of capital assets from government	-	-	1,420,669	1,420,669	-
Total noncash capital activities	\$ 787,511	\$ 39,030	\$ 1,420,669	\$ 2,247,210	\$ -

(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, 2014**

	<u>Agency Fund</u> Tax Clearing Fund
ASSETS:	
Current assets:	
Pooled cash and investments	\$ 86,683
Taxes receivable levied for other government (net of allowance for uncollectibles)	<u>3,621,970</u>
Total Assets	<u>\$ 3,708,653</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 108,413
Due to other governments	<u>3,600,240</u>
Total Liabilities	<u>\$ 3,708,653</u>

The accompanying notes are an integral part of this statement.

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

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## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

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

***Government-Wide Financial Statements-*** The government-wide financial statements (i.e., the statement of net 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 and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Mesquite is improving or deteriorating.

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

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

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

The City maintains ten governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Housing Grants Special Revenue, Local Finance Capital Project and Bond Finance Capital Project funds, all of which are major funds. Data from the other six funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

the form of combining statements elsewhere in this report. Budgetary comparison schedules follow these combining statements for those non-major funds, which adopt annual budgets.

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

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

***Measurement Focus and Basis of Accounting-*** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. With the economic resources measurement focus, all assets and liabilities (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, accrued interest on long-term debt, as well as expenditures related to compensated absences are recorded only when the payment is due.

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

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

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.
- The Housing Grants special revenue fund is used to account for funds awarded the City by the U. S. Department of Housing and Urban Development ("HUD") under their housing assistance program (HAP).
- The Local Finance capital project fund is used to account for financial resources generated from local revenue sources to be expended for various capital projects. This fund includes the resources of the two Tax Increment Financing Districts as well as the Housing Finance, Health Facilities and Industrial Development Corporations. The individual projects within the Local Finance fund are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the financial statements.
- The Bond Finance capital project fund is used to account for financial resources generated primarily from bond proceeds to be expended for various capital projects. The individual projects are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the financial statements.

The City of Mesquite reports the following major proprietary funds:

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

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

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

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

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

Between the time the budget is made available to the public and the time it is legally adopted, the City Council provides for several public hearings to gather input from the public. During the public hearings, citizens are encouraged to offer their suggestions and ideas of what programs they would like to be included (or not included) in the budget. During the preparation of the 2013-2014 budget, the City Council conducted three public hearings and held numerous work sessions in an effort to obtain as much citizen input as possible. The adopted budget is reassessed by departments midway through the fiscal year and revenue and expenditure projections are revised. The City Manager then presents these revisions to the City Council for adoption, resulting in what is termed an amended budget. While infrequent, the City Council may amend the budget prior to or after this mid-year review. All revisions to the budget, however, must be adopted by ordinance. Unexpended appropriations lapse at fiscal year-end.

In 2013-2014 the City Council amended the budget in May. 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 commitments resulting from approved purchase orders, contracts, or other forms of legal commitments. Encumbrances outstanding at year-end are reported as restricted or assigned fund balance depending on the nature of the encumbrance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

Investments purchased with pooled cash are classified as pooled cash and investments in the accompanying balance sheet and statement of net position. 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 balance sheet and statement of net position.

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

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

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

***Prepaid Items-*** Payments made to vendors for services that will benefit periods beyond September 30, 2014, are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for on the consumption basis in governmental funds.

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

***Capital Assets-*** Capital assets, which includes land, right-of-way, buildings, infrastructure, improvements, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. 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.

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

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, 2014 is accrued based on past claims experience.

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

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

**Long-Term Debt-** In the government-wide financial statements and the fund level proprietary financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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 expenditures during the current period. The face amount of debt issued is recorded as other financing sources. Issuance costs are reported as expenditures in the funds receiving the bond proceeds.

**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

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

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

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

**Net Position-** In the government-wide financial statements and proprietary funds, net position represent the difference between assets and liabilities. The net position is reported in three components (1) invested in capital assets, net of related debt, (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 statement of financial 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 only has one item that qualifies for reporting in this category. It is the deferred charges on refundings reported in the government-wide statement of net position, and statement of net position proprietary funds. A 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.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**New Accounting Pronouncements** --GASB has issued Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27* (“GASB 68”), which is effective for the City in fiscal year 2015. GASB 68’s primary objective is to improve accounting and financial reporting by state and local governments for pensions. This Statement requires recognition of a long-term obligation for pension benefits as a liability. It also improves information provided by state and local governmental employers about financial support for pensions that are provided by other entities.

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

Management has not yet determined the effect of this statement on the financial statements; however, the impact is expected to be significant as they will now reflect a previously unrecorded liability. The City also expects the largest deferred inflows and outflows to be pension related.

GASB has issued Statement No. 69 *Government Combinations and Disposals of Government Operations* (“GASB 69”), which is effective for the City in fiscal year 2015. GASB 69 establishes accounting and financial reporting standards related to government combinations and disposals of governmental operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB has issued Statement No. 71 *Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (“GASB 71”), which is effective for the City in fiscal year 2015. GASB 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Management has not yet determined the impact on the financial statements for GASB statements 69 and 71 effective in future years.

## 2. DEPOSITS AND INVESTMENTS

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

### *Deposits*

At September 30, 2014, the carrying amount of the City's demand deposits was \$(850,912) and the bank balance was \$5,022,691. Cash on hand for the City was \$17,530.

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

#### *Investments*

The City's investments at September 30, 2014, are:

<b>Investment type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
Managed Pools:		
Texpool	\$26,772,875	0.00093
Texstar	26,528,357	0.00092
Certificates of Deposit	4,000,000	0.01779
Money Market:		
Fidelity Investments	3,579,649	0.00012
US Agency Notes	17,972,724	0.40090
Total	<u>\$78,853,605</u>	<u>0.42066</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 and FFCB) are rated AA by Standard and Poor's and Aaa by Moody's Investor's Service at the date of purchase. The investment in Texas Local Government Pools (Texpool and Texstar) carried a credit rating of AAAM by Standard and Poor's as of September 30, 2014. Texpool is overseen by the Texas State Comptroller of Public Accounts, and the fair value is the same as the value of the pool shares. Texstar is overseen by a Governing Board consisting of individuals from participating Government Entities in the pool, and the fair value is the same as the value of the pool shares. The City's investments in Fidelity Money Market funds carried a credit rating of AAAM by Standard and Poor's and Aaa by Moody's Investor's Service as of September 30, 2014.

*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 and 20% repurchase agreements of the total investment portfolio. As of September 30, 2014, the City's total investments are in the following: Agency issues (22.8%) consisting of FHLB (15.2%) and FFCB (7.6%), investment pools (67.6%), certificates of deposit (5.1%) and money market funds (4.5%).

*Custodial Credit Risk.* Pursuant to provisions of both the Texas Public Funds Investment Act and the Public Funds Investment Policy of the City, all deposits of the City that exceed the federal depository insurance coverage levels are collateralized with securities held by a third party custodian in the City's name. Investments, other than investments that are obligations of the U.S. government, its agencies and instrumentalities, are insured or registered in the City's name and held by a third party custodian. In order to

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

anticipate market changes and to provide a level of security for all funds, the collateralization level will be 102% (on a market value basis) of principal and accrued interest on the deposits.

#### **3. AD VALOREM TAXES**

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraised value less applicable exemptions authorized by the City Council. Appraised values are established by the Dallas Central Appraisal District and the Kaufman Central Appraisal District at 100% of estimated market value. The total assessed value for the tax roll of January 1, 2013, upon which the 2014 fiscal year levy was based, was \$5,616,840,673. Taxes are due on October 1, immediately following the January 1 lien date and are delinquent after the following January 31st. Penalty and interest is charged at 7% on delinquent taxes beginning February 1, and increases each month to 18% on July 1, additional interest accrues at the rate of 1% each month.

Current tax collections for the year ended September 30, 2014, were \$35,407,036 or 98.59% of the current tax levy and total tax collections (including collections on previous years) were \$35,795,574 or 99.67% 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, 2014, the City had a tax margin of \$1.86000 for every \$100 of valuation based upon a maximum ad valorem tax rate of \$2.50 for every \$100 of valuation imposed by Texas Constitutional law.

#### **4. RECEIVABLES**

Receivables at September 30, 2014 for the government's individual major funds, which have receivables and non-major, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

City of Mesquite, Texas

Notes to Basic Financial Statements  
September 30, 2014

	<u>General</u>	<u>Housing Grants</u>	<u>Local Finance</u>	<u>Water and Sewer</u>	<u>Drainage Utility District</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:							
Accounts	\$ 13,221,935	\$ 54,143	\$ 26,850	\$ 8,062,801	\$ 200,643	\$ 93,780	\$ 21,660,152
Ad valorem taxes	2,313,902	-	-	-	-	-	2,313,902
Other taxes	1,931,243	-	-	-	-	31,154	1,962,397
Intergovernmental	5,493,867	-	-	-	-	2,213,260	7,707,127
Gross receivables	22,960,947	54,143	26,850	8,062,801	200,643	2,338,194	33,643,578
Less: allowance for uncollectibles	(7,015,232)	-	-	(270,172)	-	(2,836)	(7,288,240)
Net total receivables	\$ 15,945,715	\$ 54,143	\$ 26,850	\$ 7,792,629	\$ 200,643	\$ 2,335,358	\$ 26,355,338

The governmental funds report unavailable revenues from the following sources:

<u>Source of revenue</u>	<u>Total</u>
General fund - ambulance accounts receivable	\$ 2,296,341
General fund - ad valorem taxes receivable	1,125,382
General fund - court fines receivable	2,439,997
General fund - accounts receivable, grass and weed mowing	1,539,679
Housing Grants fund - HUD vouchers	54,143
Bond Finance capital projects fund - other receivable	24,600
Total unavailable revenues for governmental funds	<u>\$ 7,480,142</u>

City of Mesquite, Texas

Notes to Basic Financial Statements  
September 30, 2014

5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2014:

	<u>Beginning Balance</u>	<u>Additions and Transfers</u>	<u>Deletions and Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 24,189,641	\$ 376,711	\$ -	\$ 24,566,352
Construction in progress	5,788,586	1,263,282	4,197,286	2,854,582
Total capital assets, not being depreciated	<u>29,978,227</u>	<u>1,639,993</u>	<u>4,197,286</u>	<u>27,420,934</u>
Capital assets, being depreciated:				
Buildings	100,247,610	630,580	-	100,878,190
Infrastructure	237,720,547	4,760,128	-	242,480,675
Improvements	16,506,327	2,866,233	-	19,372,560
Equipment	60,355,989	4,403,814	1,089,540	63,670,263
Total capital assets, being depreciated	<u>414,830,473</u>	<u>12,660,755</u>	<u>1,089,540</u>	<u>426,401,688</u>
Less accumulated depreciation for:				
Buildings	22,701,383	2,596,554	-	25,297,937
Infrastructure	131,843,440	4,753,135	-	136,596,575
Improvements	8,425,021	787,259	-	9,212,280
Equipment	40,471,072	5,554,262	1,031,845	44,993,489
Total accumulated depreciation	<u>203,440,916</u>	<u>13,691,210</u>	<u>1,031,845</u>	<u>216,100,281</u>
Total capital assets, being depreciated, net	<u>211,389,557</u>	<u>(1,030,455)</u>	<u>57,695</u>	<u>210,301,407</u>
Governmental activities capital assets, net	<u>\$ 241,367,784</u>	<u>\$ 609,538</u>	<u>\$ 4,254,981</u>	<u>\$ 237,722,341</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,968,629	\$ -	\$ -	\$ 9,968,629
Construction in progress	3,058,945	3,660,664	2,436,451	4,283,158
Total capital assets, not being depreciated	<u>13,027,574</u>	<u>3,660,664</u>	<u>2,436,451</u>	<u>14,251,787</u>
Capital assets, being depreciated:				
Buildings	6,431,963	2,567,067	-	8,999,030
Infrastructure	253,683,975	2,256,872	-	255,940,847
Improvements	542,167	-	-	542,167
Equipment	6,672,715	1,487,379	152,964	8,007,130
Total capital assets, being depreciated	<u>267,330,820</u>	<u>6,311,318</u>	<u>152,964</u>	<u>273,489,174</u>
Less accumulated depreciation for:				
Buildings	1,925,138	176,889	-	2,102,027
Infrastructure	84,808,200	5,082,347	-	89,890,547
Improvements	193,184	28,823	-	222,007
Equipment	4,581,477	580,281	152,964	5,008,794
Total accumulated depreciation	<u>91,507,999</u>	<u>5,868,340</u>	<u>152,964</u>	<u>97,223,375</u>
Total capital assets, being depreciated, net	<u>175,822,821</u>	<u>442,978</u>	<u>-</u>	<u>176,265,799</u>
Business-type activities capital assets, net	<u>\$ 188,850,395</u>	<u>\$ 4,103,642</u>	<u>\$ 2,436,451</u>	<u>\$ 190,517,586</u>

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

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

<b>Governmental activities:</b>	
General government	\$ 2,308,750
Fire services	1,783,770
Police services	1,069,842
Field services	82,132
Public works	6,430,697
Community development	125,052
Library services	85,753
Parks and recreation	1,574,478
Housing and community services	230,736
Total governmental activities	<u>\$ 13,691,210</u>
<b>Business-type activities:</b>	
Water and sewer	\$ 4,735,500
Drainage utility	631,929
Municipal airport	500,911
Total business-type activities	<u>\$ 5,868,340</u>

The City has active construction projects as of September 30, 2014. Projects include street construction primarily in the southeast section of Mesquite, various traffic signalization projects throughout the City, as well as improvements in water storage and distribution facilities. Construction in progress has been categorized by the primary revenue source being used to fund the construction as follows:

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

	<u>Spent-to-date</u>	<u>Construction Commitments</u>
<b>Governmental activities:</b>		
Projects funded by general obligation bonds:		
Streets	\$ 132,358	\$ 290,545
Fire improvement	63,912	36,607
Police	-	600
Finance	-	491,208
Housing & community services	-	45,991
Public works	47,453	255,327
Projects funded by local finance sources:		
Streets	375,831	35,175
Parks and recreation	1,118,689	528,272
Projects funded by general sales tax (4B portion):		
Streets	560,493	280,036
Public safety	-	47,839
Parks and recreation	302,734	557,647
Traffic	233,272	1,317
Public works	19,840	108,270
Projects funded by grant funds:		
Police services	-	7,230
Housing & community services	-	78
Public works	-	22,464
Project funded by community access funds:		
Community Access Broadcast Equipment	-	77,855
	<u>\$ 2,854,582</u>	<u>\$ 2,786,461</u>
<b>Total governmental activities</b>		
	<u>\$ 2,854,582</u>	<u>\$ 2,786,461</u>
<b>Business-type activities:</b>		
Projects funded by revenue bonds:		
Water and sewer	\$ 4,074,397	\$ 2,867,784
Drainage utility district	208,761	454,251
	<u>\$ 4,283,158</u>	<u>\$ 3,322,035</u>
<b>Total business-type activities</b>		
	<u>\$ 4,283,158</u>	<u>\$ 3,322,035</u>

City of Mesquite, Texas

Notes to Basic Financial Statements  
September 30, 2014

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

*Due to/from other funds-*

These amounts represent intergovernmental revenue accrued but not received in the Other Grants special revenue fund in the “Other Governmental Funds” and amounts for loans to the Airport and Health Fund to cover additional cash needed. The current portion of lending/ borrowing arrangements outstanding at September 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Grants Special Revenue Fund	\$287,741
General Fund	Airport Fund	\$ 72,127
General Fund	Health Fund	\$325,526

*Transfers-*

Transfers were as follows for the fiscal year ended September 30, 2014:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 5,536,095	\$ 9,600,000
Housing Grants	-	150,000
Local Finance	-	626,887
Bond Finance	1,320	645,600
Non-Major Governmental Funds	11,500,661	889,320
Water and Sewer	-	5,003,352
Non-Major Enterprise Fund	76,887	199,804
	<u>\$ 17,114,963</u>	<u>\$ 17,114,963</u>

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

The transfers were for the following purposes:

Transfer from Fund / Purpose	Transfer to Fund	Amount
General Fund-		
Property tax debt service levy	Debt Service	\$ 9,600,000
Housing Grants Fund-		
Indirect cost charge	General	150,000
Local Finance Fund-		
General Obligation Debt Allocation	Debt service	550,000
Operating subsidy	Non-Major Enterprise	76,887
Bond Finance Fund-		
Interest Income Allocation	General	6,095
Residual Equity Transfer	Debt Service	222,989
Residual Equity Transfer	Non-Major Governmental	194,785
General Obligation Allocation Debt Transfer	Debt Service	221,731
Non-Major Governmental Funds-		
Hotel / Motel Tax General Obligation Debt Allocation	Debt service	58,000
Other Special Revenue -		
9-1-1 Operations Subsidy	General	830,000
Debt Service Residual Equity Transfer	Bond Finance	1,320
Water and Sewer Enterprise Fund-		
Nonoperating administrative and overhead charge	General	4,550,000
General Obligation Debt Allocation	Debt Service	432,682
Residual Equity Transfer	Non-Major Governmental	20,670
Non-Major Enterprise Fund-		
Airport general obligation debt allocation	Debt service	199,804
	Total	\$ 17,114,963

The Water and Sewer fund contributes on behalf of the other City funds to the General Liability fund. The total amount contributed to the General Liability fund was \$1,405,000. In the government wide statement of activities an additional transfer is shown for assets purchased by the City's governmental type funds for the airport enterprise fund in the amount of \$1,420,668. In the fund level statements it is shown as part of the capital contribution in the airport fund.

