



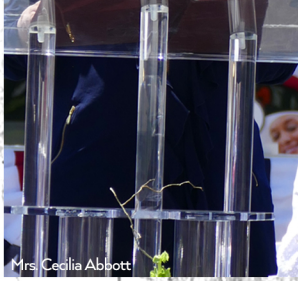
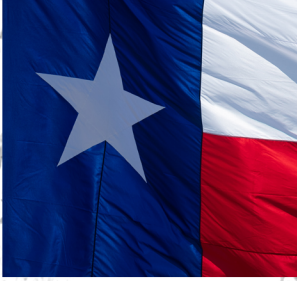
Bear Cave Coffee



Pieced Together Studio



Mrs. Cecilia Abbott



Mrs. Cecilia Abbott



OSK Downtown Mesquite TX  
Front Street Station Groundbreaking  
August 8, 2019  
Mesquite



Marketplace



Willy's Boot & Shoe Repair



Windsor Florist



Willy's Boot & Shoe Repair



Front Street Station



# CITY OF MESQUITE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020



**About the Cover:**

Downtown Mesquite was declared a City Council priority in 2016. In 2017, a dynamic partnership of citizens and the City of Mesquite formed to revitalize the historic heart of the City. From the process of envisioning a successful downtown to hiring staff to achieving Texas Main Street Program designation, the partnership is putting together all of the elements necessary to create a vital downtown that is authentic, vibrant and a point of pride for the community. During 2018 and 2019 several milestones were achieved including Texas Main Street Program designation, new downtown coffee shop pop-up, new logo unveiled, Facade Improvement Grant Program launched, Texas First Lady's Tour visiting downtown and Front Street Station groundbreaking to name a few. More is to come with more business development tools, events, downtown design improvements, Front Street Infrastructure and streetscape improvements and a Downtown Mesquite website. In the meantime, citizens can stay informed of the new and exciting Downtown Mesquite Development Program via [Facebook](#), [Twitter](#), [Instagram](#) and the City of Mesquite's [website](#).

# **City of Mesquite, Texas**

## Comprehensive Annual Financial Report

For the Year Ended September 30, 2020

**MESQUITE**

T E X A S

Real. Texas. Flavor.

**City of Mesquite, Texas**  
**September 30, 2020**

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**September 30, 2020**

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**City of Mesquite, Texas**  
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**City of Mesquite, Texas**  
**September 30, 2020**

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**CITY OF MESQUITE, TEXAS**

**CITY OFFICIALS**

**SEPTEMBER 30, 2020**

**CITY COUNCIL**

Bruce Archer, Mayor

Sherry Wisdom, District 1

Kenny Green, District 2

Robert Miklos, District 3

Tandy Boroughs, District 4

B.W. Smith, District 5

Daniel Aleman, District 6

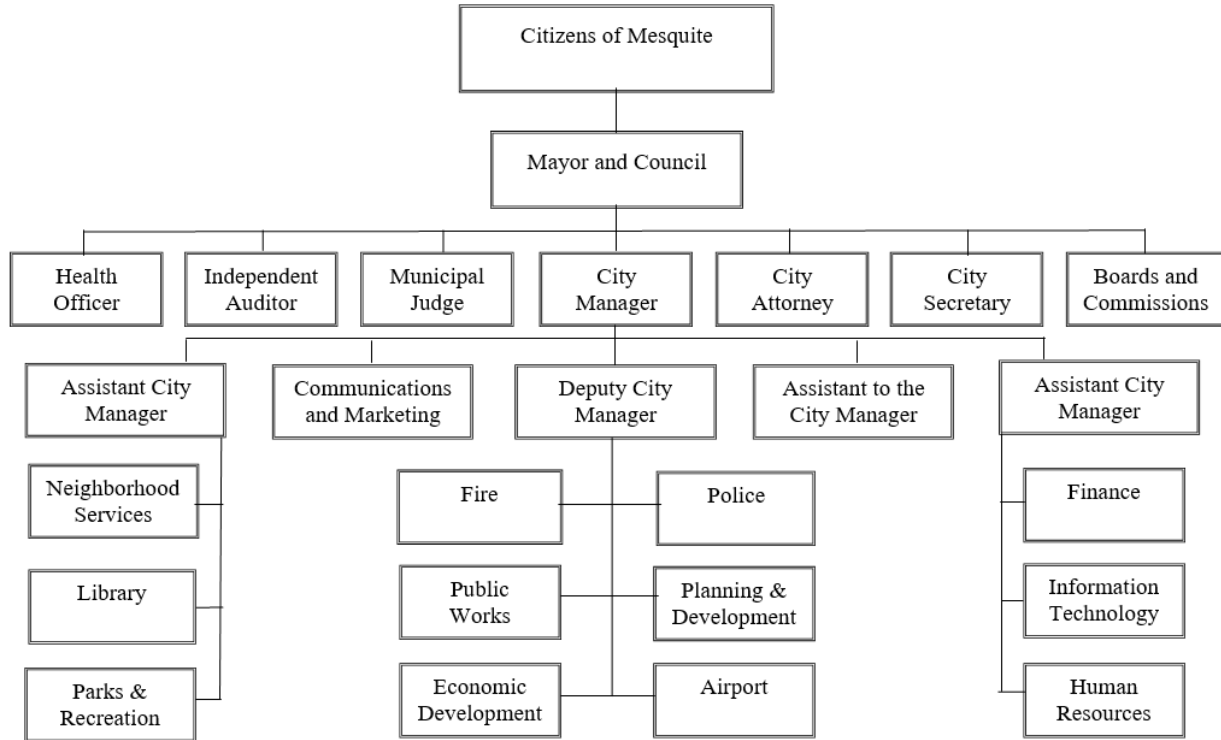
Cliff Keheley, City Manager

Cindy L. Smith, CGFM, Director of Finance

Sheree Haynes, CGFO, Manager of Accounting Services

City of Mesquite, Texas

Organizational Chart  
September 30, 2020





March 31, 2021

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

The Comprehensive Annual Financial Report (Annual Report) of the City of Mesquite, Texas (City), for the fiscal year ended September 30, 2020, is hereby submitted.

This report provides the City Council, staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

**BKD, LLP** has issued an unmodified (“clean”) opinion on the City’s financial statements for the year ending September 30, 2020. The independent auditor’s report is located at the beginning of the financial section of this report.

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

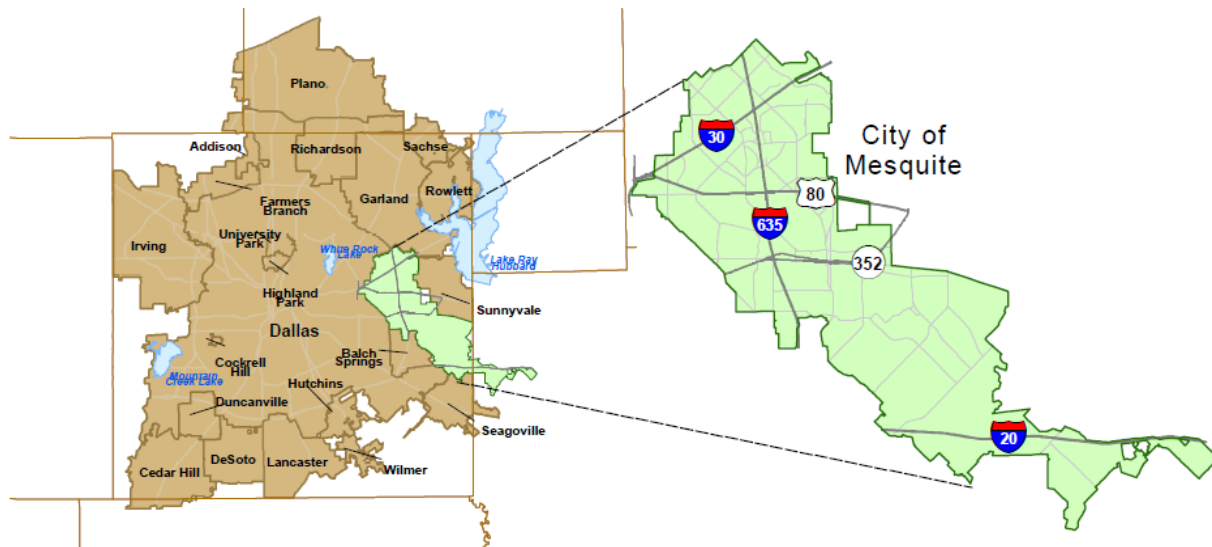
Article IV, Section 32 of the City Charter requires an annual audit of the books of account and transactions of all City departments be conducted by an independent certified public accountant selected by the City Council. The City is also required to undergo an annual single audit in conformity with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

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

The City is in eastern Dallas County, with its corporate limits adjoining the corporate limits of Dallas for approximately eight miles. The central business district of Mesquite is roughly 13 miles from downtown Dallas. The incorporated area of Mesquite is presently 48.94 square miles.

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

Over the years Mesquite grew not only in numbers but in strength and importance, becoming a viable agricultural center by the turn of the century. The Town's population increased threefold between the 1890 and 1900 U. S. censuses - from 135 to 405 - and grew to 729 by 1930. Twenty years later, in 1950, Mesquite was home to 1,696 citizens, and that is when explosive growth began. In 1960 the population jumped to 27,526, and to 67,053 in 1980, and 124,523 in 2000. Today, Mesquite's population is an estimated 145,410, making it the 22nd largest city in Texas and the 11th largest in the Dallas Metroplex. Mesquite is still one of the most dynamic cities in the Metroplex, served by excellent schools, churches, healthcare institutions, cultural and entertainment facilities, parks, playgrounds, and many other amenities.



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

The City of Mesquite is a Home Rule City operating under a council/manager form of government. The City Council is comprised of a Mayor and six Councilmembers. Councilmembers serve two-year terms and are responsible for appointing the City Manager, Municipal Judge, City Attorney, City Secretary, City Health Officer, Independent Auditor, and members of various boards and commissions. The Mayor is elected at large, and all six Councilmembers are elected from within their respective districts. 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 twenty-one 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**

The COVID-19 pandemic in 2020 did not discriminate and was felt in every sector of the Mesquite community. Despite the challenges, staff remained committed and the City, community, and partners pulled together and remained strong.

A positive factor for the City of Mesquite over the years has been the strength of the Dallas area economy. The Metroplex has ranked high nationally in attracting new businesses and expansion of existing companies. The area remains a major distribution and financial center for the Southwest, and the growth of high-tech industries, services industries, trade, and corporate headquarters have provided a strong, stable, and diverse regional economy.

Mesquite has several other factors which help foster an optimistic economic outlook for the City including the availability of affordable housing, a well-educated work force, and a strong agile retail and service-oriented marketplace. Mesquite also benefits from having four major highways crossing through its corporate limits and is well served by rail and intermodal facilities. Dallas/Fort Worth International Airport is located nearby to meet the community's commercial passenger air transportation needs and the City operates its own municipal airport facility for corporate and general aviation.

Mesquite continues to see consistent growth in all sectors of the commercial, industrial, and retail markets, with a continued surge in new industrial development. Tremendous residential growth has remained strong as developer's continue site work, finalize subdivisions, start new phases, and make progress in building out Mesquite's neighborhoods into the next decade. Residential growth will also spur continued commercial growth, especially in the southern Mesquite neighborhoods and along IH-20 in the Trinity Pointe area of Mesquite. Industrial activity is led by new company relocations and facility expansions, along with over three million square feet of new speculative development in design or under construction.

Retail activity was led by experiential retail, grocery, and new dining options, with new land development preparing for future brand attraction. In partnership with stakeholders and prospective end-users, redevelopment plans for reuse and expansion in and surrounding Town East Mall and the Market East Shopping Center continue with more than 100,000 square feet of new retail space in Market East. Town East Mall continues to operate at 97 percent occupancy on a consistent basis.

Urban Logistics Realty broke ground in 2019 and saw major site construction during 2020 for an 80+ acre industrial development facility named Urban District 30, which consists of five buildings totaling 977,013 square feet of Class A industrial space that will attract new companies to Mesquite. Dalfen Industrial, Conor Commercial Real Estate and Prologis made progress in building industrial and office space totaling 980,000 square feet.

International companies who have already chosen Mesquite include Ashley Furniture Industries, Orora Visual, Iris USA, Pepsi Co, Benjamin Moore Paints and Elements International.

On the residential side, Bloomfield Homes continues construction in the Hagan Hill subdivision, located along the IH-20 corridor and featuring new homes in the \$280's to \$400's price range, and is now selling homes in its third phase of development. Bloomfield Homes also continues work on a second development, Ridge Ranch, in southeast Mesquite, which will have another 750 lots with homes priced from \$260's to \$400's. The City has three Public Improvement Districts (PIDs) for proposed residential development. Heartland Town Center PID No. 1 is home to the Trailwind development by DR Horton with 450 new home sites with values ranging from \$260s to \$400s, Polo Ridge PID No. 2 will provide 1,007 new homes with values from \$260s to the \$750s, and Iron Horse PID No. 3 will provide 330 new homes, townhomes, and bungalows with values from the \$235s to \$300s. There are a few more proposed residential developments throughout the City in various infill areas and other major developments in the early planning stages.

Mesquite's health and medical community remains a strong economic driver for the City. A new medical facility on IH-30 opened and provides 60,000 square feet of professional medical office space. The Sanitas Medical Center secured space in the newly renovated Town East Crossing Shopping Center and began operations in 2020. Several other facilities secured permits for major projects.

One economic sector hit hardest by the pandemic was our entertainment industry. Although the City did not see any new attractions nor major capital investments in 2020, the Mesquite Arena had success in hosting the Mesquite Championship Rodeo under strict health guidelines and earning the Small Rodeo of the Year award by the Professional Rodeo Cowboys Association (PRCA).

The Mesquite Metro Airport is now ranked 31st out of 264 by the Texas Department of Aviation for total economic output by general aviation airports in Texas with an annual impact of \$22.7 million on the local economy. In 2019 the airport completed a \$2.8 million improvement project which included expansion of its runway, upgrades to the taxiway lighting system and other infrastructure enhancements. Additionally, in the past two years the airport has worked with outside investors to develop \$2.5 million worth of taxable infrastructure.

### **Major Initiatives**

Following direction of the City Council, several initiatives were undertaken during the year to 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 at <http://www.cityofmesquite.com>.

The City continued its residential street bond reconstruction project, which is a \$125 million general obligation bond authorization that was approved by voters in November 2015. The Trinity Pointe corridor along IH-20 continued to see development interest in multiple residential, commercial, and industrial projects. The City made progress with the first major capital improvement project in the historic downtown redevelopment area, Front Street Station, and successfully implemented a façade grant program for assisting businesses in improving their downtown storefronts. The myMesquite mobile app, allowing citizens to connect directly with City staff to report non-emergency requests for service or to report issues has been successful in its first year.

### **Long Term Financial Planning**

In January 2020, City Council met to review their current policy issues and goals for the City. These policy issues relate to safe community, attractive neighborhoods, improved transportation and mobility, vibrant economy, high performing/transparent government, and quality recreation and culture. More detail on the City Council Strategic Goals and Objectives for 2019-20 can be found on the City's website. City staff continued to utilize the budgeting for outcomes process to prioritize resources for the fiscal year 2020 budget. The budgeting for outcomes process allows City staff to better allocate limited resources to the highest priority's citizens want and which are better aligned with City Council goals.

Capital projects such as new roads, continued traffic improvements along the IH-635 interchange area, drainage improvements throughout the City, and new water storage and distribution projects will continue to be a priority as well as maintenance and expansion of the City's general infrastructure. To address these goals, the City maintains a 10-year capital improvement plan that provides a long-term framework for the development and maintenance of infrastructure to meet current and future needs.

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

### **Relevant Financial Policies**

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

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

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

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

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

During the 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, online 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 maintains a diversified and stable revenue system to shelter it from unforeseeable short-run fluctuations in any one revenue source.

Transfers between funds are only 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 are not used for funding on-going appropriations. One-time revenues are used to fund capital improvements, capital equipment, or other one-time appropriations.

Charges for services, or user fees, are 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 for the fiscal year ended September 30, 2019. This was the 41st consecutive year that the City has achieved this prestigious award. 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. This Annual Report continues to meet the Certificate of Achievement Program’s requirements, and it has been submitted to GFOA to determine its eligibility for another certificate.

***Award for Distinguished Budget Presentation.*** The City also received the GFOA’s Award for Distinguished Budget Presentation for its annual program of services dated October 1, 2019. This is the 32nd year the City has received the award. To qualify for the Distinguished Budget Presentation Award, the City’s budget document was judged to be proficient in several categories including policy document, financial plan, operations guide, and communications device.

***Texas Transparency Stars.*** The City also maintained its five Texas Comptroller of Public Accounts Transparency Stars for Traditional Finances, Debt Obligations, Contracts and Procurement, Economic Development, and Public Pensions. This award program recognizes local governments across Texas for going above and beyond in their transparency efforts. The Texas Comptroller received seventy-eight applications from local government entities, of which only twelve have received the maximum five Transparency Stars.

***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. I would like to express appreciation to all members of the department who assisted and contributed to its preparation. I would also like to thank the Mayor, City Council, and City Manager for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,

*Cindy L. Smith*

Cindy L. Smith, CGFM, CPM  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

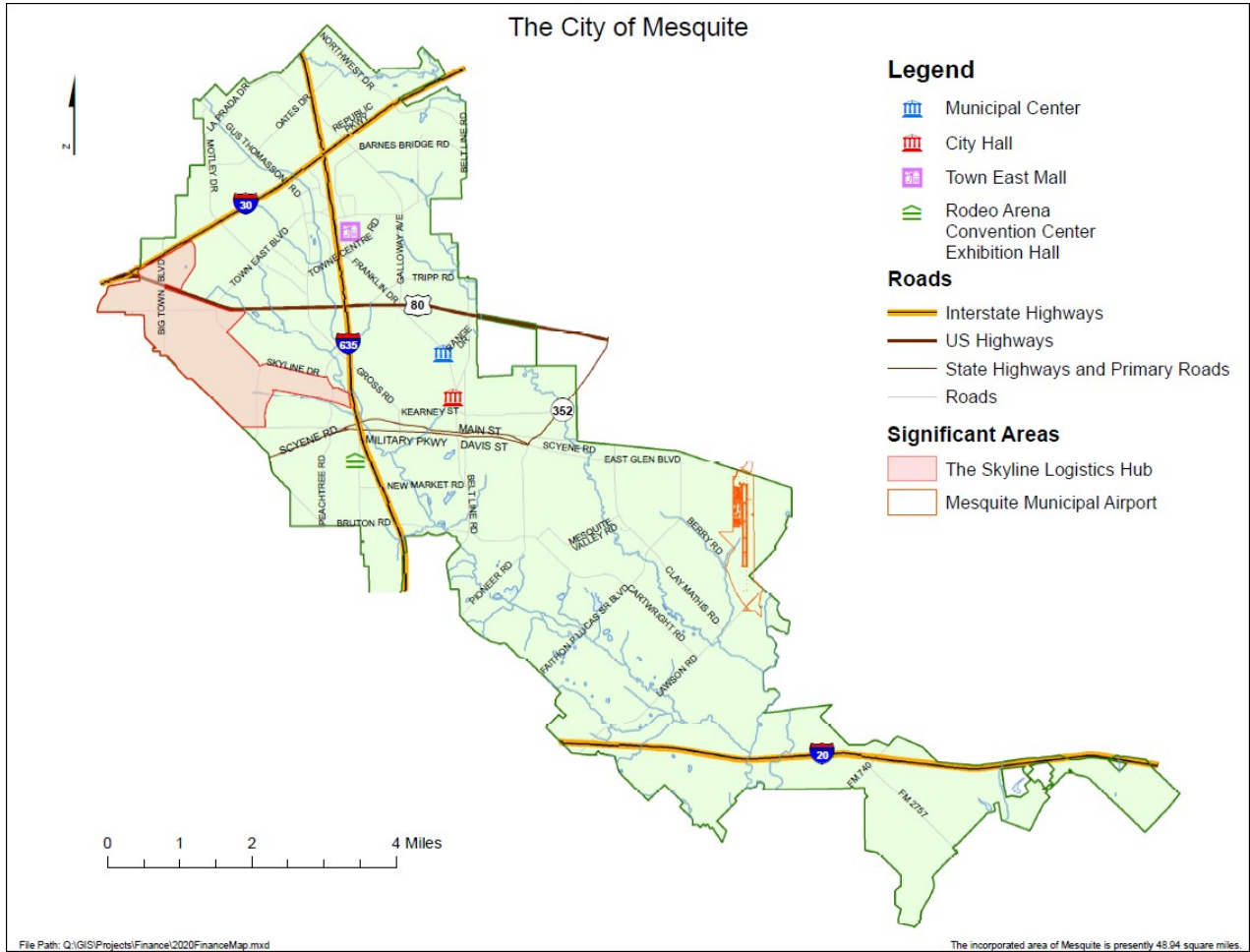
**City of Mesquite  
Texas**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

September 30, 2019

*Christopher P. Morill*

Executive Director/CEO



## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mesquite, Texas (City) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesquite, Texas, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the housing grants special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

Our audit for the year ended September 30, 2020, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements, budget and actual schedules, statistical section, the schedule of expenditures of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the schedule of expenditures of state awards, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, budget and actual schedules, schedule of expenditures of federal awards and schedule of expenditures of state awards for the year ended September 30, 2020, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended September 30, 2020, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements, budget and actual schedules, schedule of expenditures of federal awards, and schedule of expenditures of state awards are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended September 30, 2020.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City as of and for the year ended September 30, 2019 (not presented herein), and have issued our report thereon dated March 18, 2020, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The combining and individual fund financial statements for the year ended September 30, 2019, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended September 30, 2019.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated March 31, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

**BKD, LLP**

Dallas, Texas  
March 31, 2021

**MESQUITE**

T E X A S

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# **City of Mesquite, Texas**

## **Management's Discussion and Analysis (Unaudited)**

### **Year Ended September 30, 2020**

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, 2020. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the financial statements, which follow this section.

#### **Financial Highlights**

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$258.6 million (net position). Within the total net position, unrestricted is an \$89.2 million deficit.

The City's total net position increased by \$37.8 million from operations during fiscal year 2020. Governmental activities which receive taxes and other non-exchange revenues, increased \$19.1 million and business type activities increased by \$18.7 million.

As of the close of the current fiscal year, the City of Mesquite's governmental funds reported combined ending fund balances of \$119.6 million, an increase of \$5.2 million from the prior year due primarily to revenues trending higher than anticipated and issuance of bonds that will be spent in the future on capital projects. Of this amount, \$25.1 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 \$25.2 million and total fund balance was \$27.3 million. Total unassigned fund balance represents approximately 71 days of working capital, calculated in accordance with City Policy of General Fund Budgeted Revenues. . On a current financial resources basis, total fund balance for the General Fund increased \$4.6 million which was primarily the result of revenue resources coming in higher than budgeted.

The City's debt increased by \$25.8 million during this current fiscal year. The City issued certificates of obligation for infrastructure, capital replacement, and municipal building improvements. In addition, the City issued revenue bonded debt for water, sewer, and drainage improvements.

The Group Medical Insurance Internal Service fund revenues exceeded expenses by \$2.6 million which reduced the negative fund balance in the fund. In an effort to address the negative fund balance, the City Council adopted a fund balance reserve policy in January 2019 that requires adequate revenues to cover expenditures each operating year with a plan to fund reserves from excess revenues over expenditures as well as one-time revenue sources. Per the policy, continuous improvements shall be shown each year to reduce the deficit with a goal of a minimum level of working capital equivalent to three months of regular, on-going operating expenses. Current year plan changes included an additional \$250,000 employer contribution along with a ten percent retiree rate increase.

The General Liability Insurance Internal Service fund expenses exceeded revenues and investment income by \$99 thousand which reduced the negative fund balance. Claims to the fund decreased \$386 thousand. The City will continue to work on eliminating the deficit fund balance through increased insurance rates to user departments and continue to closely monitor liability claims.

# **City of Mesquite, Texas**

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### **Year Ended September 30, 2020**

#### **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 the City's assets and liabilities and deferred inflows/outflow of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

#### ***Fund Financial Statements***

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

**City of Mesquite, Texas**  
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Governmental funds

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

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

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

The City adopts an annual appropriated budget for the General and the Housing Grants Special Revenue funds, which are presented as part of the basic financial statements to demonstrate compliance with these budgets.

Proprietary funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, drainage utility, municipal airport, and municipal golf course operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its group health insurance and general liability insurance programs. Both 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 major funds of the City. The non-major funds are the Municipal Airport and the Municipal Golf. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major funds and the internal service funds is provided in the form of combining statements elsewhere in this report.