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

#### 7. LONG-TERM DEBT

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

- General obligation bonds are issued pursuant to voter authorization for infrastructure and facility projects accounted for in a governmental capital project fund. General obligation bonds have also been issued in previous fiscal years to refund prior debt issues. During the year \$9,080,000 was issued to advance refund prior tax-exempt bonds in order to lower the overall debt service requirements of the City and pay legal, fiscal, and other professional fees in connection with the issuance of the bonds. The City intends to retire this debt, plus interest, from ad valorem taxes.
- 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 2014 bond sale was \$9,715,000 for (i) constructing and improving streets, roads, alleys and sidewalks including related drainage, signalization, landscaping, lighting and signage; (ii) major repairs and renovations to existing municipal buildings; (iii) acquisition of equipment and vehicles for various City departments; (iv) acquisition of computer equipment and software for various City departments; and (v) paying for legal, fiscal, engineering and other professional fees in connection with such projects.
- Contractual obligations have been issued in prior years to acquire equipment and will also be repaid from ad valorem property taxes. There were no contractual obligations issued in the current fiscal year.
- Water and sewer revenue bonds are issued to provide funds for certain improvements to the water distribution and wastewater collection systems as well as to refund prior water and sewer debt issues. These bonds are reported in the Water and Sewer fund as the debt will be repaid from revenues of this enterprise fund operation. Included in the May 2014 bond sale was \$6,310,000 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 \$5,345,000 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.
- 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.

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

Long-term bonded debt at September 30, 2014, 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>
<b>General Obligation Bonds-</b>					
Taxable Series 2004B refunding	5,510,000	1.40-4.65	02/15/15	625,000	625,000
Series 2005 refunding and improvement	13,465,000	3.25-5.00	02/15/25	1,705,000	795,000
Series 2006 improvements	1,840,000	4.00-5.00	02/15/26	190,000	95,000
Series 2008 refunding and improvements	2,115,000	3.50-3.625	02/15/21	1,225,000	155,000
Series 2009 refunding	4,245,000	2.00-4.60	02/15/29	3,770,000	130,000
Series 2010 refunding	1,320,000	2.00-3.625	2/15/23	1,295,000	20,000
Series 2011 refunding	12,715,000	2.00-5.00	2/15/28	12,395,000	-
Series 2012 refunding	3,765,000	2.00-3.00	2/15/24	3,545,000	35,000
Series 2013 refunding	7,635,000	2.00-3.00	2/15/25	7,525,000	115,000
Series 2014 refunding	9,080,000	3.00-4.00	2/15/26	9,080,000	415,000
				<u>41,355,000</u>	<u>2,385,000</u>
<b>Certificate of Obligation Bonds-</b>					
Series 2005	8,330,000	3.25-5.00	02/15/25	2,145,000	60,000
Series 2006	9,145,000	4.00-5.00	02/15/26	660,000	510,000
Series 2007	20,545,000	4.00-5.00	02/15/27	15,185,000	895,000
Series 2008	10,070,000	3.50-4.00	02/15/28	8,840,000	205,000
Series 2009	11,260,000	2.00-4.60	02/15/29	10,025,000	340,000
Series 2010	12,340,000	3.00-4.5	02/15/30	11,410,000	1,210,000
Series 2011	11,575,000	2.00-4.125	02/15/26	11,025,000	510,000
Series 2012	7,235,000	2.00-3.375	02/15/32	6,700,000	400,000
Series 2013	5,450,000	2.00-3.00	02/15/33	4,900,000	335,000
Series 2014	9,715,000	3.00-4.00	02/15/34	9,715,000	535,000
				<u>80,605,000</u>	<u>5,000,000</u>
Total governmental activities long-term bonded debt				<u>\$ 121,960,000</u>	<u>\$ 7,385,000</u>

City of Mesquite, Texas

Notes to Basic Financial Statements  
September 30, 2014

	<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 2005 refunding and improvements	13,510,000	3.25-5.250	03/01/25	5,490,000	975,000
Series 2006 improvements	8,570,000	4.00-5.000	03/01/26	2,200,000	380,000
Series 2007 improvements	7,670,000	4.00-5.000	03/01/27	5,820,000	345,000
Series 2008 improvements	11,585,000	3.50-4.500	03/01/28	6,770,000	465,000
Series 2009 improvements	8,380,000	2.00-4.600	03/01/29	6,810,000	340,000
Series 2010 improvements	8,270,000	2.00-4.250	03/01/30	7,080,000	335,000
Series 2011 refunding and improvements	14,240,000	2.00-4.125	03/01/26	11,395,000	900,000
Series 2012 refunding and improvements	7,945,000	2.00-3.375	03/01/32	7,525,000	795,000
Series 2013 refunding and improvements	7,090,000	2.00-3.375	03/01/33	6,915,000	225,000
Series 2014 refunding and improvements	11,655,000	3.00-4.000	03/01/34	11,655,000	515,000
				<u>71,660,000</u>	<u>5,275,000</u>
Drainage Utility System Revenue Bonds-					
Series 2011 refunding	4,385,000	2.00-3.750	03/01/22	2,900,000	415,000
				<u>2,900,000</u>	<u>415,000</u>
Total business-type activities long-term debt				74,560,000	5,690,000
Add: premium on refunding				2,020,844	-
Net business-type activities long-term debt				<u>76,580,844</u>	<u>5,690,000</u>
Net long-term bonded debt				<u>\$ 198,540,844</u>	<u>\$ 13,075,000</u>

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

<u>Fiscal Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	7,385,000	4,683,943	5,690,000	2,874,462
2016	7,585,000	4,362,839	5,625,000	2,585,611
2017	6,080,000	4,124,386	5,545,000	2,378,432
2018	6,435,000	3,906,392	5,775,000	2,159,079
2019	7,050,000	3,656,381	5,615,000	1,935,721
2020-2024	44,080,000	13,634,245	24,100,000	6,700,079
2025-2029	35,595,000	4,844,938	16,820,000	2,567,227
2030-2034	<u>7,750,000</u>	<u>528,336</u>	<u>5,390,000</u>	<u>368,623</u>
Total	<u>\$ 121,960,000</u>	<u>\$ 39,741,460</u>	<u>\$ 74,560,000</u>	<u>\$ 21,569,234</u>

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

**Advance Refundings-** The City's May 2014 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 decrease in total debt service payments of \$829,783 of 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 \$627,682 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:

	<u>General Obligation Refunding Bonds</u>	<u>Waterworks and Sewer System Revenue Bonds</u>
Amount of new debt issue	\$ 9,080,000	\$ 6,310,000
Add: Reoffering premium	952,747	675,945
Less: net issuance costs	<u>(150,131)</u>	<u>(98,414)</u>
Reacquisition price	9,882,616	6,887,531
Net carrying amount of old debt	<u>9,420,000</u>	<u>6,620,000</u>
Deferred amount on refunding	<u>\$ 462,616</u>	<u>\$ 267,531</u>
Decrease in total debt service payments of new debt over old debt	<u>\$ 829,783</u>	<u>\$ 627,682</u>
Economic gain on refunding	<u>\$ 829,783</u>	<u>\$ 627,682</u>

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

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

outstanding at September 30, 2014 was \$19,225,000 for general obligation bonds and \$4,305,000 for water and sewer bonds.

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Equipment	\$ 561,531	\$ 250,870
Less: Accumulated depreciation	<u>(467,932)</u>	<u>(238,388)</u>
 Total	 <u>\$ 93,599</u>	 <u>\$ 12,482</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows (current capital lease obligations expire in fiscal year 2016):

<u>Year ending September 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2015	6,116	19,120
2016	<u>-</u>	<u>6,374</u>
 Total minimum future lease payments	 6,116	 25,494
Less: Amount representing interest	<u>(143)</u>	<u>(1,220)</u>
 Present value of minimum lease payments	 <u>\$ 5,973</u>	 <u>\$ 24,274</u>

**Notes Payable-** The City entered into a loan agreement with the State Infrastructure Bank in the original amount of \$5,615,287 for Mesquite's participation with the State of Texas for the LBJ Corridor Improvements. The interest rate on the note is 4.1%. Debt service payments are being made through available revenues from the Towne Center TIF. The outstanding balance at year end is \$2,179,325.

The City entered into a revolving loan agreement in the amount of \$555,328 with the State Energy Conservation Office to implement conservation improvements at the Municipal Center. Construction was completed on July 19, 2007 and the loan was set up to amortize over 9.75 years beginning August 31, 2007.

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

The interest rate on the note is 3%. Debt service payments will be made from available operating funds of the government. The outstanding balance at year end is \$158,162.

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

<u>Fiscal Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	574,296	93,406
2016	597,183	70,519
2017	587,912	46,837
2018	578,096	23,702
Total	<u>\$ 2,337,487</u>	<u>\$ 234,464</u>

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

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

Long-term liabilities activity for the year ended September 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 38,415,000	\$ 9,080,000	\$ 6,140,000	\$ 41,355,000	\$ 2,385,000
Certificates of obligation	80,035,000	9,715,000	9,145,000	80,605,000	5,000,000
Public property finance contractual obligations	<u>390,000</u>	<u>-</u>	<u>390,000</u>	<u>-</u>	<u>-</u>
Total bonds payable	<u>118,840,000</u>	<u>18,795,000</u>	<u>15,675,000</u>	<u>121,960,000</u>	<u>7,385,000</u>
Other General Fund long-term liability:					
Notes payable	2,889,779	-	552,292	2,337,487	574,296
Capital leases	78,809	-	72,836	5,973	5,973
Other post employment benefit (OPEB)	1,777,079	1,114,576	-	2,891,655	-
Accrued compensated absences	18,902,421	696,080	512,654	19,085,847	7,366,736
Estimated claims payable	<u>2,087,833</u>	<u>12,260,630</u>	<u>12,186,779</u>	<u>2,161,684</u>	<u>1,213,866</u>
Total governmental activities	<u>144,575,921</u>	<u>32,866,286</u>	<u>28,999,561</u>	<u>148,442,646</u>	<u>16,545,871</u>
Business-type activities:					
Bonds payable:					
Revenue bonds -water/sewer	72,095,000	11,655,000	12,090,000	71,660,000	5,275,000
Revenue bonds -drainage	<u>3,335,000</u>	<u>-</u>	<u>435,000</u>	<u>2,900,000</u>	<u>415,000</u>
Total revenue bonds payable	75,430,000	11,655,000	12,525,000	74,560,000	5,690,000
Add: premium on refunding	<u>398,492</u>	<u>1,785,837</u>	<u>163,485</u>	<u>2,020,844</u>	<u>-</u>
Net revenue bonds payable	75,828,492	13,440,837	12,688,485	76,580,844	5,690,000
Capital leases	41,052	-	16,778	24,274	17,992
Accrued compensated absences	<u>1,172,122</u>	<u>75,845</u>	<u>27,710</u>	<u>1,220,257</u>	<u>397,532</u>
Total business-type activities	<u>77,041,666</u>	<u>13,516,682</u>	<u>12,732,973</u>	<u>77,825,375</u>	<u>6,105,524</u>
Total long-term liabilities	<u>\$ 221,617,587</u>	<u>\$ 46,382,968</u>	<u>\$ 41,732,534</u>	<u>\$ 226,268,021</u>	<u>\$ 22,651,395</u>

**8. RETIREMENT PLAN**

**Plan Description-** The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System ("TMRS") one of 850 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

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

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

Plan provisions for the City were as follows:

	<u>Plan Year 2014</u>
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.

**Contributions-** Under the state law governing TMRS, the City is required to contribute at an actuarially determined rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 18.1-year amortization period. The projected unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2012, valuation is effective for rates beginning January 2014).

**Annual Pension Cost-** For fiscal year 2014, the City's actual pension contribution of \$4,474,266 was based on a required contribution rate of 10.81% for January 2014 through September 2014 and a required contribution rate of 10.80% for October 2013 through December 2013 of covered payroll for the same periods. The required contribution rate was determined as part of the December 31, 2011 and December 31, 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013 also follows.

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

The City's annual pension cost and net pension obligation (asset) are as follows:

Annual required contribution (ARC)	\$ 4,474,266
Interest adjustment to net pension obligation	31,336
Adjustment to the ARC	<u>(28,178)</u>
Annual pension cost (APC)	4,477,424
Contributions made	<u>(4,474,266)</u>
Decrease in net pension asset	3,158
Net pension obligation (asset) - beginning of year	<u>(447,650)</u>
Net pension obligation (asset) - end of year	<u><u>\$ (444,492)</u></u>

The City's annual pension cost and net pension obligation (asset) for TMRS for the past three years is calculated as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage % of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
9/30/2014	\$ 4,477,424	\$ 4,474,266	100%	\$ (444,492)
9/30/2013	\$ 6,823,951	\$ 6,820,113	100%	\$ (447,650)
9/30/2012	\$ 7,497,762	\$ 7,493,281	100%	\$ (451,488)

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

Actuarial methods and assumptions were as follows:

<b>Valuation Date</b>	<b>12/31/2011</b>	<b>12/31/2012</b>	<b>12/31/2013</b>
Actuarial Cost Method	<i>Projected Unit Credit</i>	<i>Projected Unit Credit</i>	<i>Projected Unit Credit</i>
Amortization Method	<i>Level Percent of Payroll</i>	<i>Level Percent of Payroll</i>	<i>Level Percent of Payroll</i>
GASB 25 Equivalent Single Amortization Period	<i>20.2 years closed period</i>	<i>18.1 years closed period</i>	<i>16.2 years closed period</i>
Amortization Period for new Gains/Losses	<i>30 years</i>	<i>30 years</i>	<i>30 years</i>
Asset Valuation Method	<i>10-year Smoothed Market</i>	<i>10-year Smoothed Market</i>	<i>10-year Smoothed Market</i>
Actuarial Assumptions: Investment Rate of Return *	<i>7.0%</i>	<i>7.0%</i>	<i>7.0%</i>
Projected Salary Increases	<i>Varies by age and service</i>	<i>Varies by age and service</i>	<i>Varies by age and service</i>
* Includes Inflation at	<i>3.00%</i>	<i>3.00%</i>	<i>3.00%</i>
Cost-of-Living Adjustments	<i>2.1%</i>	<i>1.5%</i>	<i>1.5%</i>

**Funding Status and Funding Progress** –The funding status for the City as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2013	\$ 361,302,653	\$ 396,608,657	91.1%	\$ 35,306,004	\$ 62,653,642	56.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**Future Funding Requirements-** TMRS is a flexible system that allows member cities to adopt benefit levels that they determine appropriate for their city. Among those benefit levels, cities can choose to adopt Updated Service Credits (USC) and annual Cost of Living Adjustments (COLA). Mesquite has chosen to fund the USC at 100% of the based calculated USC amount and the COLA at 50% of CPI. These levels are similar to those chosen by other comparable North Texas cities. In addition to the option for setting various levels of these benefits, a member city may choose to establish these benefits as automatically repeating. With the adoption of these benefits as automatically repeating, a city's annual contribution rate is set to assume that the city will adopt these benefits each year in the future. This automatically repeating assumption has a major impact on a member city's annual contribution rate.

In fiscal year 2010 the City concluded that it could reduce the required TMRS annual contribution rate and continue to offer the existing level of benefit for USC and COLA by terminating the annual automatic repeating option for these benefits and adopt them as ad hoc. In each future fiscal year these benefit levels will be established during the annual budget process.

For the 2015 budget year the City will keep the USC at 100% of the based calculated USC amount and the COLA at 50% of CPI under the ad hoc option. The City's full contribution rate for 2015 is 10.46%.

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

## 9. REGIONAL SYSTEMS FOR WATER SUPPLY AND WASTEWATER TREATMENT

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

**Water Supply-** On August 1, 1988, the City entered into a contract with the District whereby the District agreed to provide water supply for the benefit of the City. The provisions of this contract are similar in concept, essence and intent to the provisions of the contract originally entered into on December 12, 1953. In return for this service, the City agreed to pay the District at a rate per 1,000-gallon basis, subject to minimum annual payments which approximated \$14.097 million for the fiscal year ended September 30, 2014.

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

**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, 2014, was approximately \$6.569 million.

**10. SELF-INSURANCE**

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

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

The Health Claims internal service fund began the fiscal year with \$332,039 in unrestricted net position after inclusion of \$641,100 of estimated outstanding health claims payable. During the year, operating and non-operating expenses exceeded operating and non-operating revenues by \$1,844,772 after inclusion of a \$98,857 increase in estimated claims payable resulting in a (\$1,512,733) balance in unrestricted net position at year-end. Actual claims paid totaled \$13,151,215. The decrease in net position was due to increased medical claims incurred. The City has continued a contract with an outside firm to assist the City in controlling and monitoring medical claims. The City plans to eliminate the deficit fund balance through proposed plan changes, increased premium charges, and increased City contributions to the plan.

The estimated claims payable of \$739,957 reported in the Health Claims internal service fund is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* ("GASB No. 10"), which requires that a liability be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability for unpaid claims includes allocated loss adjustment expenses. Changes in the fund's claims liability amount in fiscal years 2013 and 2014 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2013	\$ 627,300	\$ 10,426,486	\$ 10,412,686	\$ 641,100
2014	\$ 641,100	\$ 13,250,072	\$ 13,151,215	\$ 739,957

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

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

**General Liability Insurance-** The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1985, the City established the General Liability internal service fund to account for the provision of property, general liability, and workers' compensation insurance. The City's insurance coverage is through scheduled specific policies with large deductibles with the primary carrier being the Texas Municipal League Risk Pool. Under this program, the General Liability Fund provides coverage for up to a maximum of \$10,000 retention for each real & personal property claim and a scheduled limit on coverage, \$10,000 retention for each mobile equipment claim and a scheduled limit on coverage, \$10,000 retention for each auto physical damage claim and a scheduled limit on coverage, \$100,000 retention for each auto catastrophe claim and a \$7,700,000 limit on coverage, \$100,000 retention for each law enforcement claim and a \$5,000,000 limit on coverage, \$100,000 retention for each general liability claim and a \$1,000,000 limit on coverage, \$2,500 retention for each airport 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 commercial coverage in any of the past three fiscal years.

The General Liability fund began the fiscal year with unrestricted net position of \$69,285. During the year, operating and non-operating revenues exceeded operating expenses by \$267,630 after inclusion of a \$25,006 decrease in estimated claims payable, resulting in a \$336,915 balance in unrestricted net position at year-end. Actual claims paid were \$918,616. The estimated claims payable of \$1,421,727 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 2013 and 2014 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2013	\$ 1,466,311	\$ 963,330	\$ 982,908	\$ 1,446,733
2014	\$ 1,446,733	\$ 893,610	\$ 918,616	\$ 1,421,727

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

#### 11. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the City provides postretirement healthcare benefits to retirees and their dependents through a single-employer defined benefit healthcare plan. These benefits are provided to retired employees under the same plan options as active employees in accordance with City ordinances. For those employees who retired prior to February 1, 2000 the premiums are almost entirely paid by the City, subject to a small cap, until the employee attains age 65. For those employees hired prior to

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

October 1, 2004 who retire after February 1, 2000 with a minimum of ten years of service, the City will pay 4% per year of service (up to 25 years of service) subject to a small cap amount. The City's payment for the retirees' dependents is 2.6% per year of service. Employees hired after October 1, 2004 who retire at age 55 or older with 15 years of service will receive a City medical plan contribution of \$12/month for each year of service. After age 65, retired employees may continue in the City healthcare plan if they pay the premiums or will have the option to enroll in a Medicare Supplement plan and pay the monthly premium associated with the plan. For financial reporting purposes the postretirement healthcare benefits are reported in the Health Claims Internal Service Fund.

The City paid approximately \$2 million in premiums and claims for 298 retired employees and their dependents in fiscal year 2014. Retiree health care activity is reported in the Health Claims Internal Service Fund.

**Funding Policy** – current retirees contribute to the retiree health care program the total blended premium for active and retired participants. The City contribution to the retiree health care program consists of pay-as-you-go claims in excess of the retiree contributions. Retiree contribution rates for fiscal year 2014 were \$4,665 to \$6,999 per year depending on coverage levels selected. In fiscal year 2014, total retiree contributions were \$1,427,215. The City contributions to the plan for fiscal year 2014, which are equal to claims and premiums paid in excess of premiums collected, were \$1,974,015.

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

Annual required contribution	\$ 3,084,368
Interest adjustment to net OPEB obligation	79,968
Adjustment to ARC	<u>(75,745)</u>
Annual OPEB cost (expense)	3,088,591
Contributions made	<u>(1,974,015)</u>
Increase in net OPEB liability	1,114,576
Net OPEB liability - beginning of year	<u>1,777,079</u>
Net OPEB liability - end of year	<u><u>\$ 2,891,655</u></u>

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

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Cost Contributed	% of Cost Contributed	Net OPEB Liability (Asset)
9/30/2014	4.50%	\$ 3,088,591	\$ 1,974,015	63.9%	\$ 2,891,655
9/30/2013	4.50%	\$ 3,984,254	\$ 1,570,179	39.4%	\$ 1,777,079
9/30/2012	4.50%	\$ 2,311,410	\$ 2,248,318	97.3%	\$ (636,996)

## City of Mesquite, Texas

### Notes to Basic Financial Statements September 30, 2014

**Funding Status and Funding Progress** – As of October 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$38,621,900, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$54,769,261 and the ratio of UAAL to the covered payroll was 70.5%.

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

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

**Actuarial Methods and Assumptions** – In the October 1, 2013 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5% investment rate of return which is a blended rate of the expected long-term investment returns on the plan assets and on the employer's own investments. An annual inflation rate of 3% and an annual aggregate payroll increase of 3% was assumed. A healthcare trend increase of 3% was assumed which represents the portion of health care increases to be borne by the City. The UAAL is being amortized at a level percentage of projected payroll. The amortization period is thirty years and is an open period.

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

## 12. CONTINGENT LIABILITIES

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

**Arbitrage Rebate Requirements**- The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the City. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds and (b) any income earned on the excess described in (a) is required to be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from federal taxation. Regulations implementing the rebate requirement were released by the Internal Revenue Service on May 12, 1989. Rebateable arbitrage is computed as of each installment computation date. The last computation date for the City was performed for financial information as of June 30, 2014. No rebate liability was due to the federal government. Information for the next computation period is due in May of 2015. 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, 2014**

**Conduit Debt Obligations-** From time to time, various legally separate component units of the City have issued bonded debt obligations to provide financial assistance to private-sector entities. The bonds were issued to acquire and construct industrial and commercial facilities (Mesquite Industrial Development Corporation); or to construct medical and health facilities (Mesquite Health Facilities Corporation). The bonds are secured by the property financed and are payable solely from payments received on the underlying debt obligations. Upon repayment of the bonds, ownership of the acquired capital assets transfers to the private-sector entity served by the bond issuance. Even though some of the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit debt by component unit at September 30, 2014, is as follows.

Series	Mesquite Industrial Development Corporation	Mesquite Health Facilities Corporation	Total
2000B	\$ -	\$ 2,469,596	\$ 2,469,596
2000C	-	5,807,435	5,807,435
2003A	404,291	-	404,291
2003B	600,000	-	600,000
2005	-	18,213,488	18,213,488
2005	-	11,007,351	11,007,351
2005	-	1,550,528	1,550,528
Total	<u>\$ 1,004,291</u>	<u>\$ 39,048,398</u>	<u>\$ 40,052,689</u>

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

**13. FUND BALANCES**

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

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

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements  
September 30, 2014

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

Description	General Fund	Housing Grants	Local Finance	Bond Finance	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>						
Prepays	\$ 23,224	\$ -	\$ -	\$ -	\$ -	\$ 23,224
Inventory	751,937	-	-	-	-	751,937
<b>Total Nonspendable</b>	<b>775,161</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>775,161</b>
<b>Restricted for:</b>						
Debt Retirement	-	-	-	-	483,072	483,072
Purpose of grantors, trustees, and donors	-	662,606	-	-	1,202,259	1,864,865
4B Sales Tax projects	-	-	-	-	6,320,852	6,320,852
Law Enforcement	-	-	-	-	5,593,632	5,593,632
Capital Projects	-	-	-	11,658,732	-	11,658,732
Community Access Projects	-	-	-	-	564,200	564,200
Road Surface Repairs	-	-	158,846	-	-	158,846
Tax Increment Financing Districts	-	-	6,372,862	-	-	6,372,862
Hike and Bike Trail	-	-	679,818	-	-	679,818
Developer's Deposits	-	-	1,576,608	-	-	1,576,608
Capital Replacement	-	-	38,826	-	-	38,826
Other Purposes	-	-	375,875	-	181,186	557,061
<b>Total Restricted</b>	<b>-</b>	<b>662,606</b>	<b>9,202,835</b>	<b>11,658,732</b>	<b>14,345,201</b>	<b>35,869,374</b>
<b>Assigned to:</b>						
Encumbrances	299,967	-	-	-	-	299,967
Promotion of Tourism	-	-	-	-	253,186	253,186
Other Capital Projects	-	-	1,815,022	-	-	1,815,022
Other Purposes	-	-	33,045	-	253,594	286,639
<b>Total Assigned</b>	<b>299,967</b>	<b>-</b>	<b>1,848,067</b>	<b>-</b>	<b>506,780</b>	<b>2,654,814</b>
<b>Unassigned</b>	<b>16,075,491</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,075,491</b>
<b>TOTAL FUND BALANCES</b>	<b>\$ 17,150,619</b>	<b>\$ 662,606</b>	<b>\$ 11,050,902</b>	<b>\$ 11,658,732</b>	<b>\$ 14,851,981</b>	<b>\$ 55,374,840</b>

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.

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.

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

**City of Mesquite, Texas**

**Notes to Basic Financial Statements  
September 30, 2014**

**14. NEW FINANCIAL REPORTING REQUIREMENTS**

The GASB has issued the following statement which became effective for fiscal year 2014.

Statement No. 65 *“Items Previously Reported as Assets and Liabilities.”* - The objective of Statement No. 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resource or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources or inflow of resources.

The implementation of Statement No. 65 resulted in the reclassification of the beginning net position of the governmental activities and business-type activities in the government-wide financial statements and the beginning net position of the Statement of Revenues Expenses and Changes in Fund Net Position – Proprietary Funds. Issuance costs, previously amortized over the life of the debt issuance, are now expensed at the time of issue. Retroactively applying this change results in the adjustment below:

	Government - wide Statement of Activities		Fund Level	
			Statement of Revenues Expenses amd Changes in Net Position - Proprietary Fund	
	Governmental Activities	Business-type Activities	Water and Sewer	Drainage Utility District
Net position at September 30, 2013, as previously reported	\$ 155,686,389	\$ 145,309,519	\$ 102,188,758	\$ 26,983,951
Change in reporting for debt issuance costs	<u>(235,306)</u>	<u>(1,263,886)</u>	<u>(1,176,091)</u>	<u>(87,795)</u>
Net position at September 30, 2013, as restated	<u>\$ 155,451,083</u>	<u>\$ 144,045,633</u>	<u>\$ 101,012,667</u>	<u>\$ 26,896,156</u>

Statement No. 65 implementation also resulted in deferred charges on refunding being classified to Deferred Outflow of Resources instead of a reduction to the debt liability. The deferred charges continue to be amortized as interest expense over the life of the bonds.

Revenue recognition in governmental funds were also affected by Statement No. 65. When the revenue is not available, the government reports a deferred inflow of resources until such time as the revenue becomes available.

**End of Notes to Basic Financial Statements**

# MESQUITE

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**City of Mesquite, Texas**

**Required Supplemental Information (Unaudited)  
September 30, 2014**

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

As of 12/31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2011	\$ 328,142,416	\$ 345,220,559	95.1%	\$ 17,078,143	\$ 62,091,305	27.5%
2012	\$ 343,955,532	\$ 359,377,318	95.7%	\$ 15,421,786	\$ 63,039,129	24.5%
2013	\$ 361,302,653	\$ 396,608,657	91.1%	\$ 35,306,004	\$ 62,653,642	56.4%

Source: Texas Municipal Retirement System Actuarial Valuation

Notes:

- Trend data presented is based on the fiscal year of the Texas Municipal Retirement System which ends December 31.
- The actuarial accrued liability was calculated using the Projected Unit Credit actuarial funding method for 2011 and 2012 and the Entry Age Normal actuarial funding method for 2013.