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*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 the City, the Mesquite Independent School District, a separate legal entity, and public improvement districts funds are held in the agency account until amounts due to each government can be determined and distributed. The basic financial statements include a statement of fiduciary assets and liabilities. The accounting used for this fiduciary fund is much like that used for proprietary funds.

***Notes to the Financial Statements***

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

***Other Information***

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

The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, and internal service funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules follow the required supplementary information.

**Government-wide Overall Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Mesquite, assets and deferred outflows exceeded liabilities and deferred inflows by \$258.6 million as of September 30, 2020.

The largest portion of the City's net position (123.2 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.

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**City of Mesquite's Net Position**

	Governmental Activities		Business-type Activities		Totals	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
Current and other assets	\$ 145,273,360	\$ 140,337,598	\$ 107,850,220	\$ 84,714,984	\$ 253,123,580	\$ 225,052,582
Capital assets, net	331,734,333	304,384,996	232,964,172	221,998,507	564,698,505	526,383,503
Total assets	477,007,693	444,722,594	340,814,392	306,713,491	817,822,085	751,436,085
Deferred outflows of resources	16,725,808	35,251,761	2,401,465	4,245,201	19,127,273	39,496,962
Other liabilities	16,418,092	17,543,531	10,153,663	9,519,030	26,571,755	27,062,561
Long-term liabilities	401,356,363	420,046,023	126,737,825	114,869,292	528,094,188	534,915,315
Total liabilities	417,774,455	437,589,554	136,891,488	124,388,322	554,665,943	561,977,876
Deferred inflows of resources	21,820,698	7,408,340	1,817,364	729,565	23,638,062	8,137,905
Net investment in capital assets	160,736,361	144,526,707	158,037,592	151,897,380	318,773,953	296,424,087
Restricted	23,493,084	27,940,918	5,579,356	3,797,549	29,072,440	31,738,467
Unrestricted	(130,091,097)	(137,491,164)	40,890,057	30,145,876	(89,201,040)	(107,345,288)
Total net position	\$ 54,138,348	\$ 34,976,461	\$ 204,507,005	\$ 185,840,805	\$ 258,645,353	\$ 220,817,266

Within the total net position, unrestricted is an \$89.2 million deficit. An additional portion of the City's net position (11.2 percent) represents resources that are subject to external restriction on how they may be used. The current and other assets increased in the governmental activities by \$4.9 million and the business-type activities increased by \$23.1 million. The increase in the governmental activities assets is primarily due to an increase in pooled cash and investments from bond proceeds received for major capital projects still in progress. Increase in the business-type activities is primarily due to an increase in pooled cash and investments and net receivables as a result of current year operations.

The City's total liabilities decreased by \$7.3 million. Bonds payable increased \$25.8 million for new capital projects. The Other Postemployment Benefit (OPEB) liability decreased \$1.5 million and the net pension liability decreased \$30.4 million due to additional City contributions to the plan and a strong investment performance.

Deferred inflows and outflows of resources are primarily due to pension and other postemployment benefit valuation activity including better than expected market performance in calendar year 2019.

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***Analysis of the City's Operations***

Governmental and Business-type activities increased the City's net position by \$37.8 million. The key elements of this increase and the prior year results are as follows:

	Governmental Activities		Business-type Activities		Totals	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
<b>Revenues:</b>						
<i>Program revenues:</i>						
Charges for services	\$ 25,618,621	\$ 35,228,649	\$ 81,488,602	\$ 76,019,606	\$ 107,107,223	\$ 111,248,255
Operating grants and contributions	26,235,784	16,414,116	50,000	53,462	26,285,784	16,467,578
Capital grants and contributions	7,749,231	5,754,493	7,675,969	982,341	15,425,200	6,736,834
Total program revenues	59,603,636	57,397,258	89,214,571	77,055,409	148,818,207	134,452,667
<i>General revenues:</i>						
Ad valorem taxes	62,494,839	57,413,399	-	-	62,494,839	57,413,399
Gross receipts taxes	7,185,580	7,809,774	-	-	7,185,580	7,809,774
Sales taxes	47,191,911	46,869,479	-	-	47,191,911	46,869,479
Gain on sale of assets	-	549,131	-	13,598	-	562,729
Investment income	1,287,612	2,687,239	942,444	1,344,354	2,230,056	4,031,593
Total general revenues	118,159,942	115,329,022	942,444	1,357,952	119,102,386	116,686,974
Total revenues	177,763,578	172,726,280	90,157,015	78,413,361	267,920,593	251,139,641
<b>Expenses:</b>						
General government	14,754,760	30,099,532	-	-	14,754,760	30,099,532
Fire services	32,319,396	30,502,473	-	-	32,319,396	30,502,473
Police services	43,433,579	40,496,308	-	-	43,433,579	40,496,308
Public works	22,680,765	23,489,512	-	-	22,680,765	23,489,512
Planning and community development	3,816,689	3,300,757	-	-	3,816,689	3,300,757
Housing and community services	19,933,629	17,962,083	-	-	19,933,629	17,962,083
Library services	2,357,904	2,157,215	-	-	2,357,904	2,157,215
Parks and recreation	11,937,840	11,400,109	-	-	11,937,840	11,400,109
Interest on long-term debt	7,222,299	8,891,530	-	-	7,222,299	8,891,530
Water and sewer	-	-	64,604,834	62,785,809	64,604,834	62,785,809
Drainage utility district	-	-	3,457,368	2,832,374	3,457,368	2,832,374
Municipal airport	-	-	2,053,510	2,018,245	2,053,510	2,018,245
Municipal golf	-	-	1,519,933	1,529,363	1,519,933	1,529,363
Total expenses	158,456,861	168,299,519	71,635,645	69,165,791	230,092,506	237,465,310
Increase in net position before transfers	19,306,717	4,426,761	18,521,370	9,247,570	37,828,087	13,674,331
Transfers	(144,830)	796,972	144,830	(796,972)	-	-
Change in net position	19,161,887	5,223,733	18,666,200	8,450,598	37,828,087	13,674,331
Net Position, beginning	34,976,461	29,752,728	185,840,805	177,390,207	220,817,266	207,142,935
Net Position, ending	\$ 54,138,348	\$ 34,976,461	\$ 204,507,005	\$ 185,840,805	\$ 258,645,353	\$ 220,817,266

***Governmental Activities***

Governmental activities increased the City of Mesquite's net position by \$19.1 million.

The City's program revenues from governmental activities increased approximately \$2.2 million (3.8 percent) as compared to the prior year. Charges for services decreased approximately \$9.6 million, operating grants and contributions increased approximately \$9.8 million, and capital grants and contributions increased approximately \$2.2 million.

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Charges for services decreased primarily due to a decrease in parks and recreation activities, municipal court warrants and fines activities, library services, and ambulance services. Capital and operating grants and contributions increased primarily due to funding received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act for preparing, responding, and preventing the spread of the coronavirus.

General revenues of the City's governmental activities increased \$2.8 million (2.5 percent) during the year. General revenue from property taxes increased \$5.1 million due to increased property tax values and new property added to the tax roll. Gross receipts tax revenue decreased \$624 thousand due to decreased activity from electricity, gas, and cable franchise fees. Sales tax revenues increased \$323 thousand due to an increase in retail activity. Investment income decreased \$1.4 million due to lower yields on investments throughout the year.

Expenses for the City's governmental activities experienced a net decrease of \$9.8 million (5.8 percent) compared with the prior fiscal year. The decrease can be attributed to General Government, \$15.3 million, Interest in long term debt, \$1.7 million, and Public works, \$809 thousand which were offset by increases to Housing and community services, \$2.0 million, Fire services, \$1.8 million, Police services, \$2.9 million, Parks and recreation, \$538 thousand, Library services, \$201 thousand; and Planning and community development, \$516 thousand.

- General Government decreased \$15.3 million due to salary and position freezes, a decrease in community events, and departmental expenditure reductions for core services due to the COVID-19 pandemic.
- Interest on long term debt decreased \$1.7 million due to lower interest rates and debt service payments related to refunded bonds.
- Public works decreased \$809 thousand due to salary and position freezes and departmental expenditure reductions.
- Housing and community services increased \$2.0 million due to expenditures covered by additional federal awards from the CARES Act and a transfer of Section 8 Housing Choice Vouchers from the City of Balch Springs, Texas.
- Fire services increased \$1.8 million and police services increased \$2.9 million primarily due to unbudgeted expenses incurred to help mitigate the spread of the COVID-19 virus

***Business-type Activities***

Business-type activities increased the City of Mesquite's net position by \$18.7 million.

The City's overall revenues for business-type activities increased by \$11.7 million (15.0 percent) during the fiscal year. The majority of the program revenues for the City's business-type activities are from its water and sewer operations. Water and sewer customer charges increased \$5.5 million due to a 4.5 percent rate increase. Capital grants and contributions increased \$6.7 million due to an increase in developer contributions for the Water Sewer fund and Drainage Utility District fund.

Expenses attributable to the business-type activities increased approximately \$2.5 million (3.6 percent). The increase is mainly due to increased costs for potable water and wastewater treatment.

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**Financial Analysis of the City's Funds**

***Governmental Funds***

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$119.6 million. Approximately 21.0 percent of this total amount (\$25.1 million) constitutes unassigned fund balance. The remainder of the fund balance is comprised of \$2.0 million for non-spendable, which represents funds already committed for prepaid and inventory items and a note receivable which will be repaid in future years, \$84.7 million for restricted, which represents funds restricted for specific purposes by their providers (such as grantors, bondholders, and higher levels of government), and \$7.8 million for assigned, which represents amounts the City intends to use for specific purposes (such as encumbrances, promotion of tourism, and capital projects). The fund balance for all governmental funds increased by \$5.2 million from the previous fiscal year. This overall increase is explained below individually by fund.

The General Fund is the chief operating fund of the City of Mesquite. At the end of the current fiscal year, unassigned fund balance of the General fund was \$25.2 million while the total fund balance was at \$27.3 million. The total fund balance increased by \$4.6 million.

In the General Fund, total revenues increased \$4.1 million from the prior year as follows:

- Ad valorem taxes increased \$4.6 million due to an increase in assessed property values.
- Sales tax increased over the prior year by \$481 thousand due to an increase in retail activity within the City.
- Licenses and permits increased \$398 thousand over the prior year due to a rate increase for construction related permits and other public safety permits.
- Other revenues increased \$511 thousand over the prior year. The rise can be attributed to the Medicaid reimbursement program administered by the Texas Health and Human Services Commission.
- These increases were offset by decreases in charges for Services by \$799 thousand mainly due to the negative impact of COVID-19 to city operations related to Parks and recreation and Library services.
- Fines and Forfeitures decreased \$394 thousand as a result of the municipal court operations shut down for several weeks during the pandemic and warrants not issued during this time.

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Total expenditures in the General Fund decreased \$5.4 million over the prior year as follows:

- General government decreased \$4.7 million due to no longer including reimbursed expenses from enterprise funds in general government expenses. These are shown as enterprise funds payment in lieu of taxes (PILOT)/franchise fees.
- Fire services decreased \$1.8 million due to salary and overtime expenses paid for by the Other Grants Fund (rather than the General Fund) to be reimbursed by the CARES Act grant.
- Parks and recreation had a decrease of \$924 thousand due to an overall reduction of operations due to the COVID-19 pandemic.

The Housing Grants Fund is a major special revenue fund used to account for funds awarded the City by the U. S. Department of Housing and Urban Development under their housing assistance program. The fund balance is \$1.9 million at the end of the year. Fund balance increased by \$578 thousand due to increased funding for the grant program.

The Local Finance capital projects fund is reported as a major fund and is used to account for capital project expenditures from the proceeds of local revenue sources. Fund balance at year end is \$34.0 million, \$27.0 million of which is restricted for various capital projects and specified spending and \$6.9 million is assigned for other capital projects identified by the City. The fund balance decreased \$9.9 million is primarily due to timing fluctuations of capital project spending from year to year. Project spending carries over from year to year depending on the scheduled activity.

The Bond Finance capital projects fund is a major fund used to account for capital project expenditures from the proceeds of governmental debt. See the Capital Asset section for highlights on project spending. Fund balance at year end is \$46.6 million, almost all of which is restricted for use for the capital projects approved within the various bond issues. The fund balance increased \$9.5 million which is due to timing fluctuations of issuing of bonds (current year) versus capital project spending from year to year and the street bond rehabilitation program.

The Debt Service fund is a major fund used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance was \$822 thousand at the end of the year. Fund balance increased by \$4 thousand in the current 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 \$39.5 million and the Drainage Utility District amounted to \$3.7 million. The change in net position was an increase of \$14.7 million for the Water/Sewer Fund and an increase of \$4.5 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 of \$505 thousand in commercial drainage charges.

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***General Fund Budgetary Highlights***

The City revised the original appropriations approved by the City Council for the 2020 fiscal year budget. Overall, these changes resulted in a decrease in budgeted revenues and transfers in by \$1.8 million and a decrease in expenditures and transfers out of \$3.4 million from the original budget.

The decrease in budgeted revenues was to reflect:

- Adjustments to match revenue trends including a decrease in Cable TV Gross Receipts activity of \$363 thousand, a decrease in Sales Tax activity of \$25 thousand, a decrease in earned Interest Income of \$125 thousand, a decrease of \$318 thousand related to Fines and Forfeitures, an increase of \$479 thousand related to fee increases approved by City Council, and a decrease of \$59 thousand for Contributions and Donations;
- A decrease of \$1.6 million from the Water and Sewer Operating Fund and Drainage Utility District Fund for Payment in Lieu of Taxes and Franchise Fees, which is reflected as an increase in PILOT/franchise fee revenue and a decrease in transfers in.

The decrease in budgeted expenditures were:

- General government decreased \$1.3 million due to reduced general liability charges and Chapter 380 economic development incentive payments and Library services decreased \$174 thousand due to decreased operations resulting from the COVID-19 pandemic;
- Fire services decreased \$548 thousand due to salary savings from personnel vacancies left unfilled;
- Public Works decreased \$384 thousand due to salary savings from personnel vacancies left unfilled and reduced operations resulting from the COVID-19 pandemic;
- Planning and Development decreased \$156 thousand due to salary savings from personnel vacancies left unfilled and reduced operations resulting from the COVID-19 pandemic; and
- Cost allocation reimbursements from Water and Sewer operations and Housing increased by \$1.6 million thereby reducing overall General Fund expenditures.

Budget variances as compared to actuals were more revenues and transfers in of \$1.5 million and less expenditures and transfers out of \$1.1 million. The positive variance in revenues was mainly due to additional Sales Taxes of \$917 thousand, Fines and Forfeitures of \$351 thousand, and Ad Valorem Taxes of \$593 thousand. Other positive variances included \$48 thousand in Gross Receipts Taxes, \$74 thousand in Licenses and Permits, and \$191 thousand in Other Revenues which consisted of the Ambulance Medicare Reimbursement. Negative variances versus budgeted revenues include \$414 thousand in Charges for Service, \$114 thousand in Investment Income, \$8 thousand in Intergovernmental revenues, and \$8 thousand in Contributions and Donations.

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The budget variance of \$1.1 million less in expenditures and transfers out was due to all areas coming in under amended budget. General government was under budget by \$969 thousand as a result of reduced separation pay and incentive payments for Chapter 380 economic development agreements. Police services was under budget \$3.2 million and fire services was under budget \$2.6 million due to overtime expenses paid for by the Other Grants Fund (rather than the General Fund) to be reimbursed by the CARES Act grant. Public works was under budget \$674 thousand due to fuel savings, and more work order credits due to increased capital projects activity. Planning and community development was under budget \$73 thousand as a result of fewer condemned property demolitions. Library services was under budget \$46 thousand and parks and recreation was under budget \$779 thousand due to overall reduced operations due to the COVID-19 pandemic. Housing and community services was under budget \$320 thousand as a result of reduced operations in environmental code and the animal shelter during the COVID-19 pandemic.

**Capital Assets**

At the end of fiscal year 2020, the City had over \$564.6 million (net of accumulated depreciation) invested in capital assets for its governmental and business-type activities in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. The total increase in the City of Mesquite's net investment in capital assets was 7.3 percent for the current fiscal year.

**City of Mesquite’s Capital Assets, net of depreciation**

	Governmental Activities		Business-type Activities		Totals	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
Land	\$ 24,366,025	\$ 24,664,250	\$ 13,329,688	\$ 12,442,946	\$ 37,695,713	\$ 37,107,196
Construction in progress	52,204,403	29,877,841	16,030,605	8,980,503	68,235,008	38,858,344
Buildings	69,968,328	64,784,201	6,631,480	6,381,465	76,599,808	71,165,666
Infrastructure	149,772,074	148,574,515	190,111,538	187,059,900	339,883,612	335,634,415
Improvements other than buildings	10,952,530	10,654,625	3,427,133	3,587,534	14,379,663	14,242,159
Equipment	24,470,973	25,829,564	3,433,728	3,546,159	27,904,701	29,375,723
Totals	<u>\$ 331,734,333</u>	<u>\$ 304,384,996</u>	<u>\$ 232,964,172</u>	<u>\$ 221,998,507</u>	<u>\$ 564,698,505</u>	<u>\$ 526,383,503</u>

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

- Over \$59.7 million was expended for governmental type activities for capital projects in 2020 and \$17.9 million was completed and placed into service. Major components of projects placed into service include the following:
  - Over \$7.2 million in building construction and improvements including the all new replacement of Fire Station #4 and upgrades to the Animal Shelter.
  - Over \$3.9 million in infrastructure improvements and additions including residential street rehabilitation in the Valley View Heights area and the construction of Military Parkway Trail as a shared-use path.
  - Over \$1.3 million in facility improvements including upgrades to Kids Quest Playground at Debusk Park to include equipment for all ages and abilities, including special needs. Rutherford Park and Hanby Park improvements were also made during the year, as well as various other facilities upgrades.

**City of Mesquite, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2020**

- Over \$4.6 million was expended on equipment replacements including software upgrades for city operations, police and fire vehicles and equipment, public works vehicles and equipment, traffic signal equipment and various other types of equipment.
- Over \$10.5 million of land, infrastructure and equipment was expended on the water and sewer system capital projects and \$3.0 was completed and placed into service.
- Over \$200 thousand of land, infrastructure, and improvements was expended on drainage system capital projects and \$519 thousand was completed and placed into service.
- Over \$259 thousand of improvements was expended on the airport facility and \$470 thousand was completed and placed into service for a hangar.

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

**Debt Administration**

At year-end, the City had \$350.4 million in net bonded debt outstanding. Of this total amount, \$204.3 million, 58.3 percent, is comprised of bonded debt backed by the full faith and credit of the City; \$31.8 million, 9.1 percent, is comprised of special assessment bonds which are to be paid from special assessments on each property owner in the Heartland Town Center PID, Iron Horse PID, Polo Ridge PID and is secured by property values; and \$114.3 million, 32.6 percent, represents revenue bonds secured by specified revenue sources related to the revenue bond projects.

**City of Mesquite's Outstanding Debt**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>FY2020</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2019</b>
General obligation bonds	\$ 122,010,000	\$ 100,740,000	\$ -	\$ -	\$ 122,010,000	\$ 100,740,000
Certificates of obligation	67,685,000	80,385,000	-	-	67,685,000	80,385,000
Special assessment bonds	31,835,000	31,835,000	-	-	31,835,000	31,835,000
Revenue bonds	-	-	106,280,000	94,375,000	106,280,000	94,375,000
Premiums on bonds	14,613,527	11,634,912	7,983,134	5,642,059	22,596,661	17,276,971
<b>Totals</b>	<b>\$ 236,143,527</b>	<b>\$ 224,594,912</b>	<b>\$ 114,263,134</b>	<b>\$ 100,017,059</b>	<b>\$ 350,406,661</b>	<b>\$ 324,611,971</b>

# **City of Mesquite, Texas**

## **Management's Discussion and Analysis (Unaudited)**

### **Year Ended September 30, 2020**

During the fiscal year, the City had three debt issuances in May 2020. The first debt issue was for \$10.36 million of certificate of obligation debt for constructing and improving streets, roads, and alleys including related storm drainage, signalization, landscaping, lighting and signage, major repairs and renovations to existing municipal buildings, constructing and equipping a new fire station, acquisition of equipment and vehicles for various City departments, acquisition of computer equipment and software for various City departments, and paying for legal, fiscal, engineering, and other professional fees in connection with such projects. The second debt issue was for \$14.585 million of general obligation debt for constructing, improving extending, expanding, upgrading, and developing two-lane residential streets including related storm drainage, signalization, landscaping, lighting, and signage; major repairs and renovations to existing municipal buildings; constructing and equipping a new fire station, acquisition of equipment and vehicles for various City departments; acquisition of computer equipment and software for various City departments; and paying for legal, fiscal, engineering, and other professional fees in connection with such projects. The third debt issue was for \$19.43 million of revenue bonds for water and sewer improvements.

Standard and Poor's Rating Services assigned its 'AA' long-term rating to the city's series 2020 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 2020 waterworks and sewer system revenue bonds. At the same time, Standard and Poor's affirmed its 'AA' rating on the city's existing system revenue debt. Standard and Poor's Rating Service affirmed its 'AAA' rating on the drainage utility system outstanding debt. At the same time, Standard and Poor's assigned its 'AAA' rating and stable outlook to the city's series 2020 drainage utility system revenue bonds.

Moody's Investor Services, Inc. assigned its 'Aa2' long-term rating to the city's series 2020 combination tax and limited surplus revenue certificates of obligation. In addition, Moody's affirmed its 'Aa2' long-term and underlying rating on the city's outstanding general obligation debt. Moody's assigned its 'Aa2' rating to the city's series 2020 waterworks and sewer system revenue bonds. At the same time, Moody's affirmed its 'Aa2' rating on the city's existing system revenue debt. Moody's assigned its 'Aa2' rating to the city's series 2020 drainage utility system revenue bonds. At the same time, Moody's affirmed its 'Aa2' rating on the city's existing drainage utility system revenue debt.

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

### **Pensions and Retiree Health Care**

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

**City of Mesquite, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2020**

Effective for fiscal year 2015, GASB Statement No. 68, created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments around the nation. The funding valuation is important as the actuarial methods used including strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to and the effectiveness of its funding strategy. Information contained in the financial statements themselves including the first schedule of the Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation. On a reporting basis, the City's financial statements reflect a Net Pension Liability as of September 30, 2020 of \$117,522,022, which is 152.6 percent of the City's annual covered payroll of \$77,001,149.

Retiree health care's actuarially accrued liability has been calculated in accordance with the new GASB Statement No.75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", to be \$35,865,706 as of September 30, 2020, which is 52.8 percent of the City's annual covered payroll of \$67,962,447.

**Economic Factors and Next Year's Budget and Rates**

During fiscal year 2019-20, the City, like most other cities, was challenged by a worldwide pandemic. The City was able to balance the budget by quickly responding with reduced costs such as hiring freezes, suspended travel, reduced operating expenses, and re-evaluated program expenses. Grant funds were also instrumental in addressing the impact to the budget. Future revenues will depend on assessed property value growth.

Fiscal year 2021 marks the fifth year of implementing a hybrid form of the budgeting process known as Budgeting for Outcomes. The City has started to transform its operations and culture under a performance management framework by encouraging greater citizen participation and community engagement.

In the 2020-2021 budget General Fund revenues and transfers in are projected to increase by 2.2 percent from the 2019-20 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 1.97 percent over the preceding year. The City's adopted tax rate is set at \$0.70862 per \$100 of assessed valuation and represents a decrease from the prior year tax rate. General sales tax receipts decreased slightly from the 2019-20 budget. Based on historical patterns, it is expected to increase slightly flat for 2020-2021. This revenue source comprises 25.4 percent of General Fund revenues and transfers in and is the most volatile and subject to change based on the economy and any further pandemic effects. Licenses and permits revenue is expected to increase by \$700,000. This increase is due to the Rental Certificate Occupancy Program. Charges for services is budgeted with an approximate \$763,000 increase mainly due to a fee increase in residential solid waste collections of \$1.00 per month per household and an increase in commercial solid waste fees. The 2020-21 budget includes other modest increases and decreases to some of the other revenue line items that make up the remaining change from the previous year.