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

Fiscal Year *	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percent of Covered Payroll
2012	\$ -	\$ 30,992,554	\$ 30,992,554	0.0%	\$ 53,446,081	58.0%
2013	\$ -	\$ 47,474,321	\$ 47,474,321	0.0%	\$ 55,376,255	85.7%
2014	\$ -	\$ 38,621,900	\$ 38,621,900	0.0%	\$ 54,769,211	70.5%

\* Source for fiscal year 2012 is actuarial valuation as of October 1, 2011; fiscal year 2013 is actuarial valuation as of October 1, 2012; fiscal year 2014 is actuarial valuation as of October 1, 2013. Actuarial valuations are currently only required every-other year.

Note: The actuarial accrued liability was calculated using the Projected Unit Credit actuarial funding method.

## **Combining and Individual Fund**

### **Statements and Schedules**

# MESQUITE

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## City of Mesquite, Texas

### Non-Major Governmental Funds

#### Special Revenue Funds:

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

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

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

Mesquite Quality of Life Corporation (4B Sales Tax) Fund - to account for funds received from a one-half of one percent general sales tax, which can be utilized for public safety, transportation or parks and recreation purposes.

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

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

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

**City of Mesquite, Texas**

**Combining Balance Sheet  
Non-Major Governmental Funds  
September 30, 2014**

	Special Revenue			
	Hotel/Motel Tax	Confiscated Drug	Mesquite Quality of Life Corporation (4B Sales Tax)	Other Grants
<b>ASSETS:</b>				
Pooled cash and investments	\$ 264,094	\$ 5,424,657	\$ 5,098,941	\$ 675,587
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	-	40,781	-
Other taxes receivable	-	-	-	-
Intergovernmental	1,369	-	1,729,313	482,578
Prepays	-	-	29,220	-
Accrued interest	218	3,264	2,779	-
	<u>\$ 265,681</u>	<u>\$ 5,427,921</u>	<u>\$ 6,901,034</u>	<u>\$ 1,158,165</u>
Total Assets				
	<u>\$ 265,681</u>	<u>\$ 5,427,921</u>	<u>\$ 6,901,034</u>	<u>\$ 1,158,165</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 12,493	\$ 4,323	\$ 558,685	\$ 91,854
Contracts payable	-	-	21,494	-
Deposits	-	167,424	-	-
Due to other funds	-	-	-	287,741
	<u>12,493</u>	<u>171,747</u>	<u>580,179</u>	<u>379,595</u>
Total Liabilities				
	<u>12,493</u>	<u>171,747</u>	<u>580,179</u>	<u>379,595</u>
<b>Fund Balances:</b>				
Restricted	-	5,256,174	6,320,855	524,978
Assigned	253,188	-	-	253,592
	<u>253,188</u>	<u>5,256,174</u>	<u>6,320,855</u>	<u>778,570</u>
Total Fund Balances				
	<u>253,188</u>	<u>5,256,174</u>	<u>6,320,855</u>	<u>778,570</u>
Total Liabilities and Fund Balances	<u>\$ 265,681</u>	<u>\$ 5,427,921</u>	<u>\$ 6,901,034</u>	<u>\$ 1,158,165</u>

<u>Other Special Revenue</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
\$ 1,745,802	\$ 490,572	\$ 13,699,653
6,861	-	47,642
31,154	-	31,154
-	-	2,213,260
-	-	29,220
<u>541</u>	<u>-</u>	<u>6,802</u>
<u>\$ 1,784,358</u>	<u>\$ 490,572</u>	<u>\$ 16,027,731</u>
\$ 18,243	\$ 7,500	\$ 693,098
5,993	-	27,487
-	-	167,424
<u>-</u>	<u>-</u>	<u>287,741</u>
<u>24,236</u>	<u>7,500</u>	<u>1,175,750</u>
1,760,122	483,072	14,345,201
<u>-</u>	<u>-</u>	<u>506,780</u>
<u>1,760,122</u>	<u>483,072</u>	<u>14,851,981</u>
<u>\$ 1,784,358</u>	<u>\$ 490,572</u>	<u>\$ 16,027,731</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, 2014**

	Special Revenue			
	Hotel/Motel Tax	Confiscated Drug	Mesquite Quality of Life Corporation (4B Sales Tax)	Other Grants
REVENUES:				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ -
Sales tax	1,149,693	-	9,945,052	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	516,226	-	-
Investment income	395	6,090	4,945	-
Charges for services	-	-	-	-
Intergovernmental	-	-	177,351	1,396,029
Contributions and donations	-	-	14,158	-
Other revenues	-	-	9,743	712,167
<b>Total Revenues</b>	<b>1,150,088</b>	<b>522,316</b>	<b>10,151,249</b>	<b>2,108,196</b>
EXPENDITURES:				
Current-				
General government	754,128	-	100,000	-
Fire services	-	-	38,180	211,447
Police services	-	140,699	-	58,018
Public works	-	-	611,800	-
Community development	123,476	-	-	613,742
Library services	-	-	-	14,060
Parks and recreation	-	-	6,190,859	79,210
Housing and community services	145,476	-	-	713,488
Capital outlay	-	128,561	2,587,106	-
Debt service-				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
<b>Total Expenditures</b>	<b>1,023,080</b>	<b>269,260</b>	<b>9,527,945</b>	<b>1,689,965</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	127,008	253,056	623,304	418,231
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(58,000)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(58,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
NET CHANGE IN FUND BALANCES	69,008	253,056	623,304	418,231
FUND BALANCES AT BEGINNING OF YEAR	184,180	5,003,118	5,697,551	360,339
FUND BALANCES AT END OF YEAR	\$ 253,188	\$ 5,256,174	\$ 6,320,855	\$ 778,570

<u>Other Special Revenue</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
\$ 244,128	\$ -	\$ 244,128
-	-	11,094,745
19,495	-	19,495
88,315	-	604,541
1,142	-	12,572
1,024,098	-	1,024,098
-	-	1,573,380
78,030	-	92,188
<u>24,250</u>	<u>-</u>	<u>746,160</u>
<u>1,479,458</u>	<u>-</u>	<u>15,411,307</u>
151,399	-	1,005,527
595	-	250,222
160,915	-	359,632
74,581	-	686,381
-	-	737,218
7,753	-	21,813
845	-	6,270,914
21,596	-	880,560
-	-	2,715,667
-	6,255,000	6,255,000
<u>-</u>	<u>4,684,300</u>	<u>4,684,300</u>
<u>417,684</u>	<u>10,939,300</u>	<u>23,867,234</u>
<u>1,061,774</u>	<u>(10,939,300)</u>	<u>(8,455,927)</u>
215,455	11,285,206	11,500,661
<u>(830,000)</u>	<u>(1,320)</u>	<u>(889,320)</u>
<u>(614,545)</u>	<u>11,283,886</u>	<u>10,611,341</u>
447,229	344,586	2,155,414
<u>1,312,893</u>	<u>138,486</u>	<u>12,696,567</u>
<u>\$ 1,760,122</u>	<u>\$ 483,072</u>	<u>\$ 14,851,981</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, 2014  
 With Comparative Actual Totals for the Year Ended September 30, 2013**

	2014				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
REVENUES:					
Sales tax	\$ 975,000	\$ 1,100,000	\$ 1,149,693	\$ 49,693	\$ 1,040,185
Investment income	200	200	395	195	237
TOTAL REVENUES	<u>975,200</u>	<u>1,100,200</u>	<u>1,150,088</u>	<u>49,888</u>	<u>1,040,422</u>
EXPENDITURES:					
Other-					
Administration projects-					
Contractual services	<u>256,456</u>	<u>281,456</u>	<u>346,247</u>	<u>(64,791)</u>	<u>236,990</u>
	<u>256,456</u>	<u>281,456</u>	<u>346,247</u>	<u>(64,791)</u>	<u>236,990</u>
Convention and Visitor Bureau					
Personal services	230,631	292,051	233,854	58,197	229,574
Supplies	11,250	11,250	10,147	1,103	9,426
Contractual services	<u>183,949</u>	<u>176,699</u>	<u>163,880</u>	<u>12,819</u>	<u>120,063</u>
	<u>425,830</u>	<u>480,000</u>	<u>407,881</u>	<u>72,119</u>	<u>359,063</u>
Arts Council projects					
Contractual services	<u>106,457</u>	<u>120,000</u>	<u>123,476</u>	<u>(3,476)</u>	<u>115,977</u>
	<u>106,457</u>	<u>120,000</u>	<u>123,476</u>	<u>(3,476)</u>	<u>115,977</u>
Beautification Commission projects-					
Contractual services	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>
	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>
Historic Commission projects-					
Contractual services	<u>106,457</u>	<u>120,000</u>	<u>123,476</u>	<u>(3,476)</u>	<u>115,977</u>
	<u>106,457</u>	<u>120,000</u>	<u>123,476</u>	<u>(3,476)</u>	<u>115,977</u>
TOTAL EXPENDITURES	<u>917,200</u>	<u>1,023,456</u>	<u>1,023,080</u>	<u>376</u>	<u>850,007</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>58,000</u>	<u>76,744</u>	<u>127,008</u>	<u>50,264</u>	<u>190,415</u>
OTHER FINANCING USES:					
Transfers out	<u>(58,000)</u>	<u>(58,000)</u>	<u>(58,000)</u>	<u>-</u>	<u>(58,000)</u>
TOTAL OTHER FINANCING USES	<u>(58,000)</u>	<u>(58,000)</u>	<u>(58,000)</u>	<u>-</u>	<u>(58,000)</u>
NET CHANGE IN FUND BALANCES	<u>\$ -</u>	<u>\$ 18,744</u>	<u>69,008</u>	<u>\$ 50,264</u>	<u>132,415</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>184,180</u>		<u>51,765</u>
FUND BALANCE AT END OF YEAR			<u>\$ 253,188</u>		<u>\$ 184,180</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, 2014  
 With Comparative Actual Totals for the Year Ended September 30, 2013**

	2014				2013 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
	Original	Final			
REVENUES:					
Fines and forfeitures	\$ 750,000	\$ 750,000	\$ 516,226	\$ (233,774)	\$ 897,324
Investment income	10,000	6,500	6,090	(410)	6,801
Other revenues	-	-	-	-	108,016
TOTAL REVENUES	<u>760,000</u>	<u>756,500</u>	<u>522,316</u>	<u>(234,184)</u>	<u>1,012,141</u>
EXPENDITURES:					
Police services-					
Supplies	90,000	389,527	78,334	311,193	195,938
Contractual services	127,800	128,900	62,365	66,535	81,673
Capital outlay	-	96,380	128,561	(32,181)	754,444
TOTAL EXPENDITURES	<u>217,800</u>	<u>614,807</u>	<u>269,260</u>	<u>345,547</u>	<u>1,032,055</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>542,200</u>	<u>141,693</u>	<u>253,056</u>	<u>111,363</u>	<u>(19,914)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 542,200</u>	<u>\$ 141,693</u>	253,056	<u>\$ 111,363</u>	(19,914)
FUND BALANCE AT BEGINNING OF YEAR			5,003,118		5,023,032
FUND BALANCE AT END OF YEAR			<u>\$ 5,256,174</u>		<u>\$ 5,003,118</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, 2014  
 With Comparative Actual Totals for the Year Ended September 30, 2013**

	2014				
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
REVENUES:					
Sales tax	\$ 9,480,000	\$ 9,900,000	\$ 9,945,052	\$ 45,052	\$ 9,624,251
Investment income	10,000	7,000	4,945	(2,055)	6,430
Intergovernmental	162,000	2,617,157	177,351	(2,439,806)	11,104
Contributions and donations	-	14,158	23,901	9,743	204,571
TOTAL REVENUES	<u>9,652,000</u>	<u>12,538,315</u>	<u>10,151,249</u>	<u>(2,387,066)</u>	<u>9,846,356</u>
EXPENDITURES:					
Current-					
General government	100,000	100,000	100,000	-	50,000
Fire servcies	161,000	110,621	38,180	72,441	188,413
Public works	282,975	716,334	611,800	104,534	576,396
Parks and recreation	7,017,072	8,212,265	6,190,859	2,021,406	7,550,926
Capital Projects					
Public safety projects	193,000	732,612	-	732,612	-
Transportation projects	3,378,000	6,038,603	459,386	5,579,217	50,042
Parks and recreation projects	660,953	2,130,000	2,127,720	2,280	2,016,032
TOTAL EXPENDITURES	<u>11,793,000</u>	<u>18,040,435</u>	<u>9,527,945</u>	<u>8,512,490</u>	<u>10,431,809</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,141,000)</u>	<u>(5,502,120)</u>	<u>623,304</u>	<u>6,125,424</u>	<u>(585,453)</u>
OTHER FINANCING USES:					
Transfers out	-	-	-	-	-
Issuance of Debt	<u>2,000,000</u>	-	-	-	-
TOTAL OTHER FINANCING USES	<u>2,000,000</u>	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>\$ (141,000)</u>	<u>\$ (5,502,120)</u>	<u>623,304</u>	<u>\$ 6,125,424</u>	<u>(585,453)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>5,697,551</u>		<u>6,283,004</u>
FUND BALANCE AT END OF YEAR			<u>\$ 6,320,855</u>		<u>\$ 5,697,551</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, 2014**

**With Comparative Actual Totals for the Year Ended For the Year Ended September 30, 2013**

	2014				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	<u>2013 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Intergovernmental	\$ 923,667	\$ 923,667	\$ 1,396,029	\$ 472,362	\$ 1,349,397
Other revenues	<u>100,000</u>	<u>52,849</u>	<u>712,167</u>	<u>659,318</u>	<u>447,072</u>
TOTAL REVENUES	<u>1,023,667</u>	<u>976,516</u>	<u>2,108,196</u>	<u>1,131,680</u>	<u>1,796,469</u>
EXPENDITURES:					
Current-					
Fire services	351,924	351,924	211,447	140,477	389,064
Police services	96,719	96,719	58,018	38,701	171,078
Community development	241,711	241,711	613,742	(372,031)	414,426
Parks and recreation	36,000	36,000	79,210	(43,210)	85,281
Library services			14,060	(14,060)	-
Housing and community services	250,162	250,162	713,488	(463,326)	237,598
Capital Outlay	-	-	-	-	283,887
TOTAL EXPENDITURES	<u>976,516</u>	<u>976,516</u>	<u>1,689,965</u>	<u>(713,449)</u>	<u>1,581,334</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>47,151</u>	<u>-</u>	<u>418,231</u>	<u>418,231</u>	<u>215,135</u>
NET CHANGE IN FUND BALANCES	<u>\$ 47,151</u>	<u>\$ -</u>	<u>418,231</u>	<u>\$ 418,231</u>	<u>215,135</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>360,339</u>		<u>145,204</u>
FUND BALANCE AT END OF YEAR			<u>\$ 778,570</u>		<u>\$ 360,339</u>

**City of Mesquite, Texas**

**Debt Service Fund**

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

**For the Year Ended September 30, 2014**

**With Comparative Actual Totals for the Year Ended September 30, 2013**

	2014			Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Budgeted Amounts		Actual Amounts		
	Original	Final			
EXPENDITURES:					
Debt service-					
Principal	\$ 6,145,000	\$ 6,255,000	\$ 6,255,000	\$ -	\$ 5,880,000
Interest and fiscal charges	<u>4,768,027</u>	<u>4,705,010</u>	<u>4,684,300</u>	<u>20,710</u>	<u>4,824,339</u>
TOTAL EXPENDITURES	<u>10,913,027</u>	<u>10,960,010</u>	<u>10,939,300</u>	<u>20,710</u>	<u>10,704,339</u>
EXCESS (DEFICIENCY) OF EXPENDITURES OVER (UNDER) REVENUES	<u>(10,913,027)</u>	<u>(10,960,010)</u>	<u>(10,939,300)</u>	<u>20,710</u>	<u>(10,704,339)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	10,919,027	11,287,217	11,285,206	(2,010)	10,786,532
Transfers out	<u>-</u>	<u>-</u>	<u>(1,320)</u>	<u>(1,320)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>11,283,886</u>	<u>(1,320)</u>	<u>10,786,532</u>
NET CHANGE IN FUND BALANCES	<u>\$ (10,913,027)</u>	<u>\$ (10,960,010)</u>	344,586	<u>\$ 19,390</u>	82,193
FUND BALANCE AT BEGINNING OF YEAR			<u>138,486</u>		<u>56,293</u>
FUND BALANCE AT END OF YEAR			<u>\$ 483,072</u>		<u>\$ 138,486</u>

**City of Mesquite, Texas**

**Combining Statement of Net Position  
Internal Service Funds  
September 30, 2014  
With Comparative Totals for September 30, 2013**

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2014</u>	<u>2013</u>
<b>ASSETS:</b>				
Current assets:				
Pooled cash and investments	\$ -	\$ 1,712,057	\$ 1,712,057	\$ 3,042,131
Prepays and other assets	-	116,000	116,000	121,000
Accrued interest	<u>217</u>	<u>1,033</u>	<u>1,250</u>	<u>919</u>
Total Assets	<u>217</u>	<u>1,829,090</u>	<u>1,829,307</u>	<u>3,164,050</u>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	447,467	70,448	517,915	674,893
Estimated claims payable	739,957	473,909	1,213,866	1,123,344
Due to other funds	<u>325,526</u>	<u>-</u>	<u>325,526</u>	<u>-</u>
Total current liabilities	<u>1,512,950</u>	<u>544,357</u>	<u>2,057,307</u>	<u>1,798,237</u>
Noncurrent liabilities:				
Estimated claims payable	<u>-</u>	<u>947,818</u>	<u>947,818</u>	<u>964,489</u>
Total noncurrent liabilities	<u>-</u>	<u>947,818</u>	<u>947,818</u>	<u>964,489</u>
Total Liabilities	<u>1,512,950</u>	<u>1,492,175</u>	<u>3,005,125</u>	<u>2,762,726</u>
<b>NET POSITION:</b>				
Unrestricted	<u>(1,512,733)</u>	<u>336,915</u>	<u>(1,175,818)</u>	<u>401,324</u>
Total Net Position	<u><b>\$ (1,512,733)</b></u>	<u><b>\$ 336,915</b></u>	<u><b>\$ (1,175,818)</b></u>	<u><b>\$ 401,324</b></u>

**City of Mesquite, Texas**

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position  
Internal Service Funds  
For the Year Ended September 30, 2014  
With Comparative Totals for September 30, 2013**

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2014</u>	<u>2013</u>
Operating revenues:				
Contributions - City				
Medical insurance	\$ 9,958,227	\$ -	\$ 9,958,227	\$ 8,883,414
Life and dental insurance	1,027,751	-	1,027,751	1,030,501
General liability	-	1,405,000	1,405,000	1,685,100
Workers' compensation	-	876,007	876,007	581,086
Total contributions - City	<u>10,985,978</u>	<u>2,281,007</u>	<u>13,266,985</u>	<u>12,180,101</u>
Contributions - Other				
Employees - medical insurance	2,316,538	-	2,316,538	2,327,174
Retirees - medical insurance	1,427,215	-	1,427,215	1,310,697
COBRA - medical insurance	8,815	-	8,815	26,353
Stop loss and other contributions	170,566	-	170,566	397,774
Other Revenues	-	16,569	16,569	22,763
Total contributions - other	<u>3,923,134</u>	<u>16,569</u>	<u>3,939,703</u>	<u>4,084,761</u>
Total operating revenues	<u>14,909,112</u>	<u>2,297,576</u>	<u>17,206,688</u>	<u>16,264,862</u>
Operating expenses:				
Claims incurred	13,250,072	893,610	14,143,682	11,389,816
Insurance premiums	2,039,625	680,860	2,720,485	2,639,818
Administrative fees	721,846	452,255	1,174,101	1,291,333
Other Expenses	742,995	5,105	748,100	634,532
Total operating expenses	<u>16,754,538</u>	<u>2,031,830</u>	<u>18,786,368</u>	<u>15,955,499</u>
Operating income (loss)	<u>(1,845,426)</u>	<u>265,746</u>	<u>(1,579,680)</u>	<u>309,363</u>
Nonoperating revenues:				
Investment income	654	1,884	2,538	3,645
Total nonoperating revenues	<u>654</u>	<u>1,884</u>	<u>2,538</u>	<u>3,645</u>
Change in net position	(1,844,772)	267,630	(1,577,142)	313,008
Total net position - beginning	<u>332,039</u>	<u>69,285</u>	<u>401,324</u>	<u>88,316</u>
Total net position - ending	<u>\$ (1,512,733)</u>	<u>\$ 336,915</u>	<u>\$ (1,175,818)</u>	<u>\$ 401,324</u>

**City of Mesquite, Texas**

**Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended September 30, 2014**

**With Comparative Actual Totals for the Year ended September 30, 2013**

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from City funds	\$ 10,985,978	\$ 2,281,007	\$ 13,266,985	\$ 12,180,101
Cash received from other operating sources	3,923,134	16,569	3,939,703	4,084,761
Cash paid to suppliers for goods and services	(3,590,824)	(1,203,840)	(4,794,664)	(4,087,501)
Cash paid to claimants	<u>(13,151,215)</u>	<u>(918,616)</u>	<u>(14,069,831)</u>	<u>(11,395,594)</u>
Net cash provided by (used for) operating activities	<u>(1,832,927)</u>	<u>175,120</u>	<u>(1,657,807)</u>	<u>781,767</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash loan from other City Funds	<u>325,526</u>	<u>-</u>	<u>325,526</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>325,526</u>	<u>-</u>	<u>325,526</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received on investments	<u>957</u>	<u>1,250</u>	<u>2,207</u>	<u>3,891</u>
Net cash provided by investing activities	<u>957</u>	<u>1,250</u>	<u>2,207</u>	<u>3,891</u>
<b>NET INCREASE (DECREASE) IN POOLED CASH AND INVESTMENTS</b>	(1,506,444)	176,370	(1,330,074)	785,658
<b>POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR</b>	<u>1,506,444</u>	<u>1,535,687</u>	<u>3,042,131</u>	<u>2,256,473</u>
<b>POOLED CASH AND INVESTMENTS AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ 1,712,057</u>	<u>\$ 1,712,057</u>	<u>\$ 3,042,131</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDE BY (USED FOR) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (1,845,426)	\$ 265,746	\$ (1,579,680)	\$ 309,363
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-				
Changes in assets and liabilities-				
Decrease in prepaid items	-	5,000	5,000	358,118
Increase (decrease) in accounts payable	(86,358)	(70,620)	(156,978)	120,064
Increase (decrease) in claims payable	<u>98,857</u>	<u>(25,006)</u>	<u>73,851</u>	<u>(5,778)</u>
Total adjustments	<u>12,499</u>	<u>(90,626)</u>	<u>(78,127)</u>	<u>472,404</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ (1,832,927)</u>	<u>\$ 175,120</u>	<u>\$ (1,657,807)</u>	<u>\$ 781,767</u>

**City of Mesquite, Texas**

**Statement of Changes in Assets and Liabilities  
Agency Fund  
For the Year Ended September 30, 2014**

	Agency Fund - Tax Clearing Fund			Balance September 30, <u>2014</u>
	Balance October 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	
<b>ASSETS:</b>				
Current assets:				
Pooled cash and investments	\$ 157,223	\$ 122,734,476	\$ 122,805,016	\$ 86,683
Taxes receivable levied for other government (net of allowance for uncollectibles)	<u>3,578,552</u>	<u>89,180,137</u>	<u>89,136,719</u>	<u>3,621,970</u>
Total Assets	<u>\$ 3,735,775</u>	<u>\$ 211,914,613</u>	<u>\$ 211,941,735</u>	<u>\$ 3,708,653</u>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 157,223	\$ 210,561,892	\$ 210,513,082	\$ 108,413
Due to other governments	<u>3,578,552</u>	<u>89,114,989</u>	<u>89,136,677</u>	<u>3,600,240</u>
Total Liabilities	<u>\$ 3,735,775</u>	<u>\$ 299,676,881</u>	<u>\$ 299,649,759</u>	<u>\$ 3,708,653</u>

# City of Mesquite, Texas

## Statistical Section (Unaudited)

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>	86
These schedules contain trend information to help the readers understand how the city's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	98
These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	
<b>Debt Capacity</b>	103
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	108
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	
<b>Operating Information</b>	112
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	

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

## City of Mesquite, Texas

### Net Position by Component

#### Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

(Unaudited)

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

Schedule 1

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 149,214	\$ 147,492	\$ 141,703	\$ 136,034	\$ 130,543	\$ 129,187
6,131	4,617	5,683	7,702	7,258	7,467
<u>16,157</u>	<u>16,658</u>	<u>20,945</u>	<u>19,458</u>	<u>17,885</u>	<u>18,704</u>
<u>\$ 171,502</u>	<u>\$ 168,767</u>	<u>\$ 168,331</u>	<u>\$ 163,194</u>	<u>\$ 155,686</u>	<u>\$ 155,358</u>
\$ 118,870	\$ 120,751	\$ 116,898	\$ 125,070	\$ 127,872	\$ 129,832
3,386	3,042	3,121	3,064	3,109	3,064
<u>12,820</u>	<u>13,499</u>	<u>20,925</u>	<u>17,090</u>	<u>14,328</u>	<u>13,494</u>
<u>\$ 135,076</u>	<u>\$ 137,292</u>	<u>\$ 140,944</u>	<u>\$ 145,224</u>	<u>\$ 145,309</u>	<u>\$ 146,390</u>
\$ 268,084	\$ 268,243	\$ 258,601	\$ 261,104	\$ 258,415	\$ 259,019
9,517	7,659	8,804	10,766	10,367	10,531
<u>28,977</u>	<u>30,157</u>	<u>41,870</u>	<u>36,548</u>	<u>32,213</u>	<u>32,198</u>
<u>\$ 306,578</u>	<u>\$ 306,059</u>	<u>\$ 309,275</u>	<u>\$ 308,418</u>	<u>\$ 300,995</u>	<u>\$ 301,748</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 18,739	\$ 16,796	\$ 18,562	\$ 19,410
Fire services	19,636	21,186	22,245	24,670
Police services	26,336	28,156	30,850	32,265
Field services	12,670	6,629	13,424	13,970
Public works	2,974	15,381	3,539	4,529
Community development	3,375	3,302	3,731	3,637
Housing and community services	12,039	11,866	10,883	12,684
Library services	2,052	2,137	2,198	2,127
Parks and recreation	8,135	10,538	10,993	9,446
Other	-	-	-	-
Interest on long-term debt	2,478	3,312	3,740	4,519
Total governmental activities expenses	<u>108,434</u>	<u>119,303</u>	<u>120,165</u>	<u>127,257</u>
Business-type activities:				
Water and sewer	26,230	27,468	29,341	31,939
Drainage utility	1,616	1,550	1,736	1,817
Municipal airport	1,297	1,537	1,521	1,721
Total business-type activities expenses	<u>29,143</u>	<u>30,555</u>	<u>32,598</u>	<u>35,477</u>
Total primary government expenses	<u>\$ 137,577</u>	<u>\$ 149,858</u>	<u>\$ 152,763</u>	<u>\$ 162,734</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services				
Field Services	\$ 5,526	\$ 5,950	\$ 5,951	\$ 6,591
Community Development	6,007	4,988	6,314	6,942
General Government	4,270	3,882	5,271	8,177
Other Charges for services	8,741	8,803	8,283	6,084
Operating grants and contributions	12,561	12,439	13,351	12,603
Capital grants and contributions	1,693	7,433	7,934	6,977
Total governmental activities program revenues	<u>38,798</u>	<u>43,495</u>	<u>47,104</u>	<u>47,374</u>
Business-type activities:				
Charges for services:				
Water and sewer	31,219	32,682	29,833	35,396
Drainage utility	2,098	2,129	2,142	2,143
Municipal airport	814	1,098	1,110	1,317
Capital grants and contributions	4,659	10,532	7,221	6,018
Total business-type activities program revenues	<u>38,790</u>	<u>46,441</u>	<u>40,306</u>	<u>44,874</u>
Total primary government program revenues	<u>\$ 77,588</u>	<u>\$ 89,936</u>	<u>\$ 87,410</u>	<u>\$ 92,248</u>