**City of Mesquite, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2020**

General Fund expenditures and transfers out are budgeted at a 3.6 percent increase over the 2019-20 final budget. The 2020-21 budget includes an increase in funding to the Texas Municipal Retirement System (TMRS) for all full-time employees. In addition, sworn public safety employees are budgeted to receive five percent step increases for firefighters and police officers with less than six years of service. Market adjustments are included for non-exempt level positions that are clerical, labor, maintenance, and trade-skilled labor, as well. The budget includes nine new positions including three police officers in operations and one School Resource Officer (SRO), one open records management position, and four animal services officers. Seven authorized full-time positions are frozen for 2020-21. Expenditures also include an increase in the City's contribution to the Group Medical Insurance fund. There are other increases and decreases between the expenditure categories that offset each other to create the overall budget increase.

The General Fund Reserve Policy, as approved in 2018-19, requires maintaining a minimum unassigned fund balance equivalent to 60 days of working capital to be calculated as 60 days of General Fund budget revenues. Total fund balance for the General Fund is projected to remain relatively flat in fiscal year 2021. The projected ending fund balance is approximately 62 days of working capital for the unassigned fund balance based on total revenues.

The Water and Sewer Fund budget includes no rate increase for charges. The City was able to decrease the Water and Sewer Operating Fund budget due in part to not having a rate increase for the purchase of treated water from the North Texas Municipal Water District (NTMWD).

### **Contacting the City's Financial Management**

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Accounting Manager, at P. O. Box 850137, Mesquite, Texas 75185-0137, call (972) 216-6263 or e-mail at [shaynes@cityofmesquite.com](mailto:shaynes@cityofmesquite.com).

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**City of Mesquite, Texas**  
**Statement of Net Position**  
**September 30, 2020**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Pooled cash and investments	\$ 30,934,994	\$ 43,530,954	\$ 74,465,948
Receivables (net of allowance for uncollectibles)	23,660,428	13,208,958	36,869,386
Internal balances	1,132,049	(1,132,049)	-
Inventory	1,083,204	414,117	1,497,321
Prepays and other assets	253,935	15,873	269,808
Accrued interest	70,521	53,060	123,581
Restricted pooled cash and investments	88,138,229	51,759,307	139,897,536
Capital assets-			
Land and construction in progress	76,570,428	29,360,293	105,930,721
Other capital assets (net of accumulated depreciation)	255,163,905	203,603,879	458,767,784
<b>Total Assets</b>	<b>477,007,693</b>	<b>340,814,392</b>	<b>817,822,085</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred loss on refunding	1,937,332	866,461	2,803,793
Deferred pension contributions	9,127,554	740,072	9,867,626
Difference in expected and actual pension experience	420,917	34,128	455,045
Difference in assumption changes - pension	315,377	25,572	340,949
Difference in assumption changes - OPEB	4,917,882	398,747	5,316,629
Change in proportional share - pension	6,746	336,485	343,231
<b>Total Deferred Outflows of Resources</b>	<b>16,725,808</b>	<b>2,401,465</b>	<b>19,127,273</b>
<b>LIABILITIES:</b>			
Accounts payable	11,629,924	4,784,943	16,414,867
Accrued interest payable	1,046,186	356,731	1,402,917
Retainage payable	1,326,037	558,106	1,884,143
Deposits and other liabilities	2,415,945	4,453,883	6,869,828
Long-term liabilities:			
Due within one year:			
Bonds payable	13,665,000	7,295,000	20,960,000
Total other postemployment benefit (OPEB) liability	1,705,164	138,256	1,843,420
Accrued compensated absences	7,698,871	177,512	7,876,383
Estimated claims payable	2,012,305	-	2,012,305
Due in more than one year:			
Bonds payable	222,478,527	106,968,134	329,446,661
Total other postemployment benefit (OPEB) liability	31,470,612	2,551,674	34,022,286
Net pension liability	108,707,867	8,814,155	117,522,022
Accrued compensated absences	11,804,835	793,094	12,597,929
Estimated claims payable	1,813,182	-	1,813,182
<b>Total Liabilities</b>	<b>417,774,455</b>	<b>136,891,488</b>	<b>554,665,943</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Difference in expected and actual pension experience	3,000,570	243,288	3,243,858
Difference in expected and actual OPEB experience	5,147,241	417,344	5,564,585
Difference in projected and actual earnings on pension assets	13,399,909	1,086,479	14,486,388
Change in proportional share - pension	272,978	70,253	343,231
<b>Total Deferred Inflows of Resources</b>	<b>21,820,698</b>	<b>1,817,364</b>	<b>23,638,062</b>
<b>NET POSITION:</b>			
Net investment in capital assets	160,736,361	158,037,592	318,773,953
Restricted for:			
Capital projects	4,878,206	-	4,878,206
Local finance projects	9,333,463	-	9,333,463
Housing grants	1,987,057	-	1,987,057
Other grants and special revenue	6,472,858	-	6,472,858
Debt service	821,500	5,579,356	6,400,856
Unrestricted	(130,091,097)	40,890,057	(89,201,040)
<b>Total Net Position</b>	<b>\$ 54,138,348</b>	<b>\$ 204,507,005</b>	<b>\$ 258,645,353</b>

**City of Mesquite, Texas**  
**Statement of Activities**  
**For the Year Ended September 30, 2020**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTION / PROGRAM ACTIVITIES:				
Governmental activities:				
General government	\$ 14,754,760	\$ 2,498,232	\$ 6,621,637	\$ 811,222
Fire services	32,319,396	2,386,765	8,224	294,178
Police services	43,433,579	2,823,295	1,272,263	-
Public works	22,680,765	14,386,757	-	6,191,698
Planning and community development	3,816,689	2,486,800	1,182,907	50,000
Housing and community services	19,933,629	251,047	16,931,672	-
Library services	2,357,904	29,449	7,547	-
Parks and recreation	11,937,840	756,276	211,534	402,133
Interest on long-term debt	7,222,299	-	-	-
Total governmental activities	158,456,861	25,618,621	26,235,784	7,749,231
Business-type activities:				
Water and sewer	64,604,834	73,738,789	-	5,048,272
Drainage utility district	3,457,368	4,777,536	-	2,627,697
Municipal airport	2,053,510	1,963,772	50,000	-
Municipal golf	1,519,933	1,008,505	-	-
Total business-type activities	71,635,645	81,488,602	50,000	7,675,969
Total function / program activities	\$ 230,092,506	\$ 107,107,223	\$ 26,285,784	\$ 15,425,200

General revenues:  
Ad valorem taxes  
Gross receipts taxes  
Sales taxes  
Investment income  
Transfers  
  
Total general revenues and transfers

Change in net position  
Net position, beginning of year  
Net position - ending

**City of Mesquite, Texas**  
**Statement of Activities (continued)**  
**Year Ended September 30, 2020**

<u>Net (Expenses) Revenues and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (4,823,669)	\$ -	\$ (4,823,669)
(29,630,229)	-	(29,630,229)
(39,338,021)	-	(39,338,021)
(2,102,310)	-	(2,102,310)
(96,982)	-	(96,982)
(2,750,910)	-	(2,750,910)
(2,320,908)	-	(2,320,908)
(10,567,897)	-	(10,567,897)
(7,222,299)	-	(7,222,299)
(98,853,225)	-	(98,853,225)
-	14,182,227	14,182,227
-	3,947,865	3,947,865
-	(39,738)	(39,738)
-	(511,428)	(511,428)
-	17,578,926	17,578,926
(98,853,225)	17,578,926	(81,274,299)
62,494,839	-	62,494,839
7,185,580	-	7,185,580
47,191,911	-	47,191,911
1,287,612	942,444	2,230,056
(144,830)	144,830	-
118,015,112	1,087,274	119,102,386
19,161,887	18,666,200	37,828,087
34,976,461	185,840,805	220,817,266
\$ 54,138,348	\$ 204,507,005	\$ 258,645,353

**City of Mesquite, Texas**  
**Balance Sheet – Governmental Funds**  
**September 30, 2020**

	<u>General</u>	<u>Housing Grants</u>	<u>Local Finance</u>	<u>Bond Finance</u>
<b>ASSETS:</b>				
Pooled cash and investments	\$ 21,011,574	\$ 1,905,386	\$ 35,307,539	\$ 48,246,635
Receivables (net of allowance):				
Accounts receivable	6,742,480	121,812	307,153	-
Ad valorem taxes	1,859,537	-	-	-
Other taxes receivable	1,607,880	-	-	-
Note receivable	804,560	-	-	-
Intergovernmental	6,076,859	-	-	12,119
Due from other funds	991,386	-	200,000	-
Inventory	1,083,204	-	-	-
Prepays and other assets	34,977	780	-	2,036
Accrued interest	25,944	1,067	11,362	25,208
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 40,238,401	\$ 2,029,045	\$ 35,826,054	\$ 48,285,998
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 8,067,870	\$ 41,988	\$ 553,639	\$ 1,344,605
Retainage payable	-	-	687,950	338,572
Deposits	309,285	-	285,290	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	8,377,155	41,988	1,526,879	1,683,177
	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue	4,553,165	121,812	306,513	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Balances:</b>				
Nonspendable	1,922,741	780	-	2,036
Restricted	-	1,864,465	27,040,586	46,600,785
Assigned	226,012	-	6,952,076	-
Unassigned	25,159,328	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	27,308,081	1,865,245	33,992,662	46,602,821
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 40,238,401	\$ 2,029,045	\$ 35,826,054	\$ 48,285,998
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**City of Mesquite, Texas**  
**Balance Sheet – Governmental Funds (continued)**  
**September 30, 2020**

<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 821,105	\$ 9,259,677	\$ 116,551,916
-	27,437	7,198,882
-	-	1,859,537
-	54,752	1,662,632
-	-	804,560
-	5,801,183	11,890,161
-	-	1,191,386
-	-	1,083,204
-	2,051	39,844
395	5,344	69,320
<u>\$ 821,500</u>	<u>\$ 15,150,444</u>	<u>\$ 142,351,442</u>
\$ -	\$ 1,007,358	\$ 11,015,460
-	299,515	1,326,037
-	1,317,976	1,912,551
-	422,010	422,010
-	246,663	246,663
<u>-</u>	<u>3,293,522</u>	<u>14,922,721</u>
<u>-</u>	<u>2,838,482</u>	<u>7,819,972</u>
-	103,163	2,028,720
821,500	8,409,419	84,736,755
-	583,304	7,761,392
-	(77,446)	25,081,882
<u>821,500</u>	<u>9,018,440</u>	<u>119,608,749</u>
<u>\$ 821,500</u>	<u>\$ 15,150,444</u>	<u>\$ 142,351,442</u>

**City of Mesquite, Texas**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**September 30, 2020**

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

Total fund balance per balance sheet	\$	119,608,749
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		331,734,333
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.		7,819,972
Internal service funds are used by management to charge the costs of health claims and general liability to individual funds. A significant portion of the internal service fund's net position (deficit) is included in the governmental activities in the statement of net position.		(1,352,754)
Accrued interest payable on long-term debt does not require current financial resources and therefore is not reported as a liability in the balance sheet of governmental funds.		(1,046,186)
Long-term liabilities, including bonds payable and net pension liability (and the related deferred inflows and deferred outflows) are not due and payable in the current period and therefore are not reported as liabilities, deferred outflows or deferred inflows in the governmental funds. Long-term liabilities consist of:		
General obligation bonds payable	\$	(122,010,000)
Certificate of obligation bonds payable		(67,685,000)
Special Assessment Bonds		(31,835,000)
Deferred amount on refunding		1,937,332
Unamortized premiums on bonds		(14,613,527)
Total other postemployment benefit (OPEB) liability		(33,175,776)
Net pension liability		(108,707,867)
Deferred outflows of resources – pension		9,870,594
Deferred outflows of resources – OPEB		4,917,882
Deferred inflows of resources – pension		(16,673,457)
Deferred inflows of resources – OPEB		(5,147,241)
Accrued compensated absences		(19,503,706)
		(402,625,766)
Net position of governmental activities	\$	54,138,348

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**City of Mesquite, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Governmental Funds**  
**Year Ended September 30, 2020**

	<b>General</b>	<b>Housing Grants</b>	<b>Local Finance</b>	<b>Bond Finance</b>
<b>REVENUES:</b>				
Taxes-				
Ad valorem	\$ 60,400,333	\$ -	\$ 2,019,230	\$ -
Gross receipts	7,185,580	-	-	-
Sales	34,196,750	-	-	-
Licenses and permits	2,956,742	-	-	-
Fines and forfeitures	2,935,787	-	-	-
Investment income	460,490	11,975	196,862	452,408
Charges for services	15,429,391	-	3,303,000	-
Intergovernmental	142,455	15,495,491	3,225,651	-
Contributions and donations	72,529	-	460,835	-
Other revenues	1,323,649	124,094	254,207	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	125,103,706	15,631,560	9,459,785	452,408
<b>EXPENDITURES:</b>				
Current-				
General government	6,430,248	-	795,666	516,062
Fire services	27,485,043	-	91,594	87,602
Police services	37,740,369	-	17,055	108,129
Public works	13,828,589	-	933,175	880,822
Planning and community development	3,203,188	-	18,750	62,839
Library services	2,317,712	-	5,013	13,348
Parks and recreation	1,746,854	-	20,379	51,820
Housing and community services	3,344,972	15,053,733	-	20,225
Capital outlay	29,932	-	18,832,670	17,399,546
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	1,886,853	-
Bond issuance costs	-	-	-	174,417
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	96,126,907	15,053,733	22,601,155	19,314,810
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<hr/>	<hr/>	<hr/>	<hr/>
	28,976,799	577,827	(13,141,370)	(18,862,402)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,000,000	-	6,556,250	9,500
Transfers out	(25,620,250)	-	(3,294,360)	(28,861)
Issuance of debt	-	-	-	24,945,000
Issuance of refunding debt	-	-	-	27,685,000
Premium on bonds issued	-	-	-	5,373,100
Payment to refunding bond agent	-	-	-	(29,665,064)
Proceeds from sale of general capital assets	256,237	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(24,364,013)	-	3,261,890	28,318,675
<b>NET CHANGE IN FUND BALANCES</b>				
	<hr/>	<hr/>	<hr/>	<hr/>
	4,612,786	577,827	(9,879,480)	9,456,273
<b>FUND BALANCES AT BEGINNING OF YEAR</b>				
	<hr/>	<hr/>	<hr/>	<hr/>
	22,695,295	1,287,418	43,872,142	37,146,548
<b>FUND BALANCES AT END OF YEAR</b>				
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 27,308,081	\$ 1,865,245	\$ 33,992,662	\$ 46,602,821

**City of Mesquite, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds (continued)**  
**Year Ended September 30, 2020**

<b>Debt Service</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 62,419,563
-	-	7,185,580
-	12,995,161	47,191,911
-	79,766	3,036,508
-	1,480,611	4,416,398
49,719	94,714	1,266,168
-	1,003,359	19,735,750
-	8,353,392	27,216,989
-	792,890	1,326,254
-	1,529,579	3,231,529
<u>49,719</u>	<u>26,329,472</u>	<u>177,026,650</u>
-	2,826,128	10,568,104
-	3,060,598	30,724,837
-	2,975,719	40,841,272
-	72,480	15,715,066
-	477,218	3,761,995
-	3,708	2,339,781
-	8,401,711	10,220,764
-	1,220,327	19,639,257
-	5,262,444	41,524,592
14,970,000	-	14,970,000
6,436,734	-	8,323,587
510,923	-	685,340
<u>21,917,657</u>	<u>24,300,333</u>	<u>199,314,595</u>
<u>(21,867,938)</u>	<u>2,029,139</u>	<u>(22,287,945)</u>
22,694,771	-	30,260,521
(9,500)	(2,452,380)	(31,405,351)
-	-	24,945,000
-	-	27,685,000
-	-	5,373,100
-	-	(29,665,064)
-	-	256,237
<u>22,685,271</u>	<u>(2,452,380)</u>	<u>27,449,443</u>
817,333	(423,241)	5,161,498
4,167	9,441,681	114,447,251
<u>\$ 821,500</u>	<u>\$ 9,018,440</u>	<u>\$ 119,608,749</u>

See Notes to Financial Statements

# City of Mesquite, Texas

## Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities

### Year Ended September 30, 2020

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

Net change in fund balance - total governmental funds		\$ 5,161,498
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.</p>		
Capital outlay expenditures	\$ 41,524,592	
Depreciation expense	<u>(14,711,831)</u>	26,812,761
<p>The net effect of various transactions involving capital assets (i.e. sales, trade-ins, donations, and transfers to business-type activities) is to decrease net position.</p>		
		(2,017,343)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment is to recognize contributions of capital assets by developers.</p>		
		2,553,919
<p>Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount is the net change in deferred inflows of resources.</p>		
		(1,838,435)
<p>The issuance of long-term debt (e.g. bond proceeds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal amount of debt issued	\$ (52,630,000)	
Amortization of bond premium	2,093,892	
Principal amount of debt paid to bondholders	14,970,000	
Payment to escrow agent for refunding	29,665,064	
Net change in accrued interest payable	27,582	
Premium on bonds issued	(5,373,100)	
Net deferred offering charges and related debt issuance items	<u>(334,846)</u>	(11,581,408)
<p>Some expenditures reported in the statement of revenues, expenditures, and changes in fund balances require the use of current financial resources but are not reported as expenses in the statement of activities. This adjustment is to reflect the net change in accrued compensated absences.</p>		
		836,275
<p>Current year OPEB expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in total OPEB liability and related deferred outflows and inflows of resources balances.</p>		
		443,141
<p>Current year pension expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in net pension liability and related deferred outflows and inflows of resources balances.</p>		
		(3,767,796)
<p>Internal service funds are used by management to charge the costs of health claims and general liability to individual funds. The net expenses of certain activities of internal service funds is reported within governmental activities.</p>		
		<u>2,559,275</u>
Change in net position of governmental activities		<u>\$ 19,161,887</u>

**City of Mesquite, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget**  
**and Actual – General Fund**  
**Year Ended September 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Adjustments -</u> <u>Budgetary Basis</u>	<u>Actual-</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>				
REVENUES:						
Taxes-						
Ad valorem	\$ 59,806,870	59,806,870	\$ 60,400,333	\$ -	\$ 60,400,333	\$ 593,463
Gross receipts	7,500,450	7,137,450	7,185,580	-	7,185,580	48,130
Sales	33,305,000	33,280,000	34,196,750	-	34,196,750	916,750
Licenses and permits	2,403,950	2,882,760	2,956,742	-	2,956,742	73,982
Fines and forfeitures	2,902,000	2,584,500	2,935,787	-	2,935,787	351,287
Investment income	699,000	574,000	460,490	-	460,490	(113,510)
Charges for services	15,790,980	15,843,390	15,429,391	-	15,429,391	(413,999)
Intergovernmental	150,000	150,000	142,455	-	142,455	(7,545)
Contributions and donations	140,000	80,800	72,529	-	72,529	(8,271)
Other revenues	957,950	1,133,100	1,323,649	-	1,323,649	190,549
Enterprise funds PILOT/franchise fee	-	5,041,160	-	5,041,160	5,041,160	-
TOTAL REVENUES	<u>123,656,200</u>	<u>128,514,030</u>	<u>125,103,706</u>	<u>5,041,160</u>	<u>130,144,866</u>	<u>1,630,836</u>
EXPENDITURES:						
General government	15,279,490	14,024,270	6,430,248	6,625,132	\$ 13,055,380	968,890
Fire services	30,588,590	30,040,770	27,485,043	-	27,485,043	2,555,727
Police services	40,413,380	40,901,480	37,740,369	-	37,740,369	3,161,111
Public works	14,886,060	14,502,450	13,828,589	-	13,828,589	673,861
Planning and community development	3,432,350	3,276,020	3,203,188	-	3,203,188	72,832
Library services	2,537,310	2,363,510	2,317,712	-	2,317,712	45,798
Parks and recreation	2,523,040	2,526,220	1,746,854	-	1,746,854	779,366
Housing and community services	3,547,510	3,664,520	3,344,972	-	3,344,972	319,548
Capital outlay	-	-	29,932	(29,932)	-	-
Cost allocation reimbursements	-	(1,554,040)	-	(1,554,040)	(1,554,040)	-
TOTAL EXPENDITURES	<u>113,207,730</u>	<u>109,745,200</u>	<u>96,126,907</u>	<u>5,041,160</u>	<u>101,168,067</u>	<u>8,577,133</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>10,448,470</u>	<u>18,768,830</u>	<u>28,976,799</u>	<u>-</u>	<u>28,976,799</u>	<u>10,207,969</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	7,816,200	1,171,000	1,000,000	-	1,000,000	(171,000)
Transfer out	(18,114,000)	(18,164,000)	(25,620,250)	-	(25,620,250)	(7,456,250)
Proceeds from sale of general capital assets	-	-	256,237	-	256,237	256,237
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,297,800)</u>	<u>(16,993,000)</u>	<u>(24,364,013)</u>	<u>-</u>	<u>(24,364,013)</u>	<u>(7,371,013)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 150,670</u>	<u>\$ 1,775,830</u>	<u>4,612,786</u>	<u>\$ -</u>	<u>\$ 4,612,786</u>	<u>\$ 2,836,956</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>22,695,295</u>			
FUND BALANCE AT END OF YEAR			<u>\$ 27,308,081</u>			

**City of Mesquite, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget**  
**and Actual – Housing Grants Special Revenue Fund**  
**Year Ended September 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ 22,000	\$ 19,000	\$ 11,975	\$ (7,025)
Intergovernmental	13,103,000	15,403,000	15,495,491	92,491
Other revenues	-	212,294	124,094	(88,200)
	<u>13,125,000</u>	<u>15,634,294</u>	<u>15,631,560</u>	<u>(2,734)</u>
TOTAL REVENUES				
EXPENDITURES:				
Housing and community services	<u>13,132,370</u>	<u>15,696,064</u>	<u>15,053,733</u>	<u>642,331</u>
	<u>13,132,370</u>	<u>15,696,064</u>	<u>15,053,733</u>	<u>642,331</u>
TOTAL EXPENDITURES				
NET CHANGE IN FUND BALANCE	<u>\$ (7,370)</u>	<u>\$ (61,770)</u>	577,827	<u>\$ 639,597</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>1,287,418</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 1,865,245</u>	

**City of Mesquite, Texas**  
**Statement of Net Position (Deficit) – Proprietary Funds**  
**September 30, 2020**

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water and Sewer	Drainage Utility District	Total Nonmajor Funds	Total Enterprise Funds	
<b>ASSETS:</b>					
Current assets:					
Pooled cash and investments	\$ 39,346,997	\$ 3,987,487	\$ 196,470	\$ 43,530,954	\$ 2,521,307
Restricted pooled cash and investments	48,268,778	1,641,963	-	49,910,741	-
Receivables (net of allowance for uncollectibles)	12,440,307	685,908	82,743	13,208,958	244,656
Inventory	371,173	-	42,944	414,117	-
Prepays and other assets	15,873	-	-	15,873	214,091
Accrued interest	48,750	4,140	170	53,060	1,201
Total current assets	<u>100,491,878</u>	<u>6,319,498</u>	<u>322,327</u>	<u>107,133,703</u>	<u>2,981,255</u>
Noncurrent assets:					
Revenue bond reserve-					
Restricted pooled cash and investments	1,308,652	539,914	-	1,848,566	-
Capital assets-					
Land and construction in progress	14,898,065	5,102,000	9,360,228	29,360,293	-
Other capital assets (net of accumulated depreciation)	152,230,988	41,421,400	9,951,491	203,603,879	-
Total noncurrent assets	<u>168,437,705</u>	<u>47,063,314</u>	<u>19,311,719</u>	<u>234,812,738</u>	<u>-</u>
Total Assets	<u>268,929,583</u>	<u>53,382,812</u>	<u>19,634,046</u>	<u>341,946,441</u>	<u>2,981,255</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>					
Deferred charges on refunding	854,742	11,719	-	866,461	-
Deferred pension contributions	592,058	49,338	98,676	740,072	-
Difference in projected and actual earnings on pension assets	27,303	2,275	4,550	34,128	-
Difference in assumption changes - pension	20,457	1,705	3,410	25,572	-
Difference in assumption changes - OPEB	318,998	26,583	53,166	398,747	-
Change in proportional share - pension	-	1,305	335,180	336,485	-
Total Deferred Outflows of Resources	<u>1,813,558</u>	<u>92,925</u>	<u>494,982</u>	<u>2,401,465</u>	<u>-</u>
<b>LIABILITIES:</b>					
Current liabilities:					
Accounts payable	2,576,679	48,496	106,764	2,731,939	614,464
Unearned revenue	-	-	-	-	81,384
Estimated claims payable	-	-	-	-	2,012,305
Due to other funds	-	-	313,219	313,219	631,504
Deposits and other liabilities	4,407,061	1,056	45,766	4,453,883	-
Accrued compensated absences	177,512	-	-	177,512	-
Total other postemployment benefit liability	110,605	9,217	18,434	138,256	-
Total current liabilities	<u>7,271,857</u>	<u>58,769</u>	<u>484,183</u>	<u>7,814,809</u>	<u>3,339,657</u>
Current liabilities payable from restricted assets:					
Accounts payable	1,806,145	246,859	-	2,053,004	-
Retainage payable	376,581	181,525	-	558,106	-
Accrued interest payable	334,956	21,775	-	356,731	-
Bonds payable	6,785,000	510,000	-	7,295,000	-
Total current liabilities payable from restricted assets	<u>9,302,682</u>	<u>960,159</u>	<u>-</u>	<u>10,262,841</u>	<u>-</u>
Total current liabilities	<u>16,574,539</u>	<u>1,018,928</u>	<u>484,183</u>	<u>18,077,650</u>	<u>3,339,657</u>
Noncurrent liabilities:					
Estimated claims payable	-	-	-	-	1,813,182
Bonds payable	98,887,827	8,080,307	-	106,968,134	-
Accrued compensated absences	612,642	51,638	128,814	793,094	-
Net pension liability	7,051,322	587,612	1,175,221	8,814,155	-
Total other postemployment benefit liability	2,041,338	170,112	340,224	2,551,674	-
Total noncurrent liabilities	<u>108,593,129</u>	<u>8,889,669</u>	<u>1,644,259</u>	<u>119,127,057</u>	<u>1,813,182</u>
Total Liabilities	<u>125,167,668</u>	<u>9,908,597</u>	<u>2,128,442</u>	<u>137,204,707</u>	<u>5,152,839</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Difference in expected and actual experience - pension	194,631	16,219	32,438	243,288	-
Difference in expected and actual experience - OPEB	333,875	27,823	55,646	417,344	-
Difference in investment earnings - pension	869,183	72,432	144,864	1,086,479	-
Changes in proportional share - pension	29,410	33,942	6,901	70,253	-
Total Deferred Inflows of Resources	<u>1,427,099</u>	<u>150,416</u>	<u>239,849</u>	<u>1,817,364</u>	<u>-</u>
<b>NET POSITION (DEFICIT):</b>					
Net investment in capital assets	99,903,305	38,822,568	19,311,719	158,037,592	-
Restricted for debt service	4,725,394	853,962	-	5,579,356	-
Unrestricted	39,519,675	3,740,194	(1,550,982)	41,708,887	(2,171,584)
Total Net Position (Deficit)	<u>\$ 144,148,374</u>	<u>\$ 43,416,724</u>	<u>\$ 17,760,737</u>	<u>\$ 205,325,835</u>	<u>\$ (2,171,584)</u>
<b>RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF NET POSITION:</b>					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				\$ (818,830)	
Total Net Position for Business Type Activities				<u>\$ 204,507,005</u>	

# City of Mesquite, Texas

## Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit) – Proprietary Funds

Year Ended September 30, 2020

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Water and Sewer	Drainage Utility District	Total Nonmajor Funds	Total Enterprise Funds	
Operating revenues:					
Customer charges	\$ 73,738,789	\$ 4,777,536	\$ 2,972,277	\$ 81,488,602	\$ -
Contributions - City	-	-	-	-	16,151,858
Contributions - other	-	-	-	-	3,364,807
<b>Total operating revenues</b>	<b>73,738,789</b>	<b>4,777,536</b>	<b>2,972,277</b>	<b>81,488,602</b>	<b>19,516,665</b>
Operating expenses:					
Personnel services	12,710,309	1,322,345	1,369,152	15,401,806	-
Supplies	322,522	6,313	774,176	1,103,011	-
Contractual services	41,841,106	278,166	623,979	42,743,251	-
Depreciation	6,488,259	1,377,098	644,878	8,510,235	-
Claims incurred	-	-	-	-	13,635,475
Insurance premiums	-	-	-	-	2,028,742
Administrative fees	-	-	-	-	1,509,213
Other expenses	-	-	-	-	671,868
<b>Total operating expenses</b>	<b>61,362,196</b>	<b>2,983,922</b>	<b>3,412,185</b>	<b>67,758,303</b>	<b>17,845,298</b>
<b>Operating income (loss)</b>	<b>12,376,593</b>	<b>1,793,614</b>	<b>(439,908)</b>	<b>13,730,299</b>	<b>1,671,367</b>
Nonoperating revenues (expenses):					
Investment income	857,012	83,739	1,693	942,444	21,444
Bond issuance costs	(481,189)	-	-	(481,189)	-
Gain or loss on sale of capital assets	(588,101)	(171,517)	(161,258)	(920,876)	-
Other nonoperating income (expense)	-	-	50,000	50,000	-
Interest expense and fiscal charges	(2,306,885)	(301,929)	-	(2,608,814)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(2,519,163)</b>	<b>(389,707)</b>	<b>(109,565)</b>	<b>(3,018,435)</b>	<b>21,444</b>
<b>Income (loss) before contributions and transfers</b>	<b>9,857,430</b>	<b>1,403,907</b>	<b>(549,473)</b>	<b>10,711,864</b>	<b>1,692,811</b>
Capital contributions	5,048,272	2,627,697	-	7,675,969	-
Transfers in	800,000	474,360	100,280	1,374,640	1,000,000
Transfers out	(1,030,000)	-	(199,810)	(1,229,810)	-
<b>Change in net position (deficit)</b>	<b>14,675,702</b>	<b>4,505,964</b>	<b>(649,003)</b>	<b>18,532,663</b>	<b>2,692,811</b>
<b>Total net position (deficit) - beginning of year</b>	<b>129,472,672</b>	<b>38,910,760</b>	<b>18,409,740</b>	<b>186,793,172</b>	<b>(4,864,395)</b>
<b>Total net position (deficit) - ending</b>	<b>\$ 144,148,374</b>	<b>\$ 43,416,724</b>	<b>\$ 17,760,737</b>	<b>\$ 205,325,835</b>	<b>\$ (2,171,584)</b>
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				\$ 133,537	
<b>Change in net position of business-type activities</b>				<b>\$ 18,666,200</b>	

# City of Mesquite, Texas

## Statement of Cash Flows – Proprietary Funds

### Year Ended September 30, 2020

	Business-type Activities - Enterprise Funds				Governmental
	Water and Sewer	Drainage Utility District	Total Nonmajor Funds	Total Enterprise Funds	Activities Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from customers and users	\$ 73,843,211	\$ 4,627,654	\$ 2,958,847	\$ 81,429,712	\$ -
Receipts from interfund charges for services	-	-	-	-	16,233,242
Other operating receipts (payments)	-	-	-	-	1,176,557
Payments to suppliers and service providers	(41,699,581)	(1,076,274)	(1,122,328)	(43,898,183)	(17,400,449)
Payments to employees for salaries and benefits	(6,630,471)	(726,659)	(1,113,525)	(8,470,655)	2,077,770
Payments to other funds for services provided	(5,870,400)	(574,800)	-	(6,445,200)	-
Net cash Provided by Operating Activities	<u>19,642,759</u>	<u>2,249,921</u>	<u>722,994</u>	<u>22,615,674</u>	<u>2,087,120</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Transfers to other funds	(1,030,000)	-	(199,810)	(1,229,810)	-
Transfers from other funds	800,000	474,360	100,280	1,374,640	1,000,000
Repayment of advances from other funds	-	-	-	-	(2,581,502)
Operating grants	-	-	50,000	50,000	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(230,000)</u>	<u>474,360</u>	<u>(49,530)</u>	<u>194,830</u>	<u>(1,581,502)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	(8,440,255)	(3,189,611)	(602,872)	(12,232,738)	-
Proceeds from capital debt	22,287,840	-	-	22,287,840	-
Principal payments on capital debt and leases	(6,525,000)	(585,000)	-	(7,110,000)	-
Interest payments on capital debt and leases	(3,506,499)	(358,824)	-	(3,865,323)	-
Proceeds from sale of capital assets	57,087	-	12,950	70,037	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>3,873,173</u>	<u>(4,133,435)</u>	<u>(589,922)</u>	<u>(850,184)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment income	871,448	86,028	1,593	959,069	22,335
Net Cash Provided by Investing Activities	<u>871,448</u>	<u>86,028</u>	<u>1,593</u>	<u>959,069</u>	<u>22,335</u>
<b>NET INCREASE (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS</b>	<b>24,157,380</b>	<b>(1,323,126)</b>	<b>85,135</b>	<b>22,919,389</b>	<b>527,953</b>
<b>POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>64,767,047</b>	<b>7,492,490</b>	<b>111,335</b>	<b>72,370,872</b>	<b>1,993,354</b>
<b>POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 88,924,427</u></b>	<b><u>\$ 6,169,364</u></b>	<b><u>\$ 196,470</u></b>	<b><u>\$ 95,290,261</u></b>	<b><u>\$ 2,521,307</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 12,376,593	\$ 1,793,614	\$ (439,908)	\$ 13,730,299	\$ 1,671,367
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	6,488,259	1,377,098	644,878	8,510,235	-
Changes in operating assets and liabilities:					
Receivables, net	(119,936)	(149,882)	(20,552)	(290,370)	(95,480)
Inventories (supplies)	(73,657)	-	13,170	(60,487)	-
Prepaid expenses and other assets	(13,694)	-	-	(13,694)	166,043
Deferred outflows of resources - pension	1,322,867	123,774	442,937	1,889,578	-
Deferred outflows of resources - OPEB	(127,675)	(10,639)	(21,278)	(159,592)	-
Accounts payable and accrued liabilities	570,726	(767,184)	263,877	67,419	112,525
Customer deposits	224,358	-	7,671	232,029	-
Estimated unpaid claims	-	-	-	-	151,281
Unearned revenue	-	-	-	-	81,384
Deferred inflows of resources - pension	693,061	35,798	119,225	848,084	-
Deferred inflows of resources - OPEB	191,772	15,981	31,962	239,715	-
Compensated absences	27,052	(8,890)	510	18,672	-
Pension liability	(1,824,126)	(152,012)	(304,024)	(2,280,162)	-
OPEB liability	(92,841)	(7,737)	(15,474)	(116,052)	-
Total adjustments	<u>7,266,166</u>	<u>456,307</u>	<u>1,162,902</u>	<u>8,885,375</u>	<u>415,753</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 19,642,759</u></b>	<b><u>\$ 2,249,921</u></b>	<b><u>\$ 722,994</u></b>	<b><u>\$ 22,615,674</u></b>	<b><u>\$ 2,087,120</u></b>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Contributions of capital assets	\$ 5,048,272	\$ 2,627,697	\$ -	\$ 7,675,969	\$ -
Purchase of machinery, equipment, and vehicles on account	\$ 376,581	\$ 181,525	\$ -	\$ 558,106	\$ -
Proceeds from issuance of refunding debt paid directly to escrow agent	\$ 9,669,672	\$ -	\$ -	\$ 9,669,672	\$ -
Principal and fiscal charges paid on refunding debt	\$ (9,669,672)	\$ -	\$ -	\$ (9,669,672)	\$ -

**City of Mesquite, Texas**  
**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Fund**  
**September 30, 2020**

	<b>Agency Fund Tax Clearing Fund</b>
<b>ASSETS:</b>	
Current assets:	
Pooled cash and investments	\$ 303,562
Taxes receivable levied for other governments (net of allowance for uncollectibles)	4,409,298
Total Assets	4,712,860
<b>LIABILITIES:</b>	
Current liabilities:	
Accounts payable	303,562
Due to other governments	4,409,298
Total Liabilities	\$ 4,712,860

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

**Note 1: Summary of Significant Accounting Policies**

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

The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below:

***Reporting Entity***

The City is a municipal corporation governed by an elected mayor and six-member Council. As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. In accordance with GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61 and GASB Statement No. 80, the blended component units discussed below have been included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The City has no discretely presented component units.

Mesquite Quality of Life Corporation

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

Tax Increment Reinvestment Zones (TIRZ)

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

Separate financial statements for the individual zones are not prepared.

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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

Towne Centre TIRZ No. 2 – created in 1998 to maintain the long-term viability of the Town East Mall retail area and to accelerate the pace of new retail development along the IH-635 corridor. The Zone was expanded in December 2017 to include Downtown Mesquite and the Market East area to encourage further retail, office, and industrial development. In December 2019, the Mesquite Independent School District (MISD) participation end the zone ended. Prior to December 2019, the Board was comprised of four City Council members and three Mesquite Independent School District (MISD) Board members. In Beginning January 2021, the Board is comprised of seven City Council members. The TIRZ is a blended component unit in the Local Finance Capital Project Fund.

Lucas Farms TIRZ No. 6 – created in 2008 to provide public infrastructure for a proposed residential development in the Zone. The Board is comprised of seven City Council members. The TIRZ is a blended component unit in the Local Finance Capital Project Fund. The zone was dissolved effective November 16, 2020.

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

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

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

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

Heartland Town Center TIRZ No. 11 – created in 2017 to provide public infrastructure for a proposed residential development in the Zone. The Board is comprised of seven City Council members. The TIRZ is a blended component unit in the Local Finance Capital Project Fund.

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

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

Spradley Farms TIRZ No. 13 – created in 2020 to provide public infrastructure for a proposed residential development in the Zone. Prior to December 2020, The Board is comprised of seven City Council members. Beginning in December 2020, the Board is composed of seven City Council members and two Kaufman County representatives. The TIRZ is a blended component unit in the Local Finance Capital Project Fund.

Public Improvement Districts (PIDs)

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

Separate financial statements for the individual PIDs are not prepared.

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

Polo Ridge PID – created in December 2017 to support a residential development along the IH-20 corridor in Mesquite. The PID sold bonds in July 2020 to fund certain infrastructure projects in the District. Payments from bond proceeds must be reviewed and approved by City staff prior to distribution. The PID is a blended component unit in the Local Finance Capital Project Fund.

Iron Horse PID – created in February 2020 to support residential development along Rodeo Drive in Mesquite. The PID sold bonds in June 2020 to fund certain infrastructure projects in the District. Payments from bond proceeds must be reviewed and approved by City staff prior to distribution. The PID is a blended component unit in the Local Finance Capital Project Fund.

Other Blended Component Units

Other blended component units for the City of Mesquite include the Mesquite Cemetery Board which provides funds to maintain a small cemetery within the City, Historic Mesquite, Inc. which provides funding to maintain historical sites within the City, the Mesquite Arts Council which provides funding for arts and culture to the Mesquite Art Center, and Keep Mesquite Beautiful, Inc. which provides funding for local beautification projects within the City. The City does not have a majority position on these boards; however, the City does have the ability to influence the financial decisions of these groups in that City Council reviews and approves the annual budgets of these entities. The activity of these entities is almost entirely for the benefit of the City as well. Separate financial statements for these entities are not available.

Also included in the financial statements are the operating activities of the Mesquite Housing Finance Corporation, the Mesquite Health Facilities Development Corporation, and the Mesquite Industrial Development Corporation which provide services almost entirely to the primary government. These corporations have substantively the same governing body as the City. The issuance of conduit debt for the corporations is discussed in Note 13. Separate financial statements for these entities are not available.

# **City of Mesquite, Texas**

## **Notes to Basic Financial Statements**

### **September 30, 2020**

#### ***Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the reporting entity. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The effect of inter-fund activity has been removed from these statements with the exception of some vehicle maintenance charges and management information services provided to user departments. The inter-fund services provided and used are not eliminated in this process of consolidation. Governmental activities, which are partially supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as "net position". Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Mesquite is improving or deteriorating.

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

#### ***Fund Financial Statements***

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

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

The City maintains ten governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Housing Grants Special Revenue, Local Finance Capital Project, Bond Finance Capital Project funds and Debt Service, all of which are major funds. Data from the other five funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. Budgetary comparison schedules follow these combining statements for those non-major funds that adopt annual budgets.

# **City of Mesquite, Texas**

## **Notes to Basic Financial Statements**

### **September 30, 2020**

Proprietary funds are maintained for enterprise and internal service operations of the City. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Water and Sewer and the Drainage Utility District funds are considered to be major enterprise funds and the Municipal Airport and Golf Course funds are presented in a separate column as the non-major enterprise funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its health claims and general liability operations. The activity in these funds is allocated between governmental type activities and business type activities based on proportionate use for presentation in the government wide statements. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

#### ***Measurement Focus and Basis of Accounting***

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

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

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

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

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

The City of Mesquite reports the following major governmental funds:

- The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Housing Grants special revenue fund is used to account for funds awarded the City by the United States 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 ten Tax Increment Reinvestment Zones, three Public Improvement Districts as well as the Housing Finance, Health Facilities and Industrial Development Corporations. The individual projects within the Local Finance fund are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the financial statements.
- The Bond Finance capital project fund is used to account for financial resources generated primarily from bond proceeds to be expended for various capital projects. The individual projects are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the financial statements.
- The Debt Service fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City.

The City of Mesquite reports the following major proprietary funds:

- The Water and Sewer enterprise fund is used to account for the rendering of water and sewer services to the residents and businesses of the City. All activities necessary to provide such services are accounted for in this fund, including administration, operation, maintenance, debt service, and billing and collecting.

# City of Mesquite, Texas

## Notes to Basic Financial Statements

### September 30, 2020

- The Drainage Utility District enterprise fund is used to account for those expenditures incurred as a result of the federally mandated National Pollutant Discharge Elimination System (NPDES) permit program. This federal program requires the City to educate the general public about pollutants and their presence in storm water runoff; adopt a comprehensive storm water ordinance; operate a street sweeping program; design, establish and review storm water drainage improvements; and monitor storm water quality. Funding for the District is from monthly drainage charges to commercial and residential customers, revenue bond proceeds and interest earnings.

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

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

#### ***Budgetary Data***

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

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 2019-2020 budget, the City Council conducted three public hearings and held numerous work sessions in an effort to obtain as much citizen input as possible. The adopted budget is reassessed by departments midway through the fiscal year, and revenue and expenditure projections are revised. The City Manager then presents these revisions to the City Council for adoption, resulting in what is termed an amended budget. While infrequent, the City Council may amend the budget prior to or after this mid-year review. All amendments to the budget, however, must be adopted by ordinance. Unexpended appropriations lapse at fiscal year-end.

During 2019-2020 the City Council amended the budget in January and August. 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. The other special revenue fund does not have an appropriated budget since other means control the use of these resources (e.g., grant awards) and sometimes span a period of more than one fiscal year.

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

***Encumbrances***

An encumbrance system is maintained in governmental funds to account for unperformed commitments (i.e., purchase orders, contracts, or other forms of legal commitment). All appropriations and encumbrances lapse at fiscal year-end, and any valid encumbrances outstanding at fiscal year-end are re-appropriated as part of the subsequent year's budget pursuant to state regulations.

***Pooled Cash and Investments***

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

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

The relationship of an individual fund to the pooled cash and investments account is essentially that of a demand deposit account. Individual funds can withdraw cash from the account as needed, and therefore all equity that the fund has in the pooled cash and investments account is highly liquid. For the purpose of the accompanying statement of cash flows, the City has chosen to reconcile to "pooled cash and investments," as all investments 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*.

***Interfund Receivables and Payables and Interfund Transactions***

Arms-length transactions between funds for goods and services are reported as revenues in the selling fund and as expenses/expenditures in the acquiring fund. Any unpaid amounts are appropriately recorded as interfund receivables/payables when liquidation is expected within one year. If anticipated repayment is longer than one year, amounts are classified as advances to/from other funds. Flows of assets from one fund to another with no requirement for repayment or without an equivalent flow of assets in return are accounted for as transfers. Legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds. 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."

***Indirect and Centralized Expenses***

The City allocates to the housing grants fund, water and sewer fund, and drainage utility district fund an indirect cost percentage for "centralized" expenses, which include an administrative overhead initially paid by the General Fund. These costs are determined on an annual basis through a cost allocation plan. During fiscal year ended September 30, 2020, the City's General Fund was reimbursed \$6,595,200 for these services. Interfund reimbursements are reported as an expenditure/expense in the fund ultimately responsible and as a reduction of expenditure/expense in the fund being reimbursed.

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

***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, 2020, 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***

Certain resources of the City are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants or set aside for bond repayment or as stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

***Capital Assets***

Capital assets, which includes land, buildings, infrastructure, improvements, equipment, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Construction in progress is not depreciated until the assets are placed into service.

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, 2020 is accrued based on past claims experience.

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

***Accrued Compensated Absences***

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

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

***Pensions***

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

***Postemployment Benefits Other Than Pensions (OPEB)***

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

# City of Mesquite, Texas

## Notes to Basic Financial Statements

### September 30, 2020

#### ***Long-Term Debt***

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

#### ***Net Position***

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### ***Fund Balance***

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The City's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

**City of Mesquite, Texas**  
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- Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the City Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation.
- Assigned fund balance represents amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council has by authorized city management to assign fund balance. The Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Deferred Outflows/Inflows of Resources***

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

- Deferred loss on refunding - A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension contributions – These contributions are deferred and recognized in the following fiscal year.

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

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

- Difference in expected and actual pension experience – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which the difference occurred.
- Difference in expected and actual OPEB experience – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which the difference occurred.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Difference in proportional share – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they were incurred.
- Unavailable revenue – This item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues the following sources: ambulance, ad valorem taxes, court fines and fees, grass and weed mowing, HUD vouchers, and other intergovernmental receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

# City of Mesquite, Texas

## Notes to Basic Financial Statements

### September 30, 2020

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***New Accounting Pronouncements***

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

##### GASB Statement No. 84, *Fiduciary Activities* (GASB 84)

GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary components units and postemployment benefit arrangements that are fiduciary activities. The City expects to first apply GASB 84 during the year ending September 30, 2021, using a prospective recognition method. The impact of applying the Statement has not been determined.

##### GASB Statement No. 87, *Leases* (GASB 87)

GASB 87 provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and corresponding liability. The liability will be based on payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and non-lease components will need to be separated so each component is accounted for accordingly. The City expects to first apply GASB 87 during the year ending September 30, 2022, using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The impact of applying the Statement has not been determined.

##### GASB Statement No. 91, *Conduit Debt Obligations* (GASB 91)

GASB 91 has the primary objectives of providing a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This standard becomes effective for the City in fiscal year 2023. The impact of applying the Statement has not been determined.

##### GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94)

GASB 94 provides recognition and measurement guidance for Service Concession Arrangements (SCAs) and other public-private partnerships (PPP) that do not meet the lease definition. This standard becomes effective for the City in fiscal year 2023. The impact of applying the Statement has not been determined.

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GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96)

GASB 96 provides improvements to reduce diversity in current reporting; defining subscription-based information technology arrangements (SBITA) leveraging guidance in Statement 87, *Leases*. This standard becomes effective for the City in fiscal year 2023. The impact of applying the Statement has not been determined.

**Note 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, 2020, the carrying amount of the City's demand deposits and certificates of deposit totaled \$11,073,365 and the bank balance was \$11,444,213. Cash on hand for the City was \$16,900. The carrying amount of cash for the Fiduciary fund was \$303,562. The carrying amount of cash for the Public Improvement Districts was \$18,185,869.

***Custodial Credit Risk***

In the case of deposits, this is the risk that, in the event of a bank's failure, the City's deposits may not be returned to it. Pursuant to provisions of both the Texas Public Funds Investment Act and the Public Funds Investment Policy of the City, deposits of the City that exceed the federal depository insurance coverage levels are materially collateralized with securities held by a third party custodian in the City's name. Investments, other than investments that are obligations of the U.S. government, its agencies, and instrumentalities, are insured or registered in the City's name and held by a third party custodian. In order to anticipate market changes and to provide a level of security for all funds, the collateralization level will be 102% (on a market value basis) of principal and accrued interest on the deposits.

***Investments***

The City's investment policies are governed by state statutes. The City's investment policies further limit state statutes such that eligible investments include the following:

1. Obligations of the United States of America its agencies and instrumentalities, including the Federal Home Loan Bank that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, in an amount up to 100% of portfolio.
2. Obligations of the state of Texas, its agencies, counties, cities, and other political subdivisions rated as to investment quality by a nationally recognized investment rating firm not less than AA or its equivalent, in an amount up to 20% of portfolio.