Schedule 2

Fiscal Year						
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	
\$ 19,888	\$ 23,832	\$ 22,552	\$ 26,028	\$ 26,194	\$ 24,919	
23,531	24,541	24,532	25,330	25,570	26,105	
31,767	32,280	31,965	31,995	32,994	32,112	
13,608	13,499	21,767	14,348	13,826	9,312	
3,552	7,802	(569)	3,766	4,703	8,769	
3,510	5,737	3,020	3,706	3,182	3,551	
14,017	14,146	14,159	14,900	14,206	14,487	
1,939	2,034	2,137	1,942	1,905	2,015	
12,940	10,122	10,510	10,475	11,368	11,004	
-	-	-	-	-	-	
<u>4,649</u>	<u>4,514</u>	<u>5,010</u>	<u>5,032</u>	<u>4,796</u>	<u>3,498</u>	
<u>129,401</u>	<u>138,507</u>	<u>135,083</u>	<u>137,522</u>	<u>138,744</u>	<u>135,772</u>	
33,431	34,905	38,216	37,665	41,293	42,614	
1,714	1,677	2,436	1,806	1,523	1,412	
<u>1,602</u>	<u>1,691</u>	<u>1,766</u>	<u>1,922</u>	<u>2,319</u>	<u>2,235</u>	
<u>36,747</u>	<u>38,273</u>	<u>42,418</u>	<u>41,393</u>	<u>45,135</u>	<u>46,261</u>	
<u>\$ 166,148</u>	<u>\$ 176,780</u>	<u>\$ 177,501</u>	<u>\$ 178,915</u>	<u>\$ 183,879</u>	<u>\$ 182,033</u>	
\$ 6,992	\$ 7,054	\$ 7,612	\$ 7,670	\$ 7,922	\$ 7,527	
5,438	4,702	4,790	4,361	4,692	5,490	
5,214	5,418	7,131	6,048	6,483	6,436	
9,429	8,907	11,140	13,178	10,833	13,316	
12,222	16,184	15,791	14,616	13,463	13,954	
<u>1,360</u>	<u>8,075</u>	<u>2,735</u>	<u>960</u>	<u>480</u>	<u>112</u>	
<u>40,655</u>	<u>50,340</u>	<u>49,199</u>	<u>46,833</u>	<u>43,873</u>	<u>46,835</u>	
35,714	39,492	45,965	44,231	44,859	46,795	
2,170	2,165	2,153	2,196	2,169	2,798	
1,336	1,328	1,609	1,568	1,979	1,681	
<u>3,110</u>	<u>1,255</u>	<u>1,149</u>	<u>1,874</u>	<u>753</u>	<u>969</u>	
<u>42,330</u>	<u>44,240</u>	<u>50,876</u>	<u>49,869</u>	<u>49,760</u>	<u>52,243</u>	
<u>\$ 82,985</u>	<u>\$ 94,580</u>	<u>\$ 100,075</u>	<u>\$ 96,702</u>	<u>\$ 93,633</u>	<u>\$ 99,078</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Net (Expenses)/Program Revenues</b>				
Governmental activities	\$ (69,636)	\$ (75,808)	\$ (73,061)	\$ (79,883)
Business-type activities	<u>9,647</u>	<u>15,886</u>	<u>7,708</u>	<u>9,397</u>
 Total primary government net expenses	 <u>\$ (59,989)</u>	 <u>\$ (59,922)</u>	 <u>\$ (65,353)</u>	 <u>\$ (70,486)</u>
 <b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Ad valorem taxes	\$ 33,073	\$ 35,505	\$ 37,705	\$ 40,577
Gross receipts taxes	7,416	7,551	7,333	7,677
Sales taxes	35,663	36,880	35,996	35,339
Investment income	1,343	3,204	4,397	3,402
Sale of capital assets	-	-	80	2
Transfers	<u>4,514</u>	<u>4,519</u>	<u>3,943</u>	<u>6,971</u>
 Total governmental activities	 <u>82,009</u>	 <u>87,659</u>	 <u>89,454</u>	 <u>93,968</u>
Business-type activities:				
Investment income	636	1,251	1,660	1,220
Sale of capital assets	-	-	23	11
Transfers	<u>(4,514)</u>	<u>(4,519)</u>	<u>(3,943)</u>	<u>(6,971)</u>
 Total business-type activities	 <u>(3,878)</u>	 <u>(3,268)</u>	 <u>(2,260)</u>	 <u>(5,740)</u>
 Total primary government	 <u>\$ 78,131</u>	 <u>\$ 84,391</u>	 <u>\$ 87,194</u>	 <u>\$ 88,228</u>
 <b>Change in Net Position</b>				
Governmental activities	\$ 12,373	\$ 11,851	\$ 16,393	\$ 14,085
Business-type activities	<u>5,769</u>	<u>12,618</u>	<u>5,448</u>	<u>3,657</u>
 Total primary government	 <u>\$ 18,142</u>	 <u>\$ 24,469</u>	 <u>\$ 21,841</u>	 <u>\$ 17,742</u>

**Schedule 2**  
(Continued)

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ (88,746)	\$ (88,167)	\$ (85,884)	\$ (90,689)	\$ (94,871)	\$ (88,937)
<u>5,583</u>	<u>5,967</u>	<u>8,458</u>	<u>8,476</u>	<u>4,625</u>	<u>5,982</u>
<u>\$ (83,163)</u>	<u>\$ (82,200)</u>	<u>\$ (77,426)</u>	<u>\$ (82,213)</u>	<u>\$ (90,246)</u>	<u>\$ (82,955)</u>
\$ 40,791	\$ 38,304	\$ 36,572	\$ 35,787	\$ 35,074	\$ 35,172
7,617	7,637	7,931	7,760	7,865	8,633
33,348	34,920	36,154	37,440	39,736	41,180
1,467	505	245	145	75	67
92	82	(327)	109	38	85
<u>2,202</u>	<u>3,983</u>	<u>4,873</u>	<u>4,310</u>	<u>4,575</u>	<u>3,706</u>
<u>85,517</u>	<u>85,431</u>	<u>85,448</u>	<u>85,551</u>	<u>87,363</u>	<u>88,843</u>
668	228	113	73	36	33
11	5	(45)	41	-	36
<u>(2,202)</u>	<u>(3,983)</u>	<u>(4,873)</u>	<u>(4,310)</u>	<u>(4,575)</u>	<u>(3,706)</u>
<u>(1,523)</u>	<u>(3,750)</u>	<u>(4,805)</u>	<u>(4,196)</u>	<u>(4,539)</u>	<u>(3,637)</u>
<u>\$ 83,994</u>	<u>\$ 81,681</u>	<u>\$ 80,643</u>	<u>\$ 81,355</u>	<u>\$ 82,824</u>	<u>\$ 85,206</u>
\$ (3,229)	\$ (2,736)	\$ (436)	\$ (5,136)	\$ (7,508)	\$ (94)
<u>4,060</u>	<u>2,217</u>	<u>3,653</u>	<u>4,279</u>	<u>86</u>	<u>2,345</u>
<u>\$ 831</u>	<u>\$ (519)</u>	<u>\$ 3,217</u>	<u>\$ (857)</u>	<u>\$ (7,422)</u>	<u>\$ 2,251</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund:				
Reserved	\$ 732	\$ 637	\$ 1,286	\$ 3,140
Nonspendable				
Restricted				
Assigned				
Unreserved/Unassigned	<u>16,644</u>	<u>18,884</u>	<u>16,760</u>	<u>14,223</u>
<b>Total General Fund</b>	<u><b>\$ 17,376</b></u>	<u><b>\$ 19,521</b></u>	<u><b>\$ 18,046</b></u>	<u><b>\$ 17,363</b></u>
All other governmental funds:				
Reserved for:				
Encumbrances	\$ 5,673	\$ 4,359	\$ 25,061	\$ 10,011
Debt service	531	584	919	538
Unreserved, reported in:				
Special revenue funds	9,148	13,071	14,374	15,257
Capital projects	23,896	30,225	26,302	28,511
Nonspendable for:				
Prepays	-	-	-	-
Restricted for:				
Debt Retirement	-	-	-	-
Purpose of grantors, trustees, and donors	-	-	-	-
4B Sales Tax projects	-	-	-	-
Law Enforcement	-	-	-	-
Capital Projects	-	-	-	-
Community Access Projects	-	-	-	-
Road Surface Repairs	-	-	-	-
Tax Increment Financing Districts	-	-	-	-
Hike and Bike Trail	-	-	-	-
Developer's Deposits	-	-	-	-
Capital Replacement	-	-	-	-
Other Purposes	-	-	-	-
Assigned to:				
Promotion of Tourism	-	-	-	-
Other Capital Projects	-	-	-	-
Other Purposes	-	-	-	-
<b>Total of all other governmental funds</b>	<u><b>\$ 39,248</b></u>	<u><b>\$ 48,239</b></u>	<u><b>\$ 66,656</b></u>	<u><b>\$ 54,317</b></u>

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

Schedule 3

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 1,440	\$ 1,063	\$ -	\$ -	\$ -	\$ -
		858	962	725	775
		-	-	-	-
		6	50	221	300
<u>16,520</u>	<u>16,672</u>	<u>16,153</u>	<u>16,026</u>	<u>16,460</u>	<u>16,076</u>
<u>\$ 17,960</u>	<u>\$ 17,735</u>	<u>\$ 17,017</u>	<u>\$ 17,038</u>	<u>\$ 17,406</u>	<u>\$ 17,151</u>
\$ 7,482	\$ 14,142	\$ -	\$ -	\$ -	\$ -
612	563	-	-	-	-
6,848	5,493	-	-	-	-
28,200	24,227	-	-	-	-
-	-	866	-	-	-
-	-	61	56	138	483
-	-	1,141	1,844	1,836	1,865
-	-	3,905	6,283	5,698	6,321
-	-	5,024	5,294	5,315	5,593
-	-	12,256	11,056	6,862	11,659
-	-	258	164	400	564
-	-	290	97	103	159
-	-	8,224	3,961	4,830	6,373
-	-	3,583	3,603	2,755	680
-	-	1,511	1,505	1,511	1,576
-	-	212	84	21	39
-	-	373	374	376	557
-	-	102	52	184	253
-	-	729	2,099	1,918	1,815
-	-	185	194	227	287
<u>\$ 43,142</u>	<u>\$ 44,425</u>	<u>\$ 38,720</u>	<u>\$ 36,666</u>	<u>\$ 32,174</u>	<u>\$ 38,224</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Revenues</b>				
Taxes	\$ 76,238	\$ 79,822	\$ 81,064	\$ 83,518
Licenses and permits	1,249	1,661	1,396	1,294
Fines and forfeitures	2,997	2,929	2,517	3,273
Investment income	1,242	3,006	4,255	3,271
Charges for services	13,212	14,064	15,568	17,126
Intergovernmental	14,611	13,491	13,459	12,146
Contributions and donations	107	104	185	3,432
Other revenues	3,860	1,641	2,716	1,664
Total revenues	<u>113,516</u>	<u>116,718</u>	<u>121,160</u>	<u>125,724</u>
<b>Expenditures</b>				
General government	6,649	17,958	12,667	14,502
Fire services	18,951	20,871	22,172	24,025
Police services	25,647	27,346	30,464	31,453
Field services	8,794	9,240	9,531	10,593
Public works	2,384	2,763	2,589	3,677
Community development	3,278	3,296	3,680	3,616
Housing services	10,774	10,345	8,808	10,357
Library services	2,011	2,086	2,176	2,212
Parks and recreation	7,542	9,853	10,106	8,831
Community services	1,087	1,650	2,120	2,395
Other	8,269	-	-	-
Capital outlay	17,347	12,918	16,327	35,618
Debt service - principal	8,350	7,480	7,147	8,012
Debt service - interest	2,605	3,056	4,026	4,508
Total expenditures	<u>123,688</u>	<u>128,862</u>	<u>131,813</u>	<u>159,799</u>
Deficiency of revenues under expenditures	<u>(10,172)</u>	<u>(12,144)</u>	<u>(10,653)</u>	<u>(34,075)</u>
<b>Other financing sources (uses)</b>				
Transfer in	18,154	18,655	20,202	24,192
Transfers out	(13,640)	(14,136)	(15,621)	(16,705)
Capital lease proceeds	-	-	74	-
Bond proceeds	17,550	18,760	22,805	13,566
Notes Payable Proceeds	-	-	135	-
Proceeds of refunding bonds	5,965	-	-	-
Premium on debt	433	-	-	-
Payment to refunded bond agent	(6,059)	-	-	-
Total other financing sources (uses)	<u>22,403</u>	<u>23,279</u>	<u>27,595</u>	<u>21,053</u>
Net change in fund balances	<u>\$ 12,231</u>	<u>\$ 11,135</u>	<u>\$ 16,942</u>	<u>\$ (13,022)</u>
Debt service as a percentage of noncapital expenditures	11.63%	11.78%	11.47%	10.38%

Schedule 4

Fiscal Year						
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	81,535	\$ 80,891	\$ 80,656	\$ 81,028	\$ 82,740	\$ 85,011
	1,108	985	1,159	1,090	1,172	1,146
	3,401	3,365	4,358	4,522	4,925	4,126
	1,421	480	236	138	71	65
	17,104	16,492	17,064	17,089	17,254	17,683
	12,229	17,147	15,743	14,794	13,426	13,566
	297	4,242	2,771	779	447	374
	1,134	952	2,425	3,219	1,595	2,656
	<u>118,229</u>	<u>124,554</u>	<u>124,412</u>	<u>122,659</u>	<u>121,630</u>	<u>124,627</u>
	15,032	16,195	14,883	18,845	15,294	15,387
	23,989	23,396	23,540	23,608	24,024	24,600
	30,284	30,438	30,474	30,936	32,125	30,980
	10,136	10,001	13,864	10,967	10,771	10,121
	2,800	6,618	2,586	2,711	3,089	3,203
	3,433	5,186	3,711	3,665	3,150	3,389
	11,587	11,996	11,543	12,406	11,722	11,540
	1,949	2,012	2,089	1,927	1,876	1,931
	12,122	9,371	9,752	9,614	10,408	9,425
	2,401	2,477	2,327	2,252	2,290	3,226
	-	-	-	-	-	-
	20,218	11,029	20,970	7,812	10,355	8,317
	8,123	7,519	7,006	6,314	6,353	6,747
	4,645	4,614	4,924	5,323	5,016	4,812
	<u>146,719</u>	<u>140,852</u>	<u>147,669</u>	<u>136,380</u>	<u>136,473</u>	<u>133,678</u>
	<u>(28,490)</u>	<u>(16,298)</u>	<u>(23,257)</u>	<u>(13,721)</u>	<u>(14,843)</u>	<u>(9,051)</u>
	20,575	20,272	18,875	19,056	19,272	17,038
	(15,830)	(15,456)	(13,834)	(13,998)	(14,193)	(11,912)
	-	-	-	-	-	-
	13,125	12,340	11,575	7,235	5,450	9,715
	-	-	-	-	-	-
	4,245	1,320	12,715	3,765	7,635	9,080
	-	137	1,163	236	539	963
	(4,203)	(1,257)	(13,660)	(3,724)	(7,985)	(10,038)
	<u>17,912</u>	<u>17,356</u>	<u>16,834</u>	<u>12,570</u>	<u>10,718</u>	<u>14,846</u>
\$	<u>(10,578)</u>	<u>\$ 1,058</u>	<u>\$ (6,423)</u>	<u>\$ (1,151)</u>	<u>\$ (4,125)</u>	<u>\$ 5,795</u>
	10.16%	9.49%	9.60%	9.17%	9.12%	9.34%

**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>
2005	76,238	33,159	34,518	174	972
% Total	100.00	43.5	45.3	0.2	1.3
2006	79,823	35,392	35,631	177	1,072
% Total	100.00	44.3	44.6	0.2	1.3
2007	80,972	37,735	34,616	235	1,145
% Total	100.00	46.6	42.8	0.3	1.4
2008	83,518	40,502	34,032	188	1,119
% Total	100.00	48.5	40.7	0.2	1.3
2009	81,535	40,571	32,063	191	1,093
% Total	100.00	49.7	39.3	0.2	1.3
2010	80,891	38,334	33,911	194	815
% Total	100.00	47.4	42.0	0.3	1.0
2011	80,656	36,571	35,069	194	891
% Total	100.00	45.3	43.5	0.2	1.1
2012	81,028	35,828	36,357	173	910
% Total	100.00	44.2	44.9	0.2	1.1
2013	82,412	35,138	38,497	199	1,040
% Total	100.00	42.6	46.7	0.2	1.3
2014	84,767	35,198	39,780	250	1,150
% Total	100.00	41.5	46.9	0.3	1.4

Schedule 5

Gross Receipts Taxes					
<u>Electrical</u>	<u>Gas</u>	<u>Telephone</u>	<u>Cable TV</u>	<u>Sanitation</u>	<u>Other</u>
4,061	1,104	784	754	692	20
5.3	1.4	1.0	1.0	0.9	0.0
4,170	1,133	780	757	691	20
5.2	1.4	1.0	0.9	0.9	0.0
4,082	1,088	585	770	701	15
5.0	1.3	0.7	1.0	0.9	0.0
4,188	1,185	650	934	697	23
5.0	1.4	0.8	1.1	0.8	0.0
4,022	1,161	606	1,092	706	30
4.9	1.4	0.7	1.3	0.9	0.0
3,905	1,175	566	1,264	693	34
4.8	1.5	0.7	1.6	0.9	0.0
4,483	1,020	550	1,182	662	34
5.6	1.3	0.7	1.5	0.8	0.0
4,138	845	526	1,518	698	35
5.1	1.0	0.6	1.9	0.9	0.0
3,994	966	519	1,310	710	39
4.8	1.2	0.6	1.6	0.9	0.0
4,172	1,305	473	1,442	958	39
4.9	1.5	0.6	1.7	1.1	0.0

## 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	
2005	4,091,199	1,159,083	141,971	101,599	682,109	6,175,961
2006	4,208,193	1,203,737	147,740	107,156	711,994	6,378,820
2007	4,367,859	1,344,688	154,227	107,582	676,953	6,651,309
2008	4,472,212	1,540,270	182,901	108,586	723,343	7,027,312
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

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 \$148,404. The taxable value upon which the tax levy was based, noted in footnote 3 in the Notes to Basic Financial Statements, includes the TIF value. Subsequent adjustments to the certified roll, Supplemental #1 from the Dallas Central Appraisal District, increased the taxable value used for the levy by \$4,123 (\$5,464,314 + \$148,404 + 4,123 = \$5,616,841).
- (4) Tax rate is per \$100 assessed valuation.