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3. Certificates of Deposit, in an amount up to 20% of portfolio, purchased with the following conditions:
  - a. Shall be issued by a depository institution that has its main office or branch office in the state of Texas.
  - b. Shall be guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations in a manner and amount provided by law for deposits of the investing entity as described in Section 2256.010 (b) (3) of the PFIA.
  - c. Shall be purchased through a broker that has a main office or a branch office in this state and is selected from a list adopted by the investing entity.
  - d. The broker or depository institution selected shall arrange for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the City's account.
  - e. The City shall appoint the depository institution selected or a clearing broker-dealer registered with the Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c.3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the City.
4. Fully collateralized direct repurchase agreements with a defined termination date secured by cash and obligations of the United States or its agencies and instrumentalities. These securities or cash shall be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City. Repurchase agreements must be purchased through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in Texas. A Master Repurchase Agreement must be signed by the bank/dealer prior to investment in a repurchase agreement. All repurchase agreement transactions will be on a delivery vs. payment basis. Securities received for repurchase agreements must have a market value greater than or equal to 102 percent at the time funds are disbursed. Repurchase agreement security types will be limited to 20% of the portfolio.
5. Money Market Mutual funds that are 1) registered and regulated by the SEC, 2) have a dollar weighted average stated maturity of 90 days or less, 3) maintain a net asset value of \$1 for each share, 4) investments are exclusive in obligations approved by the PFIA, 5) continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and 6) provide a prospectus and other information as described in Section 2256.014 (a) (2) of the PFIA. Total investment in all money market mutual funds shall not exceed 50% of the portfolio.
6. Government investment pools which 1) meet the requirements of Chapter 2256.016 of the Public Funds Investment Act, 2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, 3) investments are exclusive in obligations approved by the PFIA and 4) are authorized by resolution or ordinance by City Council. Investment in any one local government investment pool shall not exceed 40% of the City's portfolio. Total investment in all pools shall not exceed 80% of the City's portfolio.

**City of Mesquite, Texas**  
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***Investment Pools***

Investments of the City, other than for amortized cost pools, are valued based upon quotes obtained from Interactive Data Pricing and Reference Data (IDC). Investments in these pools are valued based upon the value of pool shares. No investments are reported at amortized cost, except for the City's investments in the Texas Local Government Investment Pool. The City invests in three pools; TexStar, Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) and the Texas Local Government Investment Pool (TexPool), which were created under the Interlocal Cooperation Act, Texas Government Code Ann. Ch. 791 and the Texas Government Code Ann. Ch. 2256. TexStar and Texas CLASS are rated AAAM and seeks to maintain a constant net asset value of \$1.00. Investments in the pools are considered to be cash equivalents when preparing these financial statements.

The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is the sole officer, director, and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act, Texas Government Code Ann. chapter 2256. TexStar is governed by a five-member Board of Directors comprising three government officials or employees and two other persons with expertise in public finance. Additionally, TexStar has a five-member Advisory Board. Texas CLASS is supervised by a Board of Trustees (the Board) who are elected by the Participants and shall be an odd number of three or more. Additionally, Texas CLASS has a five-member Advisory Board. Fair value of the City's position in the pools is, in all material respects, the same as the value of the pool shares. Investment income earned on pooled cash and investments is allocated to each fund based upon each fund's weighted average daily cash and investment balances.

***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.

The City's investments at September 30, 2020, are:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average</b>
Managed Pools:		
TexPool	\$ 1,417,518	0.104
TexPool Prime	67,185,805	0.134
TexSTAR	4,388,626	0.121
Texas Class	71,395,019	0.230
Certificates of Deposit:		
Comerica Bank	6,000,000	0.539
Money Market:		
Wells Fargo (Morgan Stanley)	10,536,834	0.112
US Agency Securities	30,163,548	1.586
Total	\$ 191,087,350	0.410

# City of Mesquite, Texas

## Notes to Basic Financial Statements

### September 30, 2020

#### ***Credit Risk***

The City's investment policy helps minimize credit risk by requiring the City to limit investments to the safest types of securities, pre-qualify the financial institutions and broker/dealers with which the City will do business, and diversify the investment portfolio so that potential losses on individual securities will be minimized. The City's investments in U.S. Agency securities (FHLB, FFCB, FNMA, and FHLMC) are rated at least AA by Standard and Poor's and Aaa by Moody's Investor's Service at the date of purchase. The investment in Texas Local Government Pools (TexPool, TexPool Prime, TexStar, and Texas Class) carried a credit rating of AAAM by Standard and Poor's as of September 30, 2020. TexPool and TexPool Prime are overseen by the Texas State Comptroller of Public Accounts, and the fair value is the same as the value of the pool shares. TexStar is overseen by a Governing Board consisting of individuals from participating Government Entities in the pool, and the fair value is the same as the value of the pool shares. Texas Class is overseen by a Board of Trustees consisting of individuals from active participating Government Entities in the pool that are elected by the participants, and the fair value is the same as the value of the pool shares. The City's investments in Morgan Stanley's Money Market fund through Wells Fargo carried a credit rating of AAAM by Standard and Poor's and Aaa-mf by Moody's Investor's Service as of September 30, 2020.

#### ***Concentration of Credit Risk***

With the exception of U.S. Treasury securities, the City's investment policy limits the amount that may be invested in any single security type. Investment Policy limits investment portfolio to no more than 80% investment pools, 20% certificates of deposit, 50% money market funds, 20% obligations of the state of Texas, its agencies, counties, cities, and other political subdivisions, and 20% repurchase agreements of the total investment portfolio. As of September 30, 2020, the City's total investments are in the following: US agency issues (15.79%) consisting of FNMA (2.11%), Farm Credit (7.40%), and FHLMC (6.28%); investment pools (75.56%); money market funds (5.51%), and certificates of deposit (3.14%).

#### **Note 3: Fair Value of Investments**

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

**Level 1** Quoted prices in active markets for identical assets or liabilities

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

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

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**Recurring Measurements**

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2020:

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Investments by fair value level				
U.S. agency securities	\$ 30,163,548	\$ -	\$ 30,163,548	\$ -
Total investments by fair value level	30,163,548	\$ -	\$ 30,163,548	\$ -
Investments measured at net asset value				
Texas Class	71,395,019			
TexStar	4,388,626			
Money Market Fund	10,536,834			
	86,320,479			
Investments measured at amortized cost				
TexPool	1,417,518			
TexPool Prime	67,185,805			
	68,603,323			
Non-negotiable certificate of deposit				
Comerica Bank	6,000,000			
	6,000,000			
Total investments	\$ 191,087,350			

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

**Investments**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2020, no investments here held by the City meeting the Level 3 hierarchy classification.

**City of Mesquite, Texas**  
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***Investment in State Investment Pools***

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

**Note 4: Ad Valorem Taxes**

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraised value less applicable exemptions authorized by the City Council. Appraised values are established by the Dallas Central Appraisal District and the Kaufman Central Appraisal District at 100% of estimated market value. The total assessed value for the tax roll of January 1, 2019, upon which the 2020 fiscal year levy was based, was \$8,680,128,341. Taxes are due October 1, immediately following the January 1 lien date and are delinquent after the following January 31st. A delinquent tax incurs a penalty of 6% beginning February 1, plus 1% for each additional month the tax remains unpaid to a maximum of 12% on July 1. A delinquent tax accrues interest at a rate of 1% for each month or portion of a month until the taxes are paid. Current tax collections for the year ended September 30, 2020, were \$61,308,860 or 98.7% of the current tax levy and total tax collections (including collections on previous years) were \$61,764,777 or 99.4% 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 3.5%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 3.5% 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, 2020, the City had a tax rate of \$0.734 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.

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**Note 5: Receivables**

Receivables at September 30, 2020 for the government's individual major funds, which have receivables and non-major in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Housing Grants</u>	<u>Local Finance</u>	<u>Bond Finance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:						
Accounts	\$ 17,200,843	\$ 121,812	\$ 307,153	\$ -	\$ 27,437	\$ 17,657,245
Ad valorem taxes	2,810,621	-	-	-	-	2,810,621
Other taxes	1,607,880	-	-	-	54,752	1,662,632
Note receivable	804,560	-	-	-	-	804,560
Intergovernmental	6,076,859	-	-	12,119	5,801,183	11,890,161
Gross receivables	28,500,763	121,812	307,153	12,119	5,883,372	34,825,219
Less: allowance for uncollectibles	(11,409,447)	-	-	-	-	(11,409,447)
Net total receivables	<u>\$ 17,091,316</u>	<u>\$ 121,812</u>	<u>\$ 307,153</u>	<u>\$ 12,119</u>	<u>\$ 5,883,372</u>	<u>\$ 23,415,772</u>

	<u>Water and Sewer</u>	<u>Drainage Utility District</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Receivables:				
Accounts	\$ 12,777,425	\$ 709,074	\$ 86,693	\$ 13,573,192
Intergovernmental	22,744	-	-	22,744
Gross receivables	12,800,169	709,074	86,693	13,595,936
Less: allowance for uncollectibles	(359,862)	(23,166)	(3,950)	(386,978)
Net total receivables	<u>\$ 12,440,307</u>	<u>\$ 685,908</u>	<u>\$ 82,743</u>	<u>\$ 13,208,958</u>

**City of Mesquite, Texas**  
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The governmental funds report unavailable revenues from the following sources:

<u>Source of Revenue</u>	<u>Total</u>
General fund - ambulance accounts receivable	\$ 1,099,839
General fund - ad valorem taxes receivable	1,797,052
General fund - court fines receivable	584,275
General fund - accounts receivable, grass and weed mowing	1,071,999
Housing Grants fund - HUD vouchers	121,812
Local Finance capital projects fund - other receivable	306,513
Nonmajor funds - intergovernmental receivable	<u>2,838,482</u>
 Total unavailable revenues for governmental funds	 <u><u>\$ 7,819,972</u></u>

**Note 6: Capital Assets**

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Sales / Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 24,664,250	\$ 105,290	\$ (403,515)	\$ -	\$ 24,366,025
Construction in progress	29,877,841	32,659,535	(1,288,110)	(9,044,863)	52,204,403
Total capital assets, not being depreciated	<u>54,542,091</u>	<u>32,764,825</u>	<u>(1,691,625)</u>	<u>(9,044,863)</u>	<u>76,570,428</u>
Capital assets, being depreciated:					
Buildings	102,011,055	7,905,658	(379,587)	-	109,537,126
Infrastructure	308,483,469	2,546,589	-	3,918,497	314,948,555
Improvements	24,260,577	-	-	1,389,329	25,649,906
Equipment	79,738,319	861,439	(4,899,346)	3,737,037	79,437,449
Total capital assets, being depreciated	<u>514,493,420</u>	<u>11,313,686</u>	<u>(5,278,933)</u>	<u>9,044,863</u>	<u>529,573,036</u>
Less accumulated depreciation for:					
Buildings	(37,226,854)	(2,552,859)	210,915	-	(39,568,798)
Infrastructure	(159,908,954)	(5,267,527)	-	-	(165,176,481)
Improvements	(13,605,952)	(1,091,424)	-	-	(14,697,376)
Equipment	(53,908,755)	(5,800,021)	4,742,300	-	(54,966,476)
Total accumulated depreciation	<u>(264,650,515)</u>	<u>(14,711,831)</u>	<u>4,953,215</u>	<u>-</u>	<u>(274,409,131)</u>
Total capital assets, being depreciated, net	<u>249,842,905</u>	<u>(3,398,145)</u>	<u>(325,718)</u>	<u>9,044,863</u>	<u>255,163,905</u>
Governmental activities capital assets, net	<u><u>\$ 304,384,996</u></u>	<u><u>\$ 29,366,680</u></u>	<u><u>\$ (2,017,343)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 331,734,333</u></u>

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

	Beginning Balance	Additions	Sales / Disposals	Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 12,442,946	\$ 886,742	\$ -	\$ -	\$ 13,329,688
Construction in progress	8,980,503	10,035,030	(982,657)	(2,002,271)	16,030,605
Total capital assets, not being depreciated	<u>21,423,449</u>	<u>10,921,772</u>	<u>(982,657)</u>	<u>(2,002,271)</u>	<u>29,360,293</u>
Capital assets, being depreciated:					
Buildings	9,798,623	470,000	-	-	10,268,623
Infrastructure	306,262,762	8,413,404	-	1,564,409	316,240,575
Improvements	4,876,662	-	-	148,198	5,024,860
Equipment	11,815,701	649,999	(638,361)	289,664	12,117,003
Total capital assets, being depreciated	<u>332,753,748</u>	<u>9,533,403</u>	<u>(638,361)</u>	<u>2,002,271</u>	<u>343,651,061</u>
Less accumulated depreciation for:					
Buildings	(3,417,158)	(219,985)	-	-	(3,637,143)
Infrastructure	(119,202,862)	(6,926,175)	-	-	(126,129,037)
Improvements	(1,289,128)	(308,599)	-	-	(1,597,727)
Equipment	(8,269,542)	(1,055,476)	641,743	-	(8,683,275)
Total accumulated depreciation	<u>(132,178,690)</u>	<u>(8,510,235)</u>	<u>641,743</u>	<u>-</u>	<u>(140,047,182)</u>
Total capital assets, being depreciated, net	<u>200,575,058</u>	<u>1,023,168</u>	<u>3,382</u>	<u>2,002,271</u>	<u>203,603,879</u>
Business-type activities capital assets, net	<u>\$ 221,998,507</u>	<u>\$ 11,944,940</u>	<u>\$ (979,275)</u>	<u>\$ -</u>	<u>\$ 232,964,172</u>

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

<b>Governmental activities:</b>	
General government	\$ 2,575,658
Fire services	1,225,376
Police services	2,048,707
Public Services	6,921,424
Parks and recreation	1,671,559
Community services	269,107
Total governmental activities	<u>\$ 14,711,831</u>
<b>Business-type activities:</b>	
Water and sewer	\$ 6,488,259
Drainage utility	1,377,098
Municipal airport	451,265
Golf Course	193,613
Total business-type activities	<u>\$ 8,510,235</u>

**City of Mesquite, Texas**  
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**Construction Commitments**

The City has active construction projects as of September 30, 2020. Projects include street construction, parks and recreation improvements, fire improvement, as well as improvements in water storage and distribution facilities. Construction in progress has been categorized by the primary revenue source being used to fund the construction as follows:

	<b><u>Remaining Construction Commitments</u></b>
<b>Governmental activities:</b>	
Projects funded by general obligation bonds:	
Streets	\$ 267,900
Public Safety	150,333
Parks and recreation	163,651
Public works	811,548
Projects funded by local finance sources:	
PIDs	18,013,636
Streets	
Convention center	
Public Safety	373,924
Library	6,278
Economic development	7,400
Projects funded by general sales tax (4B portion):	
Parks and recreation	129,380
Projects funded by grant funds:	
Public safety	<u>129,440</u>
<b>Total governmental activities</b>	<b><u><u>\$ 20,053,490</u></u></b>

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
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**Note 7: Interfund Receivables, Payables, and Transfers**

***Due to/from other funds***

These amounts represent intergovernmental revenue accrued but not received in the Other Grants Special Revenue fund under the “Other Governmental Funds” and amounts for loans to the Health Claims, Golf and Airport Funds to cover additional cash needed. The current portion of lending/ borrowing arrangements outstanding at September 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Grants Fund	\$ 4,520
General Fund	Other Grants Fund	34,338
General Fund	Other Grants Fund	207,805
General Fund	Golf Course Fund	113,219
General Fund	Health Claims Fund	631,504
Local Finance Fund	Airport Fund	200,000
		<u>\$ 1,191,386</u>

***Transfers***

Transfers were as follows for the fiscal year ended September 30, 2020:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 1,000,000	\$ 25,620,250
Local Finance	6,556,250	3,294,360
Bond Finance	9,500	28,861
Debt Service	22,694,771	9,500
Non-Major Governmental Funds	-	2,452,380
Water and Sewer	800,000	1,030,000
Drainage Utility District	474,360	-
Non-Major Enterprise Fund	100,280	199,810
Internal Service Funds	1,000,000	-
	<u>\$ 32,635,161</u>	<u>\$ 32,635,161</u>

**City of Mesquite, Texas**  
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The transfers were for the following purposes:

<u>Transfer from Fund / Purpose</u>	<u>Transfer to Fund</u>	<u>Amount</u>
General Fund-		
Group medical insurance	Group Medical Insurance	\$ 500,000
Property tax debt service levy	Debt Service	18,064,000
Public Safety projects	Local Finance	1,206,250
Furniture replacement	Local Finance	50,000
General Liability Insurance	General Liability	500,000
Future Capital Projects	Local Finance	5,300,000
Local Finance Fund-		
Impact fees	Debt Service	2,820,000
Town Center DUD Projects	DUD	474,360
Bond Finance Fund-		
Close CO2011 bond fund	Debt Service	28,861
Debt Service Fund-		
Close GO2019 refunding bond	Debt Service	9,500
Non-Major Governmental Funds-		
Other Special Revenue -		
9-1-1 operations subsidy	General	800,000
Traffic enforcement	General	100,000
Child safety fees	General	100,000
Airport contributions	Airport	280
Mesquite Quality of Life Corporation	Debt Service	1,352,100
Capital improvements	Airport	50,000
Capital improvements	Golf Course	50,000
Water and Sewer Enterprise Fund-		
General obligation debt allocation	Debt Service	1,030,000
Non-Major Enterprise Fund-		
Airport general obligation debt allocation	Debt service	199,810
	Total	<u>\$ 32,635,161</u>

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
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**Note 8: Long-Term Liabilities**

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 have been issued in prior years pursuant to voter authorization for infrastructure and facility projects accounted for in a governmental capital project fund. In early fiscal year 2019, the City executed a current refunding in the amount of \$29,090,000 of series 2009 general obligation refunding bonds, series 2009 combination tax and revenue certificates of obligation, series 2010 general obligation refunding bonds, series 2010 combination tax and limited surplus revenue certificates of obligation, series 2011 general obligation refunding bonds, and series 2011 combination tax and limited surplus revenue certificates of obligation. The bonds were refunded with \$27,685,000, Series 2019 General Obligation Refunding Bonds dated December 1, 2019. The refunding was undertaken to achieve debt service savings and the remaining proceeds from the sale of the bonds will be used for the discharge and final payment of certain outstanding obligations for the City. As a result of the refunding transaction, the City achieved a cash flow savings of \$4,538,854 and an economic gain of \$4,136,918. In addition, included in the May 2020 bond sale was \$14,585,000 of General Obligation Bonds for (i) constructing, improving, extending, expanding, upgrading and developing two-lane residential streets, including, utility relocation, landscaping, sidewalks, traffic safety and operational improvements, drainage, the purchase of any necessary right-of-way, and other related costs; and (ii) to pay the costs of issuance of the Bonds.
- 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 2020 bond sale was \$10,360,000 for (i) acquisitions and installation of City information technology infrastructure and equipment; (ii) designing, engineering, developing, constructing, improving and repairing, extending streets, thoroughfares and bridges, including streetscaping, related storm drainage improvements, signalization and other traffic controls, sidewalks, street lights and the acquisition of any right of way therefor; (iii) designing, developing, constructing, improving and renovating City buildings and facilities, including City Hall, equipment services facilities, library facilities, the City Service Center, the Municipal Center and Fire Station Number 4, (iv) acquisition of equipment and vehicles for police, public works, fire building services, planning and development and park and recreation purposes; and (v) for paying legal, fiscal, engineering and other professional fees in connection with such projects and (vi) paying the costs of issuing the Certificates. Certificates still outstanding may be called in whole or in part at the City's option on or after ten years from the date of issuance.
- Special Assessment bonds are issued to provide funds for improvements within the City's Public Improvement Districts (PIDs). There were no special assessment bonds issued in the current year.

**City of Mesquite, Texas**  
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- 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. In early fiscal year 2019, the City executed a current refunding in the amount of \$9,450,000 of series 2010 waterworks and sewer system revenue bonds and series 2011 waterworks and sewer system revenue refunding and improvement bonds. The bonds were refunded with \$9,035,000 Series 2019A Waterworks and Sewer System Revenue Refunding Bonds dated December 1, 2019. The refunding was undertaken to achieve debt service savings and the remaining proceeds from the sale of the bonds will be used for the discharge and final payment of certain outstanding obligations for the City. As a result of the refunding transaction, the City achieved a cash flow savings of \$1,305,636 and an economic gain of \$1,159,168. In addition, in the May 2020 bond sale was \$19,430,000 to (i) provide funds for improvements, additions and extension to the system; (ii) fund the additional amount required to be accumulated in the Revenue Reserve Fund as a result of the issuance of the bonds; and (iii) to pay the costs of issuance of the bonds. Bonds still outstanding may be called in whole or in part at the City's option on or after ten years from the date of issuance.
- Municipal drainage utility system revenue bonds are issued to provide funds for drainage improvements, including the acquisition and construction of structures, equipment, and facilities for the Drainage Utility District. There were no Drainage Utility District Bonds issued in the current year.

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

Governmental activities long-term bonded debt at September 30, 2020, includes the following individual issues:

<b>Governmental Activities</b>	<b>Issued Amount</b>	<b>Interest Rate (%)</b>	<b>Maturity Date</b>	<b>Amount Outstanding</b>	<b>Due Within One Year</b>
<b>General Obligation Bonds-</b>					
Series 2012 refunding	\$ 3,765,000	2.00-3.00	2/15/2024	\$ 2,025,000	\$ 485,000
Series 2013 refunding	7,635,000	2.00-3.00	2/15/2025	4,755,000	970,000
Series 2014 refunding	9,080,000	3.00-4.00	2/15/2026	5,550,000	915,000
Series 2015 refunding	2,935,000	2.00-4.00	2/15/2025	1,435,000	285,000
Series 2016 refunding & improvement	40,565,000	1.75-5.00	2/15/2036	32,855,000	1,995,000
Series 2017 refunding	7,600,000	2.50-5.00	2/15/2029	7,185,000	430,000
Series 2018 refunding & improvement	31,475,000	4.00-5.00	2/15/2038	26,355,000	1,065,000
Series 2019 refunding	27,685,000	2.00-3.00	2/15/2031	27,265,000	2,685,000
Series 2020	14,585,000	4.00-5.00	2/15/2040	14,585,000	325,000
				<u>122,010,000</u>	<u>9,155,000</u>
<b>Certificate of Obligation Bonds-</b>					
Series 2012	7,235,000	2.00-3.375	2/15/2032	4,110,000	480,000
Series 2013	5,450,000	2.00-3.00	2/15/2033	2,765,000	390,000
Series 2014	9,715,000	3.00-4.00	2/15/2034	7,395,000	125,000
Series 2015	14,835,000	2.00-5.00	2/15/2035	10,590,000	610,000
Series 2016	11,815,000	2.00-5.00	2/15/2036	6,920,000	690,000
Series 2017	8,285,000	1.000-3.670	2/15/2037	4,200,000	330,000
Series 2018	16,050,000	4.00-5.00	2/15/2038	14,095,000	645,000
Series 2019	10,065,000	3.00-4.00	2/15/2039	7,250,000	640,000
Series 2020	10,360,000	4.00-5.00	2/15/2040	10,360,000	230,000
				<u>67,685,000</u>	<u>4,140,000</u>
<b>Special Assessment Bonds-</b>					
Series 2018 - Heartland Phase 1	5,410,000	4.375-5.375	9/1/2048	5,410,000	95,000
Series 2018 - Heartland Phase 2	1,835,000	5.125-5.625	9/1/2048	1,835,000	35,000
Series 2019 - Iron Horse	10,050,000	6.5	9/15/2049	10,050,000	-
Series 2019 - Polo Ridge Phase 1	7,040,000	4.25-5.125	9/15/2048	7,040,000	125,000
Series 2019 - Polo Ridge Phases 2-6	7,500,000	5.125-6.125	9/15/2048	7,500,000	115,000
				<u>31,835,000</u>	<u>370,000</u>
Total governmental activities long-term bonded debt				221,530,000	13,665,000
Add: Net premium/discounts on bonds				<u>14,613,527</u>	<u>-</u>
Net governmental activities long-term bonded debt				<u>\$ 236,143,527</u>	<u>\$ 13,665,000</u>

**City of Mesquite, Texas**  
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Business-type activities long-term bonded debt at September 30, 2020, includes the following individual issues:

<u>Business-type Activities</u>	<u>Issued Amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Water and Sewer Revenue Bonds-					
Series 2010 improvements	\$ 8,270,000	2.00-4.25	3/1/2030	\$ 835,000	\$ 410,000
Series 2012 refunding and improvements	7,945,000	2.00-3.375	3/1/2032	4,285,000	490,000
Series 2013 refunding and improvements	7,090,000	2.00-3.25	3/1/2033	4,065,000	315,000
Series 2014 refunding and improvements	11,655,000	3.00-4.00	3/1/2034	8,625,000	975,000
Series 2015 refunding and improvements	10,325,000	2.00-5.00	3/1/2035	5,835,000	415,000
Series 2016 refunding and improvements	15,785,000	2.00-5.00	3/1/2036	11,600,000	975,000
Series 2017 refunding and improvements	12,555,000	2.00-5.00	3/1/2037	11,400,000	690,000
Series 2018 refunding and improvements	8,920,000	4.00-5.00	3/1/2038	8,260,000	400,000
Series 2019 improvements	15,260,000	3.00-5.00	3/1/2039	14,855,000	550,000
Series 2019A refunding	9,035,000	2.00-3.00	3/1/2031	8,950,000	1,170,000
Series 2020 improvements	19,430,000	4.00-5.00	3/1/2040	19,430,000	395,000
				<u>98,140,000</u>	<u>6,785,000</u>
Drainage Utility System Revenue Bonds-					
Series 2011 refunding	4,385,000	2.00-3.750	3/1/2022	445,000	220,000
Series 2019 improvements	7,910,000	2.00-4.00	3/1/2039	7,695,000	290,000
				<u>8,140,000</u>	<u>510,000</u>
Total business-type activities long-term debt				106,280,000	7,295,000
Add: Net premium/discounts on bonds				7,983,134	-
Net business-type activities long-term debt				<u>\$ 114,263,134</u>	<u>\$ 7,295,000</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>
2021	\$ 13,665,000	\$ 9,258,701	\$ 7,295,000	\$ 4,151,690
2022	14,600,000	8,564,156	7,360,000	3,709,309
2023	15,395,000	8,029,556	6,840,000	3,475,056
2024	15,290,000	7,453,394	7,085,000	3,230,144
2025	14,185,000	6,859,044	6,795,000	2,960,956
2026-2030	59,755,000	26,425,291	30,760,000	10,653,616
2031-2035	45,790,000	15,793,110	24,240,000	5,518,038
2036-2040	27,985,000	7,042,775	15,905,000	1,803,950
2041-2045	8,070,000	3,387,344	-	-
2046-2049	6,795,000	880,656	-	-
Total	<u>\$ 221,530,000</u>	<u>\$ 93,694,027</u>	<u>\$ 106,280,000</u>	<u>\$ 35,502,759</u>

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
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***Pledged Revenues***

The following is a summary of pledged revenues of the City for the year ended September 30, 2020:

Debt	Revenue Pledged	Total Pledged Revenue	Current Year Debt Service Requirements	Percentage Portion of Pledged Revenue Stream	Remaining Principal and Interest	Period Revenue Will Not Be Available For Other Purposes
Water and Sewer Revenue Bonds	Net revenues of the City's waterworks and sewer system	\$ 18,103,763	\$ 9,597,005	53.0%	\$ 130,118,840	Until 2040
Drainage Utility System Revenue Bonds	Net revenues of the City's drainage utility system	3,082,934	932,963	30.3%	10,788,494	Until 2039
Special Assessment Bonds	Assessments levied against assessable properties in the Districts	406,175	1,886,853	464.5%	64,573,276	Until 2049

***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.

***Changes in Long-term Liabilities***

Long-term liabilities activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Refundings/ Adjustments	Ending Balance	Due Within One Year
<b>Governmental activities:</b>						
Bonds payable:						
General obligation bonds	\$ 100,740,000	\$ 42,270,000	\$ 7,460,000	\$ 13,540,000	\$ 122,010,000	\$ 9,155,000
Certificates of obligation	80,385,000	10,360,000	7,510,000	15,550,000	67,685,000	4,140,000
Special assessment bonds	31,835,000	-	-	-	31,835,000	370,000
Total bonds payable	212,960,000	52,630,000	14,970,000	29,090,000	221,530,000	13,665,000
Add: net premium or discount	11,634,912	5,373,100	2,093,892	300,593	14,613,527	-
Net bonds payable	224,594,912	58,003,100	17,063,892	29,390,593	236,143,527	13,665,000
Accrued compensated absences	20,339,981	6,401,669	7,237,944	-	19,503,706	7,698,871
Estimated claims payable	3,674,206	13,635,475	13,484,194	-	3,825,487	2,012,305
	<u>\$ 248,609,099</u>	<u>\$ 78,040,244</u>	<u>\$ 37,786,030</u>	<u>\$ 29,390,593</u>	<u>\$ 259,472,720</u>	<u>\$ 23,376,176</u>
<b>Business-type activities:</b>						
Bonds payable:						
Revenue bonds - water/sewer	\$ 85,650,000	\$ 28,465,000	\$ 6,525,000	\$ 9,450,000	\$ 98,140,000	\$ 6,785,000
Revenue bonds - drainage	8,725,000	-	585,000	-	8,140,000	510,000
Total revenue bonds payable	94,375,000	28,465,000	7,110,000	9,450,000	106,280,000	7,295,000
Add: net premium or discount	5,642,059	3,492,512	1,005,020	146,417	7,983,134	-
Net revenue bonds payable	100,017,059	31,957,512	8,115,020	9,596,417	114,263,134	7,295,000
Accrued compensated absences	951,934	960,484	941,812	-	970,606	177,512
	<u>\$ 100,968,993</u>	<u>\$ 32,917,996</u>	<u>\$ 9,056,832</u>	<u>\$ 9,596,417</u>	<u>\$ 115,233,740</u>	<u>\$ 7,472,512</u>

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
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**Note 9: Retirement Plan**

***Plan Description***

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid agent multiple-employer defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

***Benefits Provided***

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

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

Plan provisions for the City were as follows:

Deposit Rate:	7%
Matching Ratio (City to Employee):	2 to 1
A member is vested after:	5 years
Updated Service Credit:	100% Transfers
Annuity Increases to Retirees:	50% CPI

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	835
Inactive employees entitled to but not yet receiving benefits	470
Active employees	1,120
	2,425

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
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**Contributions**

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.51% and 17.23% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$13,357,350, and were equal to the required contributions.

**Net Pension Liability**

The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions:**

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
	100.00%	

***Discount Rate***

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

**City of Mesquite, Texas**  
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***Changes in the Net Pension Liability***

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
Balance at September 30, 2019	\$ 562,471,540	\$ 414,547,383	\$ 147,924,157
Changes for the year:			
Service cost	12,997,794	-	12,997,794
Interest (on the total pension liability)	37,502,061	-	37,502,061
Difference between expected and actual experience	572,628	-	572,628
Changes in assumptions	276,896	-	276,896
Benefit payments, including refunds of employee contributions	(26,768,688)	(26,768,688)	-
Administrative expense	-	(362,128)	362,128
Contributions - member	-	5,390,080	(5,390,080)
Contributions - employer	-	12,712,890	(12,712,890)
Net investment income (loss)	-	64,021,550	(64,021,550)
Other	-	(10,878)	10,878
Net Changes	<u>24,580,691</u>	<u>54,982,826</u>	<u>(30,402,135)</u>
Balance at September 30, 2020	<u>\$ 587,052,231</u>	<u>\$ 469,530,209</u>	<u>\$ 117,522,022</u>

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

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

	<b>1% Decrease 5.75%</b>	<b>Current Rate Assumption 6.75%</b>	<b>1% Increase 7.75%</b>
Discount rate	\$ 195,814,499	\$ 117,522,022	\$ 52,732,976

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in a separately issued TMRS financial report which may be obtained at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2020, the City recognized pension expense of \$17,576,786.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in expected and actual experience	\$ 455,045	\$ 3,243,858
Difference between projected and actual investment earnings on pension plan investments	-	14,486,388
Changes in assumptions	340,949	-
Change in proportional share	343,231	343,231
Employer contributions subsequent to the measurement date	<u>9,867,626</u>	<u>-</u>
	<u>\$ 11,006,851</u>	<u>\$ 18,073,477</u>

\$9,867,626 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2021	\$ (5,359,417)
2022	(5,403,963)
2023	891,201
2024	<u>(7,062,073)</u>
	<u>\$ (16,934,252)</u>

***Allocation of Pension Items***

The City allocates pension items between governmental activities and business-type activities on the basis of employee payroll funding. For the governmental activities, the net pension liability is liquidated by the general fund. For the business type activities, the net pension liability is liquidated by the airport fund, water and sewer fund, drainage utility district fund, municipal airport fund, and municipal golf course fund.

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**Note 10: Regional Systems for Water Supply and Wastewater Treatment**

The City secures substantially all of its water supply and sewer services from the North Texas Municipal Water District (the "District"). The District has police, taxation, and eminent domain powers and is authorized to issue revenue bonds with State approval and functions as a political subdivision independent of the City. The District is governed by a 25-member board (the "Board"), the City being authorized by statute to appoint two of those members. The Board has full power and discretion to establish its budget and to set the rates for services it provides by contracts with its member cities and customers. The Board is empowered by statute and contract, or otherwise permitted by law, to discontinue a facility or to enforce payment of an unpaid charge, fee, or rental due to the District. A portion of the outstanding bonds of the District are contract revenue bonds based on contracts with certain member cities of the District. The City provides for the payment of its contractual obligations with the District from revenue generated by its waterworks and sewer systems. Such contractual payments provide for the payment of the principal and interest requirements on specified indebtedness and associated operation and maintenance expenses of the District. Because of the factors mentioned above the District is not included in the City's basic financial statements.

***Water Supply***

On August 1, 1988, the City entered into a contract with the District whereby the District agreed to provide water supply for the benefit of the City. The provisions of this contract are similar in concept, essence, and intent to the provisions of the contract originally entered into on December 12, 1953. In return for this service, the City agreed to pay the District at a rate per 1,000-gallon basis, subject to minimum annual payments which approximated \$23.71 million for the fiscal year ended September 30, 2020.

***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, 2020, was approximately \$9.23 million.

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**Note 11: Self-Insurance**

**Group Health Insurance**

The City established the Group Medical Insurance internal service fund in 1984 to account for the provision of group life and health insurance coverage for employees and their dependents. The City's health insurance program is a "self-insured" plan funded by both the City and participating employees. The City makes a predetermined contribution to the plan each biweekly payroll for group life and health insurance coverage for qualifying City employees and a subsidy toward employee dependent coverage. Employees contribute through payroll deductions for the balance of dependent health insurance coverage. The City's health insurance program includes stop loss coverage with a \$300,000 deductible per individual with an unlimited liability limit per claim. According to the Health Care Reform Act lifetime maximums are no longer allowed. The coverage is consistent with prior years and settled claims did exceed this self-insured coverage in fiscal year 2019 by \$915,000 and in fiscal year 2020 by \$1,013,425.

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 estimated claims payable of \$1,105,714 reported in the Group Medical Insurance internal service fund is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* (GASB No. 10), which requires that a liability be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability for unpaid claims includes allocated loss adjustment expenses. Changes in the fund's claims liability amount in fiscal years 2019 and 2020 were:

<b>Fiscal Year</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Fiscal Year Liability</b>
2019	\$ 1,013,124	\$ 11,281,651	\$ 11,009,310	\$ 1,285,465
2020	1,285,465	11,516,853	11,696,604	1,105,714

Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims and for claims incurred but not yet reported is determined by the City.

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**General Liability Insurance**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1985, the City established the General Liability internal service fund to account for the provision of property, general liability, and workers' compensation insurance. The City's insurance coverage is through scheduled specific policies with large deductibles with the primary carrier being the Texas Municipal League Risk Pool. Under this program, the General Liability Fund provides coverage for up to a maximum of:

- \$10,000 retention for each real and personal property claim and a scheduled limit on coverage
- \$10,000 retention for each mobile equipment claim and a scheduled limit on coverage
- \$10,000 retention for each auto physical damage claim and a scheduled limit on coverage
- \$100,000 retention for each auto catastrophe claim and a \$7,700,000 limit on coverage
- \$50,000 retention for each law enforcement claim and a \$5,000,000 limit on coverage
- \$50,000 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
- \$50,000 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
- \$25,000 retention for each crime coverage claim with a \$500,000 limit on coverage
- \$10,000 retention for each storage tank pollution claim with a \$1,000,000 limit on coverage with a \$2,000,000 annual aggregate

The General Liability Fund is funded through revenues from participating governmental and proprietary funds of the City. The above coverage is consistent with prior years and settled claims have not exceeded the self-insured coverage in any of the past three fiscal years.

The estimated claims payable of \$2,719,773 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 2019 and 2020 were:

<b>Fiscal Year</b>	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Fiscal Year Liability</b>
2019	\$ 2,115,124	\$ 2,505,020	\$ 2,231,403	\$ 2,388,741
2020	2,388,741	2,118,622	1,787,590	2,719,773

**City of Mesquite, Texas**  
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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.

**Note 12: Other Postemployment Benefits (OPEB)**

***Plan description***

In addition to the pension benefits described in Note 9, the City provides postretirement healthcare benefits to retirees and their dependents through a single-employer defined benefit healthcare. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75. The plan does not issue a separate financial report.

***Benefits provided***

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

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

Prior to Medicare eligibility, retirees can remain in a high-deductible health plan (HDHP) with a \$5,000 deductible. Effective January 1, 2018, the City no longer makes contributions to the HSA account for retirees.

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

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

**City of Mesquite, Texas**  
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***Employees covered by benefit terms***

At September 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	332
Inactive employees entitled to but not yet receiving benefits	-
Active employees	1,061
	1,393

***Total OPEB Liability***

The City's total OPEB liability of \$35,865,706 was measured as of September 30, 2020 and was determined by an actuarial valuation as of September 30, 2020.

***Actuarial assumptions and other inputs***

The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Salary increases	3.0%, average, including inflation
Discount rate	2.41%
Prior year discount rate	2.75%
Healthcare cost trend rates - pre-65	6.50% for 2020, decreasing annually, to an ultimate rate of 4.04% for 2075 and later years
Healthcare cost trend rates - post-65	No increases are assumed
Retirees' share of benefit-related costs	Future contributions for pre-65 retirees are assumed to increase at the same rate as medical trend.

The discount rate of 2.41% was based on the September 30, 2020 Fidelity General Obligation AA 20-Year Yield . The prior year discount rate was 2.75%, based on the Fidelity General Obligation AA 20-Year Yield.

Mortality rates for active employees were based on the PubG.H-2010 tables for general employees and PubS.H-2010 tables for public safety, Generational with Projection Scale MP-2020 for males or females, as appropriate.

Mortality rates for retirees were based on the PubG.H-2010 tables for general employees and PubS.H-2010 tables for public safety, Generational with Projection Scale MP-2020 for males or females, as appropriate.

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***Changes in the Total OPEB Liability***

	<b>Total OPEB Liability</b>
Balance as of 10/01/19	\$ 37,413,066
Changes for the year	
Service cost	909,005
Interest	896,300
Differences between expected and actual experience	(5,978,499)
Changes in assumptions/inputs	4,786,230
Benefit payments	(2,160,396)
Net changes	(1,547,360)
Balance at 9/30/20	\$ 35,865,706

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.41%) or 1-percentage-point higher (3.41%) than the current discount rate:

<b>1% Decrease (1.41%)</b>	<b>Discount Rate (2.41%)</b>	<b>1% Increase (3.41%)</b>
\$ 39,876,061	\$ 35,865,706	\$ 32,400,916

***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates***

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<b>1% Decrease</b>	<b>Healthcare Cost Trend</b>	<b>1% Increase</b>
\$ 32,122,266	\$ 35,865,706	\$ 40,302,850

**City of Mesquite, Texas**  
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***OPEB Expense and Deferred Inflows of Resources Related to OPEB***

For the year ended September 30, 2020, the City recognized OPEB expense of \$1,681,328. At September 30, 2020, the City reported deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in expected and actual experience	\$ -	\$ 5,564,585
Changes in assumptions	5,316,629	-
	<b>\$ 5,316,629</b>	<b>\$ 5,564,585</b>

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

Year ended September 30,		
	2021	\$ (123,978)
	2022	(123,978)
	Total	<b>\$ (247,956)</b>

***Allocation of OPEB Items***

The City allocates OPEB items between governmental activities and business-type activities on the basis of employee payroll funding. For the governmental activities, the total OPEB liability is liquidated by the general fund. For the business type activities, the total OPEB liability is liquidated by the airport fund, water and sewer fund, drainage utility district fund, municipal airport fund, and municipal golf course fund.

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**Note 13: Commitments and Contingent Liabilities**

***Encumbrances***

As discussed in Note 1 Summary of Significant Accounting Policies - Encumbrances, encumbrances are commitments related to underperformed contracts for goods or services (i.e. purchase orders). At year end, the encumbrances expected to be honored upon performance by the vendor in the next year are as follows:

Fund/Program	Encumbrance
General	\$ 226,012
4B	223,420
Hotel Occupancy Tax	10,376
Confiscated - State	12,457
Confiscated - Federal	25,970
Community Development Block Grant	79,197
Grants	22,723
CARES Act Funding	1,540,634
Citizen Contribution 50/50 Program	138,655
TIRZ 2 Town Centre	2,047,644
Local Finance	340,966
Bond Finance	13,939,385
Water/Sewer	6,248,870
Drainage Utility District	2,063,743
General Liability	6,921
	\$ 26,926,973

***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.

**City of Mesquite, Texas**  
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***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. Rebatable arbitrage is computed as of each installment computation date. The last computation date for the City was performed for financial information as of June 17, 2020. No rebate liability was due to the federal government. Information for the next computation period is due in March of 2021. Management does not anticipate there will be a material liability once the computation is completed.

***Grant Audit***

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

***Conduit Debt Obligations***

From time to time, various legally separate component units of the City have issued bonded debt obligations to provide financial assistance to private-sector entities. The bonds were issued to acquire and construct medical and health facilities (Mesquite Health Facilities Corporation). The bonds are secured by the property financed and are payable solely from payments received on the underlying debt obligations. Upon repayment of the bonds, ownership of the acquired capital assets transfers to the private-sector entity served by the bond issuance. Even though some of the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit debt by component unit at September 30, 2020, is as follows.

Series	<b>Mesquite Health Facilities Corporation</b>
2014	\$ 29,485,000
2016	22,375,000
Total	\$ 51,860,000

**City of Mesquite, Texas**  
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***Contingent Liability for Service Agreement***

The City entered into separate agreements with the North Texas Municipal Water District (the “District”) and Kingsborough Municipal Utility District Nos. 1, 2, 3, 4, and 5 (the MUDs) to provide sewer service within the City’s extraterritorial jurisdiction. As a member city of the District, the City’s involvement was required to develop capacity for a wastewater service requirement of 13.1 million gallons per day to service the area. The District has agreed to construct and operate a project known as the Lower East Fork Sewer Interceptor System and obtained financing on August 24, 2006 in the amount of \$19,190,000. The City’s share of the debt service payments on the project is \$105,584 per month over 20 years and is being passed through to the MUDs. The City is not liable for this debt. As additional security for the payments due the City, the MUDs agreed to establish, levy, and collect an ad valorem tax on all taxable property within the MUDs.

***Economic Environment***

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of City. The duration of these uncertainties and future changes caused by the current economic environment and the ultimate financial effects cannot be reasonably estimated at this time but could be significant.

**Note 14: Fund Balances**

***Minimum Fund Balance Policy***

The City Council has adopted a financial policy to maintain a minimum level of unassigned fund balance in the general fund. The target level is set at 60 days of general fund budgeted annual revenues (working capital.) This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. Per the policy, the City acknowledges that initially, the General Fund may not meet the requirements for the working capital days but will be considered compliant as long as the financial position shows continuous improvement each fiscal year.

**City of Mesquite, Texas**  
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Details of the Governmental Funds fund balances as of year-end are as follows:

Description	General Fund	Housing Grants	Local Finance	Bond Finance	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>NONSPENDABLE</b>							
Prepays	\$ 34,977	\$ 780	\$ -	\$ 2,036	\$ -	\$ 2,051	\$ 39,844
Inventory	1,083,204	-	-	-	-	-	1,083,204
Cemetery trust principal	-	-	-	-	-	101,112	101,112
Long-term note receivable	804,560	-	-	-	-	-	804,560
<b>Total Nonspendable</b>	<b>1,922,741</b>	<b>780</b>	<b>-</b>	<b>2,036</b>	<b>-</b>	<b>103,163</b>	<b>2,028,720</b>
<b>RESTRICTED</b>							
Debt service	-	-	-	-	821,500	-	821,500
Housing and community services	-	1,864,465	-	-	-	31,259	1,895,724
Cemetery projects and maintenance	-	-	-	-	-	546,938	546,938
4B sales tax projects	-	-	-	-	-	2,585,784	2,585,784
Promotion of tourism	-	-	-	-	-	2,385,542	2,385,542
Law enforcement	-	-	-	-	-	2,023,878	2,023,878
Capital projects	-	-	-	46,600,785	-	-	46,600,785
Community access projects	-	-	-	-	-	645,879	645,879
Road surface repairs	-	-	634,802	-	-	-	634,802
Tax Increment Financing Districts	-	-	6,011,604	-	-	-	6,011,604
Public Improvement Districts	-	-	18,013,636	-	-	-	18,013,636
Hike and Bike Trail	-	-	41,514	-	-	-	41,514
Developer's deposits	-	-	1,546,900	-	-	-	1,546,900
Capital replacement	-	-	397,124	-	-	-	397,124
Citizen 50/50 plan and parks improvement	-	-	-	-	-	190,139	190,139
Local finance capital projects	-	-	395,006	-	-	-	395,006
<b>Total Restricted</b>	<b>-</b>	<b>1,864,465</b>	<b>27,040,586</b>	<b>46,600,785</b>	<b>821,500</b>	<b>8,409,419</b>	<b>84,736,755</b>
<b>ASSIGNED</b>							
Other general government	226,012	-	-	-	-	-	226,012
Other local finance capital projects	-	-	6,428,684	-	-	-	6,428,684
Public safety capital projects	-	-	523,392	-	-	-	523,392
Other special revenue	-	-	-	-	-	583,304	583,304
<b>Total Assigned</b>	<b>226,012</b>	<b>-</b>	<b>6,952,076</b>	<b>-</b>	<b>-</b>	<b>583,304</b>	<b>7,761,392</b>
<b>UNASSIGNED</b>	<b>25,159,328</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(77,446)</b>	<b>25,081,882</b>
<b>TOTAL FUND BALANCES</b>	<b>\$ 27,308,081</b>	<b>\$ 1,865,245</b>	<b>\$ 33,992,662</b>	<b>\$ 46,602,821</b>	<b>\$ 821,500</b>	<b>\$ 9,018,440</b>	<b>\$ 119,608,749</b>

**Note 15: Tax Abatement Disclosures**

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

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

**City of Mesquite, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2020**

For the fiscal year ended September 30, 2020, the City of Mesquite had thirteen economic development agreements that included sales and/or property tax abatement provisions. In total, \$237,019 in sales tax and \$167,893 in property tax was abated.

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

The City has agreed to refund impact fees up to \$100,000 related to a project in which the company intends to invest at least \$16.5 million in new capital improvements to construct a 237,743 square foot facility and lease at least 79,000 square feet of the facility to one or more tenants.

The City has agreed to refund roadway impact fees up to \$367,000 related to a project in which the company intends to construct 227 townhomes and related infrastructure on a 26-acre site.