Schedule 6

Less: Exemptions, Abatements, and TIFs (2)

<u>Exemptions Granted</u>	<u>Tax Abatements</u>	<u>Tax Incentive Financing Districts (TIF)</u>	<u>Total Exemptions</u>	<u>Total Taxable Valuation (3)</u>	<u>Tax Rate (4)</u>
435,502	37,838	98,351	571,691	5,604,270	.58148
402,275	24,191	108,179	534,645	5,844,175	.60148
425,235	25,111	146,325	596,671	6,054,638	.62000
486,038	17,724	189,109	692,871	6,334,441	.64000
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

**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	
2005	.42325	.15823	.58148	.2039	.254	.08030	.00546	1.76	2.88514
2006	.44090	.16058	.60148	.2139	.254	.08100	.00503	1.67	2.82541
2007	.46246	.15754	.62000	.2281	.254	.08040	.00471	1.37	2.55721
2008	.48716	.15284	.64000	.2281	.254	.08940	.00493	1.40	2.61643
2009	.48727	.15273	.64000	.2281	.274	.09490	.00521	1.42	2.66221
2010	.48443	.15557	.64000	.2431	.271	.09923	.01000	1.42	2.68333
2011	.47076	.16924	.64000	.2431	.271	.09967	.01000	1.42	2.68377
2012	.46859	.17141	.64000	.2431	.271	.119375	.009937	1.42	2.70341
2013	.46225	.17775	.64000	.2431	.276	.1247	.01	1.41	2.70380
2014	.46220	0.1778	.64000	.2431	.286	.124775	.01	1.41	2.71388

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	2014			2005		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Town East Mall PS	\$ 142,029,140	1	2.60%	\$ 97,896,350	1	1.75%
Oncor Electric	50,941,200	2	0.93%			-
Barons Investors	35,000,000	3	0.64%			-
Pepsi Cola	34,876,174	4	0.64%	36,443,240	4	0.65%
DDR MDT Marketplace	29,463,350	5	0.54%			-
IRIS USA	27,302,968	6	0.50%			-
Alliance WE LP	26,293,840	7	0.48%	28,126,370	5	0.50%
Advenir @ Mission Ranch	25,880,000	8	0.47%			0.00%
CURCI Mesquite Prop LP	25,123,880	9	0.46%			0.00%
Sun Life Assur Co of Can	24,359,160	10	0.45%			-
Texas Power and Light			-	53,394,990	2	0.95%
Market East RPF-III LTD PS			-	37,451,230	3	0.67%
Southwestern Bell			-	27,181,510	7	0.49%
American Multicinema Inc			-	27,503,630	6	0.49%
Home Depot, Inc				25,010,370	8	0.45%
Unilever HPC USA Inc.			-	22,549,972	9	0.40%
BRH Prescott II LTD PS			-	22,149,910	10	0.40%
Total	<u>\$ 421,269,712</u>		7.71%	<u>\$ 377,707,572</u>		6.74%
Total Taxable Assessed Valuation	<u>\$ 5,464,313,662</u>			<u>\$ 5,604,270,120</u>		

Source: Tax Division, Finance Department  
Total Taxable Assessed Valuation from Schedule 6

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

(Unaudited)

<u>Fiscal Year Ended September 30</u>	<u>Adjusted Current Tax Levy</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percent of Levy</u>		<u>Amount</u>	<u>Percent of Levy</u>
2005	33,124,683	32,151,536	97.06	883,864	33,035,400	99.73
2006	35,132,527	34,433,390	98.01	545,427	34,978,817	99.56
2007	37,446,166	36,659,819	97.90	603,746	37,263,565	99.51
2008	40,274,065	39,602,124	98.33	537,354	40,139,478	99.67
2009	40,414,901	39,752,647	98.36	530,121	40,282,768	99.67
2010	38,362,233	37,683,829	98.23	522,554	38,206,383	99.59
2011	36,392,283	35,761,897	98.27	403,063	36,164,960	99.38
2012	35,677,427	35,225,462	98.73	242,180	35,467,642	99.41
2013	34,819,001	34,336,926	98.62	211,387	34,548,313	99.22
2014	34,961,217	34,457,251	98.56	-	34,457,251	98.56

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

Current year collections for fiscal year 2014 are net of the amount collected for the Tax Incentive Financing District (TIF) in the amount of \$949,785.

(\$34,457,251 + \$949,785 = \$35,407,036; see amount in Note 3)

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

(Unaudited)

Governmental Activities						
<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Certificates of Obligations</u>	<u>Public Property Finance Contractual Obligations</u>	<u>Notes Payable</u>	<u>Capital Lease Obligations</u>	<u>Total</u>
2005	47,525,000	21,570,000	4,835,000	-	153,545	74,083,545
2006	45,590,000	28,495,000	5,090,000	6,035,453	114,144	85,324,597
2007	41,820,000	47,540,000	5,845,000	5,786,733	141,259	101,132,992
2008	38,320,000	55,250,000	7,610,000	5,349,753	80,424	106,610,177
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

Business-Type Activities							
	<u>Water/Sewer Revenue Bonds</u>	<u>Drainage Utility District Revenue Bonds</u>	<u>Water/Sewer Capital Lease Obligations</u>	<u>Total</u>	<u>Total Primary Government</u>	<u>Percentage of Effective Buying Income (1)</u>	<u>Per Capita (1)</u>
2005	47,635,000	10,225,000	157,841	58,017,841	132,101,386	5.29%	988.78
2006	53,225,000	9,405,000	117,338	62,747,338	148,071,935	5.50%	1,089.61
2007	57,945,000	8,565,000	236,159	66,746,159	167,879,151	6.69%	1,227.64
2008	62,795,000	7,710,000	155,645	70,660,645	177,270,822	6.76%	1,288.88
2009	67,435,000	6,825,000	87,420	74,347,420	186,155,012	7.34%	1,350.42
2010	71,500,000	5,905,000	48,455	77,453,455	194,406,642	7.84%	1,390.37
2011	72,615,000	5,010,000	71,294	77,696,294	199,236,451	7.96%	1,424.44
2012	72,445,000	3,950,000	56,700	76,451,700	199,033,043	7.85%	1,422.17
2013	72,095,000	3,335,000	41,052	75,471,052	197,279,640	7.52%	1,406.73
2014	73,633,158	2,947,686	24,274	76,605,118	200,908,578	7.08%	1,412.76

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

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

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

(Unaudited)

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Taxable Assessed Value (in 000s) (2)</u>	<u>General Bonded Debt</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Net General Bonded Debt</u>	<u>Percentage of Taxable Value of Property</u>	<u>Net General Bonded Debt Per Capita</u>
2005	133,605	5,604,270	73,930,000	530,789	73,399,211	1.31%	549.37
2006	135,894	5,844,175	79,175,000	583,706	78,591,294	1.34%	578.33
2007	136,750	6,054,638	95,205,000	918,369	94,286,631	1.56%	689.48
2008	137,550	6,334,441	101,180,000	537,527	100,642,473	1.59%	731.68
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

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 6

**Direct And Overlapping Governmental Activities Debt  
September 30, 2014**

(Unaudited)

<u>Taxing Jurisdiction</u>	Total Outstanding Debt (1)	Estimated Percent Applicable (2)	Direct and Estimated Overlapping Debt
Direct-			
City of Mesquite	\$ 124,303,460	100.00%	\$ 124,303,460
Overlapping-			
Dallas County	111,350,000	3.08	3,429,580
Dallas County Community College District	339,035,000	3.08	10,442,278
Dallas County Hospital District	736,235,000	3.08	22,676,038
Dallas County Schools	67,265,000	3.08	2,071,762
Kaufman County	41,578,850	0.29	120,579
Mesquite Independent School District	364,846,132	87.26	318,364,735
Dallas Independent School District	2,570,750,000	0.12	3,084,900
Garland Independent School District	<u>346,746,128</u>	0.04	<u>138,698</u>
 Total overlapping	 <u>4,577,806,110</u>		 <u>360,328,570</u>
 Total direct and estimated overlapping bonded debt	 <u>\$ 4,702,109,570</u>		 <u>\$ 484,632,030</u>

Ratio, direct and estimated overlapping debt to fiscal 2014 taxable assessed valuation (3) 8.87%

Per capita direct and estimated overlapping bonded debt (4) \$3,408

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 2014 taxable assessed valuation (Net of TIF): \$5,464,313,662
- (4) Based on 2014 population of 142,210

**Computation of Legal Debt Margin  
September 30, 2014**

(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, 2014, is \$.64000 per \$100 of assessed valuation with assessed valuation being 100% of market value.

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

(Unaudited)

Year Ended <u>September</u>	Operating Revenue and Other (1)	Less: Operating Expense and Other (2)	Net Available Revenue	Total Debt Payments Required (3)	Years Remaining	Average Annual Debt Payment	Coverage (4)
<b><u>WATER AND SEWER BONDS</u></b>							
2005	31,775,214	21,144,536	10,630,678	69,214,508	20	3,460,725	3.1
2006	33,798,839	21,259,997	12,538,842	73,841,441	20	3,692,072	3.4
2007	31,363,451	24,220,549	7,142,902	80,115,266	20	4,005,763	1.8
2008	36,536,774	25,384,450	11,152,324	86,091,447	20	4,304,572	2.6
2009	36,344,387	26,806,906	9,537,481	92,010,474	20	4,600,524	2.1
2010	39,705,639	27,830,065	11,875,574	96,880,248	20	4,844,012	2.5
2011	46,068,546	31,283,576	14,784,970	97,779,815	20	4,888,991	3.0
2012	44,339,863	30,452,086	13,887,777	95,751,908	20	4,787,595	2.9
2013	44,892,336	34,046,541	10,845,795	94,114,740	20	4,705,737	2.3
2014	46,909,102	34,731,035	12,178,067	92,892,214	20	4,644,611	2.6
<b><u>DRAINAGE UTILITY DISTRICT BONDS</u></b>							
2005	2,177,952	592,580	1,585,372	13,297,478	17	782,205	2.0
2006	2,262,875	570,903	1,691,972	12,079,052	16	754,941	2.2
2007	2,294,313	715,195	1,579,118	10,862,710	15	724,181	2.2
2008	2,238,126	760,017	1,478,109	9,656,911	14	689,779	2.1
2009	2,219,139	705,047	1,514,092	8,450,808	13	650,062	2.3
2010	2,184,301	693,285	1,491,016	7,242,523	12	603,544	2.5
2011	2,162,146	869,181	1,292,965	5,666,423	11	515,129	2.5
2012	2,201,193	943,626	1,257,567	4,481,859	10	448,186	2.8
2013	2,171,118	661,823	1,509,295	3,763,916	9	418,213	3.6
2014	2,804,769	687,903	2,116,866	3,237,015	8	404,627	5.2

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.

**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>
2005	133,600	2,362,311	2,497,456	50,424	49,559	35,451	5.9%
2006	135,894	N/A	2,690,272	50,424	53,353	34,318	4.7%
2007	136,750	N/A	2,508,204	50,134	50,030	34,408	3.8%
2008	137,539	N/A	2,623,330	51,780	50,663	34,786	4.0%
2009	137,850	N/A	2,537,530	50,043	50,707	35,381	7.0%
2010	139,824	N/A	2,478,391	51,217	48,390	36,687	8.7%
2011	139,870	N/A	2,503,265	51,368	48,732	37,137	8.5%
2012	139,950	N/A	2,536,152	51,773	48,986	38,118	6.8%
2013	140,240	N/A	2,624,125	51,763	50,695	38,609	6.3%
2014	142,210	N/A	2,837,116	55,076	51,509	39,220	5.2%

Sources: (1) Population estimates were prepared by North Central Texas Council of Governments for 2009 and prior; 2010 population count was from the official US Census Bureau; 2011 forward were determined by official ordinance adopted by City Council as of Oct 1 of each year.  
 (2) Sales and Marketing Magazine, Survey Buying Power (Not Available after 2005).  
 Effective Buying Income for 2006 and later estimated based on median household EBI and number of households; information obtained from the City Economic Development Department.  
 (3) Mesquite Independent School District  
 (4) Texas Workforce Commission

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

<u>Employer</u>	<u>2014</u> <u>Range</u>
Mesquite Independent School District	1,000 +
United Parcel Service Inc.	1,000 +
City of Mesquite	1,000 +
Dallas Regional Medical Center (Formerly Mesquite Community Hospital)	500 - 999
Honeywell	500 - 999
Pepsi Beverages Co	500 - 999
Walmart Supercenter	500 - 999
Eastfield College	500 - 999
Texas Dept of Transportation - Dallas District	500 - 999
Integracolor Ltd	100 - 499
<hr/>	
Total Estimated City Employment	75,343

Source: Texas Workforce Commission and Sites on Texas.  
Information from nine years ago is not available.