Required Supplementary Information (Unaudited)

**City of Mesquite, Texas**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Texas Municipal Retirement System (TMRS)**

<b>Measurement Date December 31,</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Total pension liability:</b>				
Service cost	\$ 10,206,837	\$ 11,282,680	\$ 11,607,011	\$ 15,375,279
Interest (on the Total Pension Liability)	32,088,206	33,164,585	33,628,738	35,019,294
Difference between expected and actual experience	(5,189,415)	(721,632)	(265,481)	(3,377,576)
Change in assumptions	-	3,677,030	-	-
Benefit payments, including refunds of employee contributions	<u>(21,934,850)</u>	<u>(22,598,587)</u>	<u>(23,683,590)</u>	<u>(28,823,538)</u>
<b>Net change in total pension liability</b>	15,170,778	24,804,076	21,286,678	18,193,459
<b>Total pension liability - beginning</b>	<u>464,266,956</u>	<u>479,437,734</u>	<u>504,241,810</u>	<u>525,528,488</u>
<b>Total pension liability - ending</b>	<u>479,437,734</u>	<u>504,241,810</u>	<u>525,528,488</u>	<u>543,721,947</u>
<b>Plan fiduciary net position:</b>				
Contributions - employer	6,999,796	7,390,890	7,083,990	8,804,273
Contributions - employee	4,533,599	4,872,185	4,819,479	5,010,566
Net investment income	21,993,586	584,061	26,059,766	55,376,389
Benefit payments, including refunds of employee contributions	(21,934,850)	(22,598,587)	(23,683,590)	(28,823,538)
Administrative expense	(229,654)	(355,783)	(294,412)	(287,093)
Other	<u>(18,881)</u>	<u>(17,572)</u>	<u>(15,862)</u>	<u>(14,550)</u>
<b>Net change in plan fiduciary net position</b>	11,343,596	(10,124,806)	13,969,371	40,066,047
<b>Plan fiduciary net position - beginning</b>	<u>384,514,157</u>	<u>395,857,753</u>	<u>385,732,947</u>	<u>399,702,318</u>
<b>Plan fiduciary net position - ending</b>	<u>395,857,753</u>	<u>385,732,947</u>	<u>399,702,318</u>	<u>439,768,365</u>
<b>Net pension liability - ending</b>	<u>\$ 83,579,981</u>	<u>\$ 118,508,863</u>	<u>\$ 125,826,170</u>	<u>\$ 103,953,582</u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	82.57%	76.50%	76.06%	80.88%
<b>Covered payroll</b>	\$ 64,709,631	\$ 69,261,386	\$ 68,843,479	\$ 71,579,511
<b>Net pension liability as a percentage of covered payroll</b>	129.16%	171.10%	182.77%	145.23%

**Other Information:**

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

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

**City of Mesquite, Texas**  
**Schedule of Changes in Net Pension Liability and Related Ratios (continued)**  
**Texas Municipal Retirement System (TMRS)**

<u>2018</u>	<u>2019</u>
\$ 12,586,575	\$ 12,997,794
36,211,912	37,502,061
(2,963,966)	572,628
-	276,896
<u>(27,084,928)</u>	<u>(26,768,688)</u>
18,749,593	24,580,691
<u>543,721,947</u>	<u>562,471,540</u>
<u>562,471,540</u>	<u>587,052,231</u>
10,072,245	12,712,890
5,222,645	5,390,080
(13,163,050)	64,021,550
(27,084,928)	(26,768,688)
(254,593)	(362,128)
<u>(13,301)</u>	<u>(10,878)</u>
(25,220,982)	54,982,826
<u>439,768,365</u>	<u>414,547,383</u>
<u>414,547,383</u>	<u>469,530,209</u>
<u>\$ 147,924,157</u>	<u>\$ 117,522,022</u>
73.70%	79.98%
\$ 74,609,215	\$ 77,001,149
198.27%	152.62%

**City of Mesquite, Texas**  
**Schedule of Employer Contributions**  
**Texas Municipal Retirement System (TMRS)**

<b>Fiscal Year Ended September 30,</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Actuarially determined contribution	\$ 7,094,555	\$ 7,128,122	\$ 8,324,268	\$ 9,712,228	\$ 11,983,043	\$ 13,357,350
Contribution in relation of the actuarially determined contribution	<u>7,094,555</u>	<u>7,128,122</u>	<u>8,324,268</u>	<u>9,712,228</u>	<u>11,983,043</u>	<u>13,357,350</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 66,484,370	\$ 68,679,246	\$ 70,725,844	\$ 73,676,746	\$ 76,307,643	\$ 86,871,793
Contributions as a percentage of covered payroll	10.67%	10.38%	11.77%	13.18%	15.70%	15.38%

**Notes to Schedule of Contributions**

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

**Methods and Assumptions Used to Determine**

**Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes Granted 50% ad hoc COLA

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

**City of Mesquite, Texas**  
**Schedule of Changes in the City's Total OPEB Liability and Related Ratios**  
**Retiree Health**

Measurement Date December 31,	2018	2019	2020
<b>Total OPEB liability:</b>			
Service cost	\$ 748,034	\$ 770,475	\$ 909,005
Interest (on the Total OPEB Liability)	1,349,945	969,513	896,300
Difference between expected and actual experience	(674,886)	(2,617,929)	(5,978,499)
Change in assumptions	-	4,251,618	4,786,230
Benefit payments	<u>(1,906,839)</u>	<u>(928,850)</u>	<u>(2,160,396)</u>
<b>Net change in total OPEB liability</b>	(483,746)	2,444,827	(1,547,360)
<b>Total OPEB liability - beginning</b>	<u>35,451,985</u>	<u>34,968,239</u>	<u>37,413,066</u>
<b>Total OPEB liability - ending</b>	<u>\$ 34,968,239</u>	<u>\$ 37,413,066</u>	<u>\$ 35,865,706</u>
<b>Covered employee payroll</b>	\$ 64,280,893	\$ 66,209,320	\$ 67,962,447
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	54.40%	56.51%	52.77%

**Notes to Schedule:**

Changes of Benefit Terms:

None

Changes of Assumptions:

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

2018	3.83%
2019	2.75%
2020	2.41%

2) The following are the Mortality Rates used in each period:

2018	RPH-2014 Blue Collar with static projection to 2048 using scale MP-2018
2019	PubG.H-2010 (general) and PubS.H-2010 (public safety) Employee and Healthy Annuitant Generational with MP-2019
2020	PubG.H-2010 (general) and PubS.H-2010 (public safety) Employee and Healthy Retiree Generational with MP-2020

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

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## Combining and Individual Fund Statements and Schedules

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# **City of Mesquite, Texas**

## **Nonmajor 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.

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**City of Mesquite, Texas**  
**Combining Balance Sheet – Nonmajor Governmental Funds**  
**September 30, 2020**

	<u>Hotel/Motel Tax</u>	<u>Confiscated Drug</u>	<u>Mesquite Quality of Life Corporation (4B Sales Tax)</u>	<u>Other Grants</u>	<u>Other Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS:</b>						
Pooled cash and investments	\$ 2,427,923	\$ 3,265,626	\$ 1,024,367	\$ 342,051	\$ 2,199,710	\$ 9,259,677
Receivables (net of allowance for uncollectibles):						
Accounts receivable	-	-	-	-	27,437	27,437
Other taxes receivable	-	-	-	-	54,752	54,752
Intergovernmental	-	234,547	4,318,042	1,248,594	-	5,801,183
Prepays	15	-	-	-	2,036	2,051
Accrued interest	1,729	1,946	100	77	1,492	5,344
	<u>1,729</u>	<u>1,946</u>	<u>100</u>	<u>77</u>	<u>1,492</u>	<u>5,344</u>
 Total Assets	 <u>\$ 2,429,667</u>	 <u>\$ 3,502,119</u>	 <u>\$ 5,342,509</u>	 <u>\$ 1,590,722</u>	 <u>\$ 2,285,427</u>	 <u>\$ 15,150,444</u>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 44,110	\$ 324,156	\$ 203,581	\$ 415,369	\$ 20,142	\$ 1,007,358
Retainage payable	-	-	260,722	38,066	727	299,515
Deposits	-	1,317,976	-	-	-	1,317,976
Unearned revenue	-	-	-	422,010	-	422,010
Due to other funds	-	-	-	246,663	-	246,663
	<u>44,110</u>	<u>1,642,132</u>	<u>464,303</u>	<u>1,122,108</u>	<u>20,869</u>	<u>3,293,522</u>
 Total Liabilities	 <u>44,110</u>	 <u>1,642,132</u>	 <u>464,303</u>	 <u>1,122,108</u>	 <u>20,869</u>	 <u>3,293,522</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue	-	-	2,292,422	546,060	-	2,838,482
	<u>-</u>	<u>-</u>	<u>2,292,422</u>	<u>546,060</u>	<u>-</u>	<u>2,838,482</u>
<b>Fund Balances:</b>						
Nonspendable	15	-	-	-	103,148	103,163
Restricted	2,385,542	1,859,987	2,585,784	-	1,578,106	8,409,419
Assigned	-	-	-	-	583,304	583,304
Unassigned	-	-	-	(77,446)	-	(77,446)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,446)</u>	<u>-</u>	<u>(77,446)</u>
 Total Fund Balances	 <u>2,385,557</u>	 <u>1,859,987</u>	 <u>2,585,784</u>	 <u>(77,446)</u>	 <u>2,264,558</u>	 <u>9,018,440</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 2,429,667</u>	 <u>\$ 3,502,119</u>	 <u>\$ 5,342,509</u>	 <u>\$ 1,590,722</u>	 <u>\$ 2,285,427</u>	 <u>\$ 15,150,444</u>

**City of Mesquite, Texas**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances – Nonmajor Governmental Funds**  
**Year Ended September 30, 2020**

	Hotel/Motel Tax	Confiscated Drug	Mesquite Quality of Life Corporation (4B Sales Tax)	Other Grants	Other Special Revenue	Total Nonmajor Governmental Funds
<b>REVENUES:</b>						
Sales tax	\$ 1,442,101	\$ -	\$ 11,322,979	\$ -	\$ 230,081	\$ 12,995,161
Licenses and permits	-	-	-	-	79,766	79,766
Fines and forfeitures	-	1,234,649	-	-	245,962	1,480,611
Investment income	31,500	24,910	11,023	959	26,322	94,714
Charges for services	-	-	-	-	1,003,359	1,003,359
Intergovernmental	-	-	161,900	8,191,492	-	8,353,392
Contributions and donations	-	-	289,828	-	503,062	792,890
Other revenues	-	-	1,518,859	10,720	-	1,529,579
<b>Total Revenues</b>	<b>1,473,601</b>	<b>1,259,559</b>	<b>13,304,589</b>	<b>8,203,171</b>	<b>2,088,552</b>	<b>26,329,472</b>
<b>EXPENDITURES:</b>						
<b>Current-</b>						
General government	1,292,181	-	-	911,287	622,660	2,826,128
Fire services	-	-	-	3,057,604	2,994	3,060,598
Police services	-	319,856	-	2,458,358	197,505	2,975,719
Public works	-	-	-	-	72,480	72,480
Planning and community development	177,336	-	-	299,882	-	477,218
Library services	-	-	-	-	3,708	3,708
Parks and recreation	-	-	8,037,886	330,796	33,029	8,401,711
Housing and community services	-	-	-	1,172,849	47,478	1,220,327
Capital outlay	-	196,519	4,131,327	893,433	41,165	5,262,444
<b>Total Expenditures</b>	<b>1,469,517</b>	<b>516,375</b>	<b>12,169,213</b>	<b>9,124,209</b>	<b>1,021,019</b>	<b>24,300,333</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,084</b>	<b>743,184</b>	<b>1,135,376</b>	<b>(921,038)</b>	<b>1,067,533</b>	<b>2,029,139</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers out	-	-	(1,452,100)	-	(1,000,280)	(2,452,380)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(1,452,100)</b>	<b>-</b>	<b>(1,000,280)</b>	<b>(2,452,380)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,084</b>	<b>743,184</b>	<b>(316,724)</b>	<b>(921,038)</b>	<b>67,253</b>	<b>(423,241)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>2,381,473</b>	<b>1,116,803</b>	<b>2,902,508</b>	<b>843,592</b>	<b>2,197,305</b>	<b>9,441,681</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 2,385,557</b>	<b>\$ 1,859,987</b>	<b>\$ 2,585,784</b>	<b>\$ (77,446)</b>	<b>\$ 2,264,558</b>	<b>\$ 9,018,440</b>

**City of Mesquite, Texas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget**  
**and Actual – Hotel/Motel Tax Special Revenue Fund**  
**Year Ended September 30, 2020**  
**With Comparative Actual Totals for Year Ended September 30, 2019**

	2020				2019 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final			
REVENUES:					
Hotel/Motel Sales Tax	\$ 1,600,000	\$ 1,340,000	\$ 1,442,101	\$ 102,101	\$ 2,010,070
Investment income	28,000	28,000	31,500	3,500	52,504
TOTAL REVENUES	<u>1,628,000</u>	<u>1,368,000</u>	<u>1,473,601</u>	<u>105,601</u>	<u>2,062,574</u>
EXPENDITURES:					
Current					
General government	1,341,200	1,218,240	1,292,181	73,941	1,173,411
Planning and community development	<u>137,400</u>	<u>273,000</u>	<u>177,336</u>	<u>(95,664)</u>	<u>234,506</u>
TOTAL EXPENDITURES	<u>1,478,600</u>	<u>1,491,240</u>	<u>1,469,517</u>	<u>(21,723)</u>	<u>1,407,917</u>
NET CHANGE IN FUND BALANCE	<u>\$ 149,400</u>	<u>\$ (123,240)</u>	4,084	<u>\$ 83,878</u>	<u>654,657</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>2,381,473</u>		<u>1,726,816</u>
FUND BALANCE AT END OF YEAR			<u>\$ 2,385,557</u>		<u>\$ 2,381,473</u>

**City of Mesquite, Texas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget**  
**and Actual – Confiscated Drug Special Revenue Fund**  
**Year Ended September 30, 2020**  
**With Comparative Actual Totals for Year Ended September 30, 2019**

	2020				2019 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final			
REVENUES:					
Fines and forfeitures	\$ 100,000	\$ 565,000	\$ 1,234,649	\$ 669,649	\$ 344,754
Investment income	40,000	25,000	24,910	(90)	48,437
TOTAL REVENUES	<u>140,000</u>	<u>590,000</u>	<u>1,259,559</u>	<u>669,559</u>	<u>393,191</u>
EXPENDITURES:					
Police services	340,300	477,618	319,856	157,762	704,027
Capital outlay	-	400,106	196,519	203,587	302,925
TOTAL EXPENDITURES	<u>340,300</u>	<u>877,724</u>	<u>516,375</u>	<u>361,349</u>	<u>1,006,952</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(200,300)</u>	<u>(287,724)</u>	<u>743,184</u>	<u>1,030,908</u>	<u>(613,761)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (200,300)</u>	<u>\$ (287,724)</u>	<u>743,184</u>	<u>\$ 1,030,908</u>	<u>(613,761)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>1,116,803</u>		<u>1,730,564</u>
FUND BALANCE AT END OF YEAR			<u>\$ 1,859,987</u>		<u>\$ 1,116,803</u>

**City of Mesquite, Texas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget**  
**and Actual – Mesquite Quality of Life Corporation (4B Sales Tax)**  
**Special Revenue Fund**  
**Year Ended September 30, 2020**  
**With Comparative Actual Totals for Year Ended September 30, 2019**

	2020				2019 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final			
REVENUES:					
Sales tax	\$ 10,994,700	\$ 10,210,700	\$ 11,322,979	\$ 1,112,279	\$ 11,143,746
Investment income	45,000	35,000	11,023	(23,977)	33,507
Intergovernmental	142,000	1,807,409	161,900	(1,645,509)	-
Contributions and donations	-	282,653	289,828	7,175	20,000
Other revenues	350,000	406,613	1,518,859	1,112,246	2,810,616
TOTAL REVENUES	<u>11,531,700</u>	<u>12,742,375</u>	<u>13,304,589</u>	<u>562,214</u>	<u>14,007,869</u>
EXPENDITURES:					
Current-					
General government	300,000	300,000	-	300,000	250,000
Public works	-	-	-	-	465,674
Parks and recreation	8,462,150	10,757,959	8,037,886	2,720,073	6,645,068
Capital outlay	<u>1,579,000</u>	<u>5,577,192</u>	<u>4,131,327</u>	<u>1,445,865</u>	<u>5,045,532</u>
TOTAL EXPENDITURES	<u>10,341,150</u>	<u>16,635,151</u>	<u>12,169,213</u>	<u>4,465,938</u>	<u>12,406,274</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,190,550</u>	<u>(3,892,776)</u>	<u>1,135,376</u>	<u>5,028,152</u>	<u>1,601,595</u>
OTHER FINANCING USES:					
Transfers Out	<u>(1,352,100)</u>	<u>(1,452,100)</u>	<u>(1,452,100)</u>	<u>-</u>	<u>(1,204,858)</u>
TOTAL OTHER FINANCING USES	<u>(1,352,100)</u>	<u>(1,452,100)</u>	<u>(1,452,100)</u>	<u>-</u>	<u>(1,204,858)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (161,550)</u>	<u>\$ (5,344,876)</u>	<u>(316,724)</u>	<u>\$ 5,028,152</u>	<u>396,737</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>2,902,508</u>		<u>2,505,771</u>
FUND BALANCE AT END OF YEAR			<u>\$ 2,585,784</u>		<u>\$ 2,902,508</u>

# City of Mesquite, Texas

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Other Grants Special Revenue Fund

Year Ended September 30, 2020

With Comparative Actual Totals for Year Ended September 30, 2019

	2020				2019 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final			
REVENUES:					
Intergovernmental	\$ 1,128,827	\$ 1,796,532	\$ 8,191,492	\$ 6,394,960	\$ 1,523,193
Investment income	-	-	959	959	209
Other revenues	-	-	10,720	10,720	167,437
<b>TOTAL REVENUES</b>	<b>1,128,827</b>	<b>1,796,532</b>	<b>8,203,171</b>	<b>6,406,639</b>	<b>1,690,839</b>
EXPENDITURES:					
Current-					
General government	-	-	911,287	(911,287)	-
Fire services	-	-	3,057,604	(3,057,604)	148,503
Police services	-	-	2,458,358	(2,458,358)	48,172
Library services	-	-	-	-	93
Planning and community development	97,280	100,175	299,882	(199,707)	91,205
Parks and recreation	-	-	330,796	(330,796)	86,173
Housing and community services	1,031,547	1,696,357	1,172,849	523,508	1,089,781
Capital Outlay	-	-	893,433	(893,433)	251,821
<b>TOTAL EXPENDITURES</b>	<b>1,128,827</b>	<b>1,796,532</b>	<b>9,124,209</b>	<b>(7,327,677)</b>	<b>1,715,748</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(921,038)</b>	<b>\$ (921,038)</b>	<b>(24,909)</b>
FUND BALANCE AT BEGINNING OF YEAR			843,592		868,501
FUND BALANCE AT END OF YEAR			\$ (77,446)		\$ 843,592

# City of Mesquite, Texas

## Nonmajor Enterprise Funds

### Enterprise Funds

Enterprise funds are a proprietary fund type used to account for activities that involve business-like interactions. Enterprise fund are used to account for any activity for which external users are charged a fee for goods and services.

The following are the City's two non-major enterprise funds:

- Municipal Airport Fund - to account for funds generated by the aeronautical activities at the airport such as fuel sales, hanger rentals, leases, and other activities. The airport operates as a general aviation reliever airport for the Dallas-Ft. Worth system mainly serving corporate and general aviation activities.
- Municipal Golf Fund - to account for funds received from user fees for the golf course, pro shop, and concessions. The City owns and operates the 154 acre 18 hole public facility.

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**City of Mesquite, Texas**  
**Combining Statement of Net Position – Nonmajor Enterprise Funds**  
**September 30, 2020**

	<b>Municipal Airport</b>	<b>Municipal Golf Course</b>	<b>Total Nonmajor Enterprise</b>
<b>ASSETS:</b>			
Current assets:			
Pooled cash and investments	\$ 195,485	\$ 985	\$ 196,470
Receivables (net of allowance for uncollectibles)	52,181	30,562	82,743
Inventory	34,846	8,098	42,944
Accrued interest	170	-	170
Total current assets	<u>282,682</u>	<u>39,645</u>	<u>322,327</u>
Noncurrent assets:			
Capital assets-			
Land and construction in progress	7,951,796	1,408,432	9,360,228
Other capital assets (net of accumulated depreciation)	8,078,463	1,873,028	9,951,491
Total noncurrent assets	<u>16,030,259</u>	<u>3,281,460</u>	<u>19,311,719</u>
Total Assets	<u>16,312,941</u>	<u>3,321,105</u>	<u>19,634,046</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred pension contributions	49,338	49,338	98,676
Difference in assumption changes - pension	1,705	1,705	3,410
Difference in assumption changes - OPEB	26,583	26,583	53,166
Difference in projected and actual earnings on pension assets	2,275	2,275	4,550
Change in proportional share - pension	12,201	322,979	335,180
Total deferred outflows of resources	<u>92,102</u>	<u>402,880</u>	<u>494,982</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	40,883	65,881	106,764
Due to other funds	200,000	113,219	313,219
Deposits and other liabilities	45,766	-	45,766
Total other postemployment benefit liability	9,217	9,217	18,434
Total current liabilities	<u>295,866</u>	<u>188,317</u>	<u>484,183</u>
Noncurrent liabilities:			
Accrued compensated absences	7,443	121,371	128,814
Total other postemployment benefit liability	170,112	170,112	340,224
Net pension liability	587,610	587,611	1,175,221
Total noncurrent liabilities	<u>765,165</u>	<u>879,094</u>	<u>1,644,259</u>
Total Liabilities	<u>1,061,031</u>	<u>1,067,411</u>	<u>2,128,442</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Difference in expected and actual experience - pension	16,219	16,219	32,438
Difference in expected and actual experience - OPEB	27,823	27,823	55,646
Change in proportional share - pension	6,901	-	6,901
Difference in investment earnings - pension	72,432	72,432	144,864
Total deferred inflows of resources	<u>123,375</u>	<u>116,474</u>	<u>239,849</u>
<b>NET POSITION:</b>			
Net investment in capital assets	16,030,259	3,281,460	19,311,719
Unrestricted	<u>(809,622)</u>	<u>(741,360)</u>	<u>(1,550,982)</u>
Total Net Position	<u>\$ 15,220,637</u>	<u>\$ 2,540,100</u>	<u>\$ 17,760,737</u>

**City of Mesquite, Texas**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**– Nonmajor Enterprise Funds**  
**Year Ended September 30, 2020**

	<u>Municipal Airport</u>	<u>Municipal Golf Course</u>	<u>Total Nonmajor Enterprise</u>
Operating revenues:			
Customer charges	\$ 1,963,772	\$ 1,008,505	\$ 2,972,277
Total operating revenues	<u>1,963,772</u>	<u>1,008,505</u>	<u>2,972,277</u>
Operating expenses:			
Personnel services	443,159	925,993	1,369,152
Supplies	665,023	109,153	774,176
Contractual services	332,805	291,174	623,979
Depreciation	<u>451,265</u>	<u>193,613</u>	<u>644,878</u>
Total operating expenses	<u>1,892,252</u>	<u>1,519,933</u>	<u>3,412,185</u>
Operating gain (loss)	<u>71,520</u>	<u>(511,428)</u>	<u>(439,908)</u>
Nonoperating revenues (expense):			
Investment income	1,692	1	1,693
Loss on sale of capital assets	(161,258)	-	(161,258)
Other nonoperating income	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total nonoperating revenues (expense)	<u>(109,566)</u>	<u>1</u>	<u>(109,565)</u>
Loss before transfers	(38,046)	(511,427)	(549,473)
Transfers in	50,280	50,000	100,280
Transfers out	<u>(199,810)</u>	<u>-</u>	<u>(199,810)</u>
Change in net position	(187,576)	(461,427)	(649,003)
Total net position - beginning of year	<u>15,408,213</u>	<u>3,001,527</u>	<u>18,409,740</u>
Total net position - ending	<u>\$ 15,220,637</u>	<u>\$ 2,540,100</u>	<u>\$ 17,760,737</u>

**City of Mesquite, Texas**  
**Combining Statement of Cash Flows – Nonmajor Enterprise Funds**  
**Year Ended September 30, 2020**

	<u>Municipal Airport</u>	<u>Municipal Golf Course</u>	<u>Total Nonmajor Enterprise</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers and users	\$ 1,957,201	\$ 1,001,646	\$ 2,958,847
Payments to suppliers and service providers	(804,913)	(317,415)	(1,122,328)
Payments to employees for salaries and benefits	(424,812)	(688,713)	(1,113,525)
Net cash provided by (used for) operating activities	<u>727,476</u>	<u>(4,482)</u>	<u>722,994</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers to other funds	(199,810)	-	(199,810)
Transfers from other funds	50,280	50,000	100,280
Operating grants	50,000	-	50,000
Net cash provided by (used for) noncapital financing activities	<u>(99,530)</u>	<u>50,000</u>	<u>(49,530)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(556,976)	(45,896)	(602,872)
Proceeds from sale of capital assets	12,950	-	12,950
Net cash used for capital and related financing activities	<u>(544,026)</u>	<u>(45,896)</u>	<u>(589,922)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income	1,592	1	1,593
Net cash provided by investing activities	<u>1,592</u>	<u>1</u>	<u>1,593</u>
<b>NET INCREASE (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS</b>	<b>85,512</b>	<b>(377)</b>	<b>85,135</b>
<b>POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>109,973</u></b>	<b><u>1,362</u></b>	<b><u>111,335</u></b>
<b>POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 195,485</u></b>	<b><u>\$ 985</u></b>	<b><u>\$ 196,470</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 71,520	\$ (511,428)	\$ (439,908)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	451,265	193,613	644,878
Changes in operating assets and liabilities:			
Receivables, net	(13,693)	(6,859)	(20,552)
Inventories (supplies)	12,385	785	13,170
Deferred outflows of resources - pension	116,105	326,832	442,937
Deferred outflows of resources - OPEB	(10,639)	(10,639)	(21,278)
Accounts payable and accrued liabilities	179,764	84,113	263,877
Customer deposits	7,671	-	7,671
Deferred inflows of resources - pension	56,356	62,869	119,225
Deferred inflows of resources - OPEB	15,981	15,981	31,962
Compensated absences	510	-	510
Pension liability	(152,012)	(152,012)	(304,024)
OPEB liability	(7,737)	(7,737)	(15,474)
Total adjustments	<u>655,956</u>	<u>506,946</u>	<u>1,162,902</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b><u>\$ 727,476</u></b>	<b><u>\$ (4,482)</u></b>	<b><u>\$ 722,994</u></b>

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# **City of Mesquite, Texas**

## **Internal Service Funds**

### **Internal Service Funds**

Internal Service funds account for the financing of goods or services provided by one department to another.