## City of Mesquite, Texas

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

(Unaudited)

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>By Functions</b>					
General government	85.00	87.00	92.00	100.50	102.00
Fire services	197.00	197.00	202.50	206.00	206.50
Police services	293.50	299.50	299.50	310.50	314.50
Field services	130.00	130.00	129.00	130.00	130.00
Public works	24.00	24.00	21.00	21.00	22.00
Community development	50.00	43.70	44.20	35.70	35.70
Housing services	9.00	10.00	18.70	22.30	21.30
Library services	35.55	34.55	34.55	34.93	34.93
Parks and recreation	130.09	130.09	130.09	130.09	129.59
Community services	20.70	27.00	17.35	29.00	28.00
Water and Sewer	103.57	102.57	103.57	104.57	104.57
Drainage utility district	7.00	7.00	7.00	7.00	7.00
Municipal airport	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
Total employees by function	<u>1,092.79</u>	<u>1,099.79</u>	<u>1,106.84</u>	<u>1,138.97</u>	<u>1,143.47</u>
<b>By Departments</b>					
Administration	9.00	10.00	11.00	12.00	14.00
City Secretary	3.00	3.00	3.00	3.00	3.00
City Attorney	6.00	6.00	6.00	7.00	7.00
Human Resources	14.00	14.00	14.00	15.00	15.00
Budget and Research	2.00	2.00	2.00	2.00	2.00
Finance	68.50	68.50	68.50	55.00	54.50
Information Technology	-	-	-	19.00	19.00
Fire service	197.00	197.00	202.50	206.00	206.50
Police Service	293.50	299.50	299.50	310.50	314.50
Public Works	248.07	247.07	248.07	250.07	251.07
Housing and community service	37.00	37.00	36.05	51.30	49.30
Community development	42.70	43.70	44.20	35.70	35.70
Parks/ Recreation/Building service	130.09	130.09	130.09	130.09	129.59
Library service	34.55	34.55	34.55	34.93	34.93
Airport service	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
Total employees by department	<u>1,092.79</u>	<u>1,099.79</u>	<u>1,106.84</u>	<u>1,138.97</u>	<u>1,143.47</u>
<b>By Fund</b>					
General	955.19	963.19	970.19	997.72	1,002.72
Grants	19.65	19.65	18.70	22.30	21.80
Water and Sewer	103.57	102.57	103.57	104.57	104.57
Drainage Utility District	7.00	7.00	7.00	7.00	7.00
Municipal Airport	7.38	7.38	7.38	7.38	7.38
Hotel/Motel	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total employees by fund	<u>1,092.79</u>	<u>1,099.79</u>	<u>1,106.84</u>	<u>1,138.97</u>	<u>1,143.47</u>

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

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

Schedule 17

Fiscal Year				
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
102.00	112.00	111.13	113.25	117.25
206.50	207.00	207.00	208.00	206.00
315.50	315.50	315.00	315.00	314.50
130.00	129.00	129.00	129.00	129.00
21.00	24.00	24.00	24.00	23.00
37.50	37.60	37.40	35.40	36.40
20.50	21.40	21.60	21.60	21.10
31.45	31.45	32.08	32.08	32.08
128.59	120.66	123.68	123.68	123.54
28.00	28.00	28.10	28.10	27.85
107.07	107.07	107.07	109.07	109.07
7.00	7.00	7.00	7.00	7.00
<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>8.05</u>	<u>7.90</u>
<u>1,142.49</u>	<u>1,148.06</u>	<u>1,150.44</u>	<u>1,154.23</u>	<u>1,154.69</u>
14.00	29.50	28.50	30.00	31.00
3.00	3.00	3.00	3.00	3.00
7.00	7.00	7.00	7.00	8.00
15.00	14.00	14.00	14.00	15.00
2.00	2.00	2.00	2.00	1.00
55.00	54.50	54.63	57.25	58.25
19.00	15.00	15.00	15.00	16.00
206.50	207.00	207.00	208.00	206.00
315.50	315.50	315.00	315.00	314.50
252.07	254.07	254.07	254.07	253.07
48.50	49.40	49.70	49.70	48.95
37.50	37.60	37.40	35.40	36.40
128.59	120.66	123.68	123.68	123.54
31.45	31.45	32.08	32.08	32.08
<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>8.05</u>	<u>7.90</u>
<u>1,142.49</u>	<u>1,148.06</u>	<u>1,150.44</u>	<u>1,154.23</u>	<u>1,154.69</u>
1,000.04	1,002.21	1,004.39	1,005.51	1,007.62
21.00	22.40	22.60	22.60	21.10
107.07	107.07	107.07	109.07	109.07
7.00	7.00	7.00	7.00	7.00
7.38	7.38	7.38	8.05	7.90
<u>0.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>
<u>1,142.49</u>	<u>1,148.06</u>	<u>1,150.44</u>	<u>1,154.23</u>	<u>1,154.69</u>

## City of Mesquite, Texas

### Operating Indicators by Function Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Functions</b>				
Fire services				
Number of calls answered	12,945	11,746	11,898	13,156
Inspections	5,841	6,736	6,800	8,811
Police services				
Reported index crimes	6,582	5,554	6,118	6,120
Criminal arrests - index crimes	1,561	1,198	1,535	1,492
Criminal arrests - non-index crimes	3,400	3,262	3,508	3,294
Traffic citations	42,523	36,372	35,620	36,563
Field services				
Residential solid waste customers	34,830	36,000	37,000	37,500
Annual tons recycled	20,520	23,678	22,608	29,000
Work hours per mile of streets and alleys	73.88	81.85	81.19	80.19
Public works				
Traffic studies conducted	333	346	327	328
Engineering Information requests	995	85,146	75,846	86,603
Housing services				
Number of HUD allocated unit months	16,308	16,308	16,308	16,308
Community development				
Residential building permits	2,053	2,175	1,635	1,394
Commercial building permits	566	738	294	316
Environmental code violations	46,980	31,553	67,793	33,488
Food inspections conducted	1,193	1,407	998	1,417
Library services				
Library visits per capita	3.13	3.00	2.65	2.97
Registered borrowers per capita	0.29	0.28	0.40	0.31
Parks and recreation				
Work hours per acre of park land	50.50	52.15	55.02	56.95
Athletic program participants	18,700	13,527	16,276	16,500
Aquatic program participants	63,000	82,605	65,000	61,500
Tennis program participants	7,800	7,700	7,964	7,800
Recreation centers programs offered	803	838	904	824
Community services				
Number of health clinic clients	5,000	5,534	5,624	5,573
Number of transportation service trips	32,318	39,700	38,130	39,580
Number of volunteer hours	20,000	30,093	22,324	25,209
Arts center events	717	757	575	611
Arts center participants	68,463	104,128	130,229	105,951
Animals processed by animal shelter	11,873	13,141	14,474	9,705
Water and Sewer				
Number of gallons of water pumped (000s)	6,500,000	6,800,000	5,641,217	6,521,600
Water main breaks	170	360	240	190
Miles of sewer mains cleaned	155	130	130	130

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

Schedule 18

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
14,048	14,058	12,151	15,247	15,086	16,823
7,916	8,461	4,151	4,784	3,279	3,077
6,149	7,273	6,997	6,940	6,865	6,237
1,535	1,532	1,525	1,562	1,534	1,372
3,360	3,256	3,682	3,754	3,552	3,365
36,810	31,254	36,745	38,477	42,330	33,970
37,900	38,000	37,500	37,500	37,500	37,540
28,500	33,850	31,268	32,124	35,556	37,804
74.43	77.38	81.51	80.62	79.08	84.10
190	201	355	314	313	302
98,000	16,988	52,845	55,998	52,744	41,377
16,380	16,190	15,156	16,848	16,848	16,848
1,260	1,208	1,375	1,272	1,414	1,344
215	197	252	147	166	299
18,184	18,012	12,791	20,205	15,094	15,685
1,759	1,868	1,949	1,806	1,411	1,917
2.91	2.78	2.61	2.52	2.42	2.24
0.30	0.30	0.28	0.33	0.33	0.31
58.54	59.84	59.84	59.84	60.13	60.13
16,500	13,054	20,417	15,020	2,111	2,945
61,500	79,678	99,350	92,738	1,015	76,301
7,800	7,437	7,200	6,000	528	8,691
835	854	850	1,010	1,000	1,100
6,274	4,850	3,709	3,787	2,844	2,624
40,239	40,770	45,739	39,636	37,434	29,059
45,000	46,250	49,483	54,622	59,564	65,733
611	516	489	601	486	588
92,000	80,530	95,002	67,227	57,318	70,925
8,363	7,896	6,605	7,419	6,523	6,648
6,346,928	6,312,198	6,893,829	6,164,038	5,789,895	5,516,359
198	225	334	237	306	286
134	120	167	129	128	116

## City of Mesquite, Texas

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

(Unaudited)

	Fiscal Year			
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Functions</b>				
Police services				
Police vehicles (sedans)	184	192	196	218
Field services				
Miles of streets	435	400	440	440
Miles of alleys	215	220	220	220
Number of vehicles in City fleet	624	636	651	677
Parks and recreation				
Parks acreage	1,422	1,422	1,422	1,422
Number of parks	66	67	67	67
Water and Sewer				
Water system miles	450	538	566	567
Water system connections	50,313	50,598	51,903	53,109
Sewer system miles	492	476	492	492
Sewer system connections	36,756	36,900	50,658	50,658

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

Schedule 19

Fiscal Year					
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
223	220	233	223	226	262
440	440	440	440	440	440
220	220	220	220	220	220
677	681	715	702	690	760
1,430	1,430	1,430	1,430	1,450	1,450
68	69	68	68	68	69
567	567	567	567	567	567
51,709	54,828	54,921	54,961	54,000	54,964
493	493	493	493	493	493
51,500	54,674	53,677	53,750	53,700	53,714

**MESQUITE**  
T E X A S  
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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

We have audited, 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, 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 (the "City") as of and for the year ended September 30, 2014, 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 25, 2015.

**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 design 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 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 City'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 the City's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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*.

**Intended purpose**

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 City'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 City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

GRANT THORNTON LLP

Dallas, Texas  
March 25, 2015



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on compliance for each major federal program**

We have audited the compliance of the City of Mesquite, Texas (the “City”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to the City’s 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The above-mentioned standards and OMB Circular A-133 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.

**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, 2014.

**Report on internal control over compliance**

Management of the City is responsible for designing, implementing, 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 compliance requirements that could have a direct and material effect on each major federal program to design audit 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 OMB Circular A-133, 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. Given these limitations, during our audit we did not identify any deficiencies in the City's 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

GRANT THORNTON LLP

Dallas, Texas  
March 25, 2015

**City of Mesquite, Texas**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2014

<b>Grant Program Title</b>	<b>CFDA Number</b>	<b>Pass-through Grant Number</b>	<b>Expenditures</b>
<b>Federal Financial Assistance</b>			
<b>Department of Housing and Urban Development</b>			
Direct Programs:			
CDBG - Entitlement Grants Cluster			
Community Development Block Grants/ Entitlement Grants	14.218		\$ 990,696
Neighborhood Stabilization Program (NSP1)	14.218		<u>323,312</u>
Total CDBG - Entitlement Grants Cluster			<u>1,314,008</u>
Housing Choice Voucher Program (HCVP) Section 8 Housing Choice Vouchers	14.871		<u>11,689,690</u>
<b>Total Department of Housing and Urban Development</b>			<b><u>\$13,003,698</u></b>
<b>Department of Homeland Security</b>			
Federal Emergency Management Agency			
Passed through from:			
Texas Department of Public Safety			
Homeland Security Grant Program			
Urban Areas Security Initiative	97.067	EMW-2011-SS-00019	\$ (145)
Urban Areas Security Initiative	97.067	EMW-2012-SS-00018-S01	47,434
Urban Areas Security Initiative	97.067	EMW-2013-SS-00045	<u>129,158</u>
Total 97.067			176,447
Hazard Mitigation Grant Program (HMGP)	97.039	DR-1999-025	<u>35,000</u>
<b>Total Department of Homeland Security</b>			<b><u>\$ 211,447</u></b>
<b>Department of Transportation</b>			
Passed through from:			
The North Central Texas Council of Governments			
Federal Transit- Formula Grants- Urbanized Area Formula Program	20.507	TRN1993-FTA 5310	\$ 688,219
Direct Program:			
Job Access/Reverse Commute	20.516		<u>161,905</u>
<b>Total Department of Transportation</b>			<b><u>\$ 850,124</u></b>

**City of Mesquite, Texas**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2014

<u>Grant Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grant Number</u>	<u>Expenditures</u>
<b>Department of Justice</b>			
Direct Program:			
Equitable Sharing for State and Local Law Enforcement Agencies	16.922		\$ 224,875
Passed through from:			
The City of Dallas			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1444	557
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-H3945-TX-DJ	<u>22,675</u>
<b>Total Department of Justice</b>			<b>\$ <u>248,107</u></b>
<b>Department of Health and Human Services</b>			
Passed through from:			
Dallas Area Agency on Aging Special Programs for the Aging Title III, Part C Nutrition Services	93.045	N/A	<u>\$ 79,210</u>
<b>Total Department of Health and Human Services</b>			<b>\$ <u>79,210</u></b>
<b>Total Federal Financial Assistance</b>			<b><u>\$14,392,586</u></b>

The accompanying notes are an integral part of this schedule.

**City of Mesquite, Texas**

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended September 30, 2014

<u>Grant Program Title</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>State Financial Assistance</b>		
<b>Texas Criminal Justice Division</b>		
Passed Through from:		
Dallas County		
Equitable Sharing for State and Local Law Enforce. Agencies	TX0571800	\$ 44,385
<b>Total Texas Criminal Justice Division</b>		<b>\$ 44,385</b>
<b>Texas Department of Transportation</b>		
Mesquite Transportation of Elderly and Disabled (MTED)	URB-0004(18)	\$ 138,174
STEPS Coit Grant	585XXF6001	34,786
<b>Total Texas Department of Transportation</b>		<b>\$ 172,960</b>
<b>Texas Department of Transportation – Aviation Division</b>		
Routine Airport Maintenance Program (RAMP) Grant	M118MSQTE	\$ 43,143
<b>Total Texas Department of Transportation – Aviation Division</b>		<b>\$ 43,143</b>
<b>North Central Texas Council of Governments</b>		
2009 Sustainable Development Grant	0918-47-020	\$ 15,446
<b>Total North Central Texas Council of Governments</b>		<b>\$ 15,446</b>
<b>Texas State Library and Archives Commission</b>		
North Texas Libraries Digital Project	723-14007	\$ 11,060
Texas Reads	451-14005	3,000
<b>Total Texas State Library and Archives Commission</b>		<b>\$ 14,060</b>
<b>Total State Financial Assistance</b>		<b>\$ 289,994</b>

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, 2014

**NOTE A - GENERAL**

The accompanying Schedules of Expenditures of Federal and State Awards present the activity of all applicable federal and state awards of the City of Mesquite, Texas (the City). Direct federal and state awards and those federal and state awards passed through other government agencies are included in the Schedules of Expenditures of Federal and State Awards.

**NOTE B - BASIS OF PRESENTATION**

The accompanying Schedules of Expenditures of Federal and State Awards are presented using the accrual basis of accounting. The information in the schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. The information in the schedule of expenditures of state awards is presented in accordance with the requirements of the State of Texas *Single Audit Circular* included in the *Uniform Grant Management Standards* issued by the Governor's Office of Budget and Planning of the State of Texas. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE C - NON-CASH ASSISTANCE**

The City has not received any non-cash assistance, such as commodities, food stamps, or surplus property; insurance provided by a federal or state agency, or federal or state loans and/or loan guarantees.

**NOTE D - SUBRECIPIENTS**

The City provided \$39,000 to subrecipients from the Community Development Block Grant program as follows:

New Beginning Center	\$12,000
Mission East Dallas	9,000
Sharing Life Community Outreach	9,000
Mesquite Social Services	<u>9,000</u>
Total	<u><b>\$39,000</b></u>

**City of Mesquite, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended September 30, 2014

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	None reported
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
• Material weakness identified?	None reported
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

**City of Mesquite, Texas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year ended September 30, 2014

**SECTION I - SUMMARY OF AUDITORS' RESULTS - Continued**

Identification of major programs:

<u>CFDA/Grant Number</u>	<u>Name of Programs</u>
Major Federal Programs:	
14.871	Section 8 Housing Choice Vouchers
14.218	CDBG- Entitlement Grants Cluster
20.507	Federal Transit- Formula Grants- Urbanized Area Formula Program
Dollar threshold used to distinguish between type A and type B programs:	\$431,778
Auditee qualified as low-risk auditee?	Yes

**SECTION II - FINANCIAL STATEMENT FINDINGS**

The audit disclosed no findings required to be reported.

**SECTION III - FEDERAL AND STATE FINDINGS AND QUESTIONED COSTS**

The audit disclosed no findings required to be reported.

**City of Mesquite, Texas**

**SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

Year ended September 30, 2014

The prior audit disclosed no findings required to be reported.

# MESQUITE

T E X A S

Real. Texas. Flavor.

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