The following are the City's two non-major internal service funds.

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

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**City of Mesquite, Texas**  
**Combining Statement of Net Position (Deficit) – Internal Service Funds**  
**September 30, 2020**  
**With Comparative Totals for September 30, 2019**

	<b>Group Medical Insurance</b>	<b>General Liability</b>	<b>Totals</b>	
			<b>2020</b>	<b>2019</b>
<b>ASSETS:</b>				
Current assets:				
Pooled cash and investments	\$ 193,369	\$ 2,327,938	\$ 2,521,307	\$ 1,993,354
Accounts receivable	81,384	163,272	244,656	134,176
Prepays and other assets	51,091	163,000	214,091	395,134
Accrued interest	-	1,201	1,201	2,092
	<u>325,844</u>	<u>2,655,411</u>	<u>2,981,255</u>	<u>2,524,756</u>
Total Assets				
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	262,636	351,828	614,464	501,939
Estimated claims payable	1,105,714	906,591	2,012,305	1,852,202
Unearned revenue	81,384	-	81,384	-
Due to other funds	631,504	-	631,504	3,213,006
Total current liabilities	<u>2,081,238</u>	<u>1,258,419</u>	<u>3,339,657</u>	<u>5,567,147</u>
Noncurrent liabilities:				
Estimated claims payable	-	1,813,182	1,813,182	1,822,004
Total noncurrent liabilities	<u>-</u>	<u>1,813,182</u>	<u>1,813,182</u>	<u>1,822,004</u>
Total Liabilities	<u>2,081,238</u>	<u>3,071,601</u>	<u>5,152,839</u>	<u>7,389,151</u>
<b>NET POSITION (DEFICIT):</b>				
Unrestricted	<u>(1,755,394)</u>	<u>(416,190)</u>	<u>(2,171,584)</u>	<u>(4,864,395)</u>
Total Net Position (Deficit)	<u>\$ (1,755,394)</u>	<u>\$ (416,190)</u>	<u>\$ (2,171,584)</u>	<u>\$ (4,864,395)</u>

**City of Mesquite, Texas**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**(Deficit) – Internal Service Funds**  
**Year Ended September 30, 2020**  
**With Comparative Totals for Year Ended September 30, 2019**

	<b>Group Medical Insurance</b>	<b>General Liability</b>	<b>Totals</b>	
			<b>2020</b>	<b>2019</b>
Operating revenues:				
Contributions - City				
Medical insurance	\$ 11,413,570	\$ -	\$ 11,413,570	\$ 10,676,050
Life and dental insurance	1,619,888	-	1,619,888	1,604,330
General liability	-	1,405,000	1,405,000	2,060,000
Workers' compensation	-	1,713,400	1,713,400	1,677,830
Total contributions - City	<u>13,033,458</u>	<u>3,118,400</u>	<u>16,151,858</u>	<u>16,018,210</u>
Contributions - Other				
Employees - medical insurance	2,102,406	-	2,102,406	1,906,950
Retirees - medical insurance	-	-	-	-
COBRA - medical insurance	-	-	-	-
Stop loss and other contributions	1,013,425	-	1,013,425	914,986
Other revenues	-	248,976	248,976	149,956
Total contributions - other	<u>3,115,831</u>	<u>248,976</u>	<u>3,364,807</u>	<u>2,971,892</u>
Total operating revenues	<u>16,149,289</u>	<u>3,367,376</u>	<u>19,516,665</u>	<u>18,990,102</u>
Operating expenses:				
Claims incurred	11,516,853	2,118,622	13,635,475	13,786,671
Insurance premiums	1,074,204	954,538	2,028,742	3,261,794
Administrative fees	893,005	616,208	1,509,213	1,225,576
Other expenses	571,707	100,161	671,868	542,282
Total operating expenses	<u>14,055,769</u>	<u>3,789,529</u>	<u>17,845,298</u>	<u>18,816,323</u>
Operating income (loss)	<u>2,093,520</u>	<u>(422,153)</u>	<u>1,671,367</u>	<u>173,779</u>
Nonoperating revenues:				
Investment income	-	21,444	21,444	42,726
Total nonoperating revenues	<u>-</u>	<u>21,444</u>	<u>21,444</u>	<u>42,726</u>
Income (loss) before transfers	2,093,520	(400,709)	1,692,811	216,505
Transfers In	<u>500,000</u>	<u>500,000</u>	<u>1,000,000</u>	<u>-</u>
Change in net position (deficit)	2,593,520	99,291	2,692,811	216,505
Total net position (deficit) - beginning	<u>(4,348,914)</u>	<u>(515,481)</u>	<u>(4,864,395)</u>	<u>(5,080,900)</u>
Total net position (deficit) - ending	<u>\$ (1,755,394)</u>	<u>\$ (416,190)</u>	<u>\$ (2,171,584)</u>	<u>\$ (4,864,395)</u>

**City of Mesquite, Texas**  
**Combining Statement of Cash Flows – Internal Service Funds**  
**Year Ended September 30, 2020**  
**With Comparative Totals for Year Ended September 30, 2019**

	Group Medical Insurance	General Liability	Totals	
			2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from interfund charges for services	\$ 13,114,842	\$ 3,118,400	\$ 16,233,242	\$ 16,018,210
Cash received from other operating sources	1,013,425	163,132	1,176,557	2,926,798
Cash received from employees and retirees	2,077,770	-	2,077,770	-
Cash paid to suppliers and service providers	<u>(13,931,166)</u>	<u>(3,469,283)</u>	<u>(17,400,449)</u>	<u>(18,362,984)</u>
Net cash provided by (used for) operating activities	<u>2,274,871</u>	<u>(187,751)</u>	<u>2,087,120</u>	<u>582,024</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Cash loan (repaid to) other City funds	(2,581,502)	-	(2,581,502)	(215,246)
Transfers in from other funds	<u>500,000</u>	<u>500,000</u>	<u>1,000,000</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>(2,081,502)</u>	<u>500,000</u>	<u>(1,581,502)</u>	<u>(215,246)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest received on investments	<u>-</u>	<u>22,335</u>	<u>22,335</u>	<u>42,313</u>
Net cash provided by investing activities	<u>-</u>	<u>22,335</u>	<u>22,335</u>	<u>42,313</u>
<b>NET INCREASE IN POOLED CASH AND INVESTMENTS</b>	<b>193,369</b>	<b>334,584</b>	<b>527,953</b>	<b>409,091</b>
<b>POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR</b>	<u>-</u>	<u>1,993,354</u>	<u>1,993,354</u>	<u>1,584,263</u>
<b>POOLED CASH AND INVESTMENTS AT END OF YEAR</b>	<u>\$ 193,369</u>	<u>\$ 2,327,938</u>	<u>\$ 2,521,307</u>	<u>\$ 1,993,354</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 2,093,520	\$ (422,153)	\$ 1,671,367	\$ 173,779
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities- Changes in assets and liabilities-				
(Increase) decrease in accounts receivable	(24,636)	(70,844)	(95,480)	(45,095)
(Increase) decrease in prepaid items	166,043	-	166,043	(22,124)
Increase (decrease) in accounts payable	138,311	(25,786)	112,525	(70,494)
Increase (decrease) in claims payable	(179,751)	331,032	151,281	545,958
Increase (decrease) in customer deposits	-	-	-	-
Increase (decrease) in unearned revenue	<u>81,384</u>	<u>-</u>	<u>81,384</u>	<u>-</u>
Total adjustments	<u>181,351</u>	<u>234,402</u>	<u>415,753</u>	<u>408,245</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ 2,274,871</u>	<u>\$ (187,751)</u>	<u>\$ 2,087,120</u>	<u>\$ 582,024</u>

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# **City of Mesquite, Texas**

## **Fiduciary Funds**

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

The City reports only one fiduciary fund, an agency fund.

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

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**City of Mesquite, Texas**  
**Statement of Changes in Fiduciary Assets and Liabilities – Fiduciary Fund**  
**Year Ended September 30, 2020**

	<b>Agency Fund - Tax Clearing Fund</b>			<b>Balance September 30, 2020</b>
	<b>Balance October 1, 2019</b>	<b>Additions</b>	<b>Deductions</b>	
<b>ASSETS:</b>				
Current assets:				
Pooled cash and investments	\$ 184,509	\$ 198,157,831	\$ 198,038,778	\$ 303,562
Taxes receivable levied for other governments (net of allowance for uncollectibles)	4,342,361	136,344,059	136,277,122	4,409,298
<b>Total Assets</b>	<b>\$ 4,526,870</b>	<b>\$ 334,501,890</b>	<b>\$ 334,315,900</b>	<b>\$ 4,712,860</b>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 184,509	\$ 337,223,372	\$ 337,342,425	\$ 303,562
Due to other governments	4,342,361	136,277,122	136,344,059	4,409,298
<b>Total Liabilities</b>	<b>\$ 4,526,870</b>	<b>\$ 473,500,494</b>	<b>\$ 473,686,484</b>	<b>\$ 4,712,860</b>

**MESQUITE**

T E X A S

Real. Texas. Flavor.

# 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>Contents</b>	<b>Pages</b>
Financial Trends <i>These schedules contain trend information to help the readers understand how the city's financial performance and well-being have changed over time.</i>	99
Revenue Capacity <i>These schedules contain information to help the reader assess the city's most significant local revenue sources, sales, and property tax.</i>	109
Debt Capacity <i>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.</i>	120
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.</i>	125
Operating Information <i>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.</i>	127

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**City of Mesquite, Texas**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities:				
Net Investment in capital assets	\$ 141,703	\$ 136,034	\$ 130,543	\$ 129,187
Restricted	5,683	7,702	7,258	7,467
Unrestricted	20,945	19,458	17,885	18,704
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total governmental activities net position	<u>\$ 168,331</u>	<u>\$ 163,194</u>	<u>\$ 155,686</u>	<u>\$ 155,358</u>
Business-type activities:				
Net Investment in capital assets	\$ 116,898	\$ 125,070	\$ 127,872	\$ 129,832
Restricted	3,121	3,064	3,109	3,064
Unrestricted	20,925	17,090	14,328	13,494
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total business-type activities net position	<u>\$ 140,944</u>	<u>\$ 145,224</u>	<u>\$ 145,309</u>	<u>\$ 146,390</u>
Primary government:				
Net Investment in capital assets	\$ 258,601	\$ 261,104	\$ 258,415	\$ 259,019
Restricted	8,804	10,766	10,367	10,531
Unrestricted	41,870	36,548	32,213	32,198
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total primary government net position	<u>\$ 309,275</u>	<u>\$ 308,418</u>	<u>\$ 300,995</u>	<u>\$ 301,748</u>

Notes:

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

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

**Schedule 1**

<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>	<u>2018 (2)</u>	<u>2019</u>	<u>2020</u>
\$ 122,230	\$ 119,854	\$ 119,708	\$ 131,473	\$ 144,527	\$ 160,736
8,329	9,199	23,620	27,208	27,940	23,493
<u>(56,876)</u>	<u>(65,812)</u>	<u>(90,141)</u>	<u>(128,928)</u>	<u>(137,491)</u>	<u>(130,091)</u>
<u>\$ 73,683</u>	<u>\$ 63,241</u>	<u>\$ 53,187</u>	<u>\$ 29,753</u>	<u>\$ 34,976</u>	<u>\$ 54,138</u>
\$ 130,785	\$ 131,551	\$ 139,837	\$ 148,215	\$ 151,897	\$ 158,038
2,690	3,387	3,507	3,210	3,798	5,579
<u>13,008</u>	<u>18,647</u>	<u>23,386</u>	<u>25,970</u>	<u>30,146</u>	<u>40,890</u>
<u>\$ 146,483</u>	<u>\$ 153,585</u>	<u>\$ 166,730</u>	<u>\$ 177,395</u>	<u>\$ 185,841</u>	<u>\$ 204,507</u>
\$ 253,015	\$ 251,405	\$ 259,545	\$ 279,688	\$ 296,424	\$ 318,774
11,019	12,586	27,127	30,418	31,738	29,072
<u>(43,868)</u>	<u>(47,165)</u>	<u>(66,755)</u>	<u>(102,958)</u>	<u>(107,345)</u>	<u>(89,201)</u>
<u>\$ 220,166</u>	<u>\$ 216,826</u>	<u>\$ 219,917</u>	<u>\$ 207,148</u>	<u>\$ 220,817</u>	<u>\$ 258,645</u>

**City of Mesquite, Texas**  
**Change in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

Fiscal Year	2011	2012	2013	2014	2015
<b>Expenses</b>					
Governmental activities:					
General government	\$ 22,552	\$ 26,028	\$ 26,194	\$ 24,919	\$ 29,905
Fire services	24,532	25,330	25,570	26,105	26,679
Police services	31,965	31,995	32,994	32,112	32,829
Field services	21,767	14,348	13,826	9,312	9,839
Public works	(569)	3,766	4,703	8,769	10,253
Planning and community development	3,020	3,706	3,182	3,551	3,513
Housing and community services	14,159	14,900	14,206	14,487	15,005
Library services	2,137	1,942	1,905	2,015	2,074
Parks and recreation	10,510	10,475	11,368	11,004	12,732
Interest on long-term debt	5,010	5,032	4,796	3,498	3,745
Total governmental activities	<u>135,083</u>	<u>137,522</u>	<u>138,744</u>	<u>135,772</u>	<u>146,574</u>
Business-type activities:					
Water and sewer	38,216	37,665	41,293	42,614	45,496
Drainage utility	2,436	1,806	1,523	1,412	1,618
Municipal airport	1,766	1,922	2,319	2,235	1,981
Golf course (2)	-	-	-	-	-
Total business-type activities	<u>42,418</u>	<u>41,393</u>	<u>45,135</u>	<u>46,261</u>	<u>49,095</u>
Total primary government	<u>\$ 177,501</u>	<u>\$ 178,915</u>	<u>\$ 183,879</u>	<u>\$ 182,033</u>	<u>\$ 195,669</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services					
Field Services	\$ 7,612	\$ 7,670	\$ 7,922	\$ 7,527	\$ 7,795
General government	7,131	6,048	6,483	6,436	7,586
Fire services	-	-	-	-	-
Police services	-	-	-	-	-
Public works	-	-	-	-	-
Planning and community development	4,790	4,361	4,692	5,490	5,148
Housing and community services	-	-	-	-	-
Library services	-	-	-	-	-
Parks and recreation	-	-	-	-	-
Other charges for services	11,140	13,178	10,833	13,316	10,312
Operating grants and contributions	15,791	14,616	13,463	13,954	13,825
Capital grants and contributions	2,735	960	480	112	409
Total governmental activities	<u>49,199</u>	<u>46,833</u>	<u>43,873</u>	<u>46,835</u>	<u>45,075</u>
Business-type activities:					
Charges for services:					
Water and sewer	45,965	44,231	44,859	46,795	53,559
Drainage utility	2,153	2,196	2,169	2,798	3,366
Municipal airport	1,609	1,568	1,979	1,681	1,602
Golf course (2)	-	-	-	-	-
Operating grants and contributions (1)	-	-	-	-	-
Capital grants and contributions	1,149	1,874	753	969	603
Total business-type activities	<u>50,876</u>	<u>49,869</u>	<u>49,760</u>	<u>52,243</u>	<u>59,130</u>
Total primary government	<u>\$ 100,075</u>	<u>\$ 96,702</u>	<u>\$ 93,633</u>	<u>\$ 99,078</u>	<u>\$ 104,205</u>

## Schedule 2

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$	35,751	\$ 38,015	\$ 31,854	\$ 30,100	\$ 14,755
	27,167	28,820	28,918	30,502	32,319
	35,089	36,382	36,952	40,496	43,434
	-	-	-	-	-
	19,722	20,007	20,675	23,490	22,681
	2,991	3,294	3,532	3,301	3,817
	15,425	15,981	16,942	17,962	19,934
	2,064	2,168	2,264	2,157	2,358
	12,252	9,805	10,481	11,400	11,938
	5,093	6,081	5,711	8,892	7,222
	<u>155,554</u>	<u>160,553</u>	<u>157,329</u>	<u>168,300</u>	<u>158,458</u>
	49,822	51,545	55,859	62,786	64,605
	1,876	1,829	2,196	2,832	3,457
	1,900	1,997	2,018	2,018	2,054
	-	943	1,582	1,529	1,520
	<u>53,598</u>	<u>56,314</u>	<u>61,655</u>	<u>69,165</u>	<u>71,636</u>
\$	<u>209,152</u>	<u>216,867</u>	<u>218,984</u>	<u>237,465</u>	<u>230,094</u>
\$	-	\$ -	\$ -	\$ -	\$ -
	7,921	7,158	4,985	7,103	2,498
	-	-	-	-	2,387
	-	-	-	-	2,823
	-	-	-	-	14,387
	6,603	7,759	8,146	3,056	2,487
	-	-	-	-	251
	-	-	-	-	29
	-	-	-	-	756
	19,412	18,668	18,400	25,070	-
	14,052	14,995	15,899	16,414	26,236
	603	1,125	4,322	5,755	7,749
	<u>48,591</u>	<u>49,705</u>	<u>51,752</u>	<u>57,398</u>	<u>59,603</u>
	59,677	63,465	67,609	69,274	73,739
	3,795	3,965	3,966	4,055	4,778
	1,548	1,644	1,809	1,665	1,964
	-	1,037	1,089	1,025	1,009
	23	67	283	53	50
	674	1,025	3,830	982	7,676
	<u>65,717</u>	<u>71,203</u>	<u>78,586</u>	<u>77,054</u>	<u>89,216</u>
\$	<u>114,308</u>	<u>120,908</u>	<u>130,338</u>	<u>134,452</u>	<u>148,819</u>

(Continued Next Page)

**City of Mesquite, Texas**  
**Change in Net Position (Continued)**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(amounts expressed in thousands)**

Fiscal Year	2011	2012	2013	2014	2015
<b>Net (Expenses)/Program Revenues</b>					
Governmental activities	\$ (85,884)	\$ (90,689)	\$ (94,871)	\$ (88,937)	\$ (101,499)
Business-type activities	8,458	8,476	4,625	5,982	10,035
Total primary government net expenses	<u>\$ (77,426)</u>	<u>\$ (82,213)</u>	<u>\$ (90,246)</u>	<u>\$ (82,955)</u>	<u>\$ (91,464)</u>
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities:					
Ad valorem taxes	\$ 36,572	\$ 35,787	\$ 35,074	\$ 35,172	\$ 36,710
Gross receipts taxes	7,931	7,760	7,865	8,633	8,081
Sales taxes	36,154	37,440	39,736	41,180	42,848
Investment income	245	145	75	67	151
Gain (loss) on sale of capital assets	(327)	109	38	85	(33)
Transfers	4,873	4,310	4,575	3,706	4,866
Total governmental activities	<u>85,448</u>	<u>85,551</u>	<u>87,363</u>	<u>88,843</u>	<u>92,623</u>
Business-type activities:					
Investment income	113	73	36	33	71
Gain (loss) on sale of capital assets	(45)	41	-	36	54
Transfers	(4,873)	(4,310)	(4,575)	(3,706)	(4,866)
Total business-type activities	<u>(4,805)</u>	<u>(4,196)</u>	<u>(4,539)</u>	<u>(3,637)</u>	<u>(4,741)</u>
Total primary government	<u>\$ 80,643</u>	<u>\$ 81,355</u>	<u>\$ 82,824</u>	<u>\$ 85,206</u>	<u>\$ 87,882</u>
<b>Change in Net Position</b>					
Governmental activities	\$ (436)	\$ (5,138)	\$ (7,508)	\$ (94)	\$ (8,876)
Business-type activities	3,653	4,280	86	2,345	5,294
Total primary government	<u>\$ 3,217</u>	<u>\$ (858)</u>	<u>\$ (7,422)</u>	<u>\$ 2,251</u>	<u>\$ (3,582)</u>

Notes:

- (1) Operating grants and contributions for business-type activities presented separately starting with fiscal year 2016.
- (2) The golf course became a separate fund beginning in fiscal year 2017. It was previously included as part of parks and recreation in the governmental activities.

**Schedule 2 (Continued)**

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ (106,963)	\$ (110,848)	\$ (105,577)	\$ (110,901)	\$ (98,855)
12,119	14,889	16,931	7,890	17,580
<u>\$ (94,844)</u>	<u>\$ (95,959)</u>	<u>\$ (88,646)</u>	<u>\$ (103,011)</u>	<u>\$ (81,275)</u>
\$ 38,328	\$ 44,479	\$ 49,921	\$ 57,413	\$ 62,495
7,806	7,698	7,988	7,810	7,186
44,761	45,476	45,700	46,869	47,192
392	741	1,330	2,687	1,288
-	257	268	549	-
5,235	2,143	4,537	797	(145)
<u>96,522</u>	<u>100,794</u>	<u>109,744</u>	<u>116,125</u>	<u>118,016</u>
179	339	799	1,344	942
38	60	124	14	-
(5,235)	(2,143)	(4,537)	(797)	145
<u>(5,018)</u>	<u>(1,744)</u>	<u>(3,614)</u>	<u>561</u>	<u>1,087</u>
<u>\$ 91,504</u>	<u>\$ 99,050</u>	<u>\$ 106,130</u>	<u>\$ 116,686</u>	<u>\$ 119,103</u>
\$ (10,441)	\$ (10,054)	\$ 4,167	\$ 5,224	\$ 19,161
7,101	13,145	13,317	8,451	18,667
<u>\$ (3,340)</u>	<u>\$ 3,091</u>	<u>\$ 17,484</u>	<u>\$ 13,675</u>	<u>\$ 37,828</u>

**City of Mesquite, Texas**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
General Fund:				
Nonspendable	\$ 858	\$ 962	\$ 725	\$ 775
Assigned	6	50	221	300
Unassigned	<u>16,153</u>	<u>16,026</u>	<u>16,460</u>	<u>16,076</u>
<b>Total General Fund</b>	<b><u>\$ 17,017</u></b>	<b><u>\$ 17,038</u></b>	<b><u>\$ 17,406</u></b>	<b><u>\$ 17,151</u></b>
All other governmental funds:				
Nonspendable for:				
Prepays	\$ 866	\$ -	\$ -	\$ -
Cemetery trust principal	-	-	-	-
Restricted for:				
Debt Retirement	61	56	138	483
Purpose of grantors, trustees, and donors	1,141	1,844	1,836	1,865
4B Sales Tax projects	3,905	6,283	5,698	6,321
Promotion of Tourism	-	-	-	-
Law Enforcement	5,024	5,294	5,315	5,593
Capital Projects	12,256	11,056	6,862	11,659
Community Access Projects	258	164	400	564
Road Surface Repairs	290	97	103	159
Tax Increment Financing Districts	8,224	3,961	4,830	6,373
Public Improvement Districts	-	-	-	-
Hike and Bike Trail	3,583	3,603	2,755	680
Developer's Deposits	1,511	1,505	1,511	1,576
Capital Replacement	212	84	21	39
Other Purposes	373	374	376	557
Assigned to:				
Promotion of Tourism	102	52	184	253
Other Capital Projects	729	2,099	1,918	1,815
Other Purposes	185	194	227	287
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total of all other governmental funds</b>	<b><u>\$ 38,720</u></b>	<b><u>\$ 36,666</u></b>	<b><u>\$ 32,174</u></b>	<b><u>\$ 38,224</u></b>

### Schedule 3

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 764	\$ 1,183	\$ 1,813	\$ 1,919	\$ 1,926	\$ 1,923
41	90	105	98	56	226
<u>15,897</u>	<u>17,003</u>	<u>18,312</u>	<u>18,896</u>	<u>20,713</u>	<u>25,159</u>
<u>\$ 16,702</u>	<u>\$ 18,276</u>	<u>\$ 20,230</u>	<u>\$ 20,913</u>	<u>\$ 22,695</u>	<u>\$ 27,308</u>
\$ -	\$ -	\$ -	\$ 146	\$ 27	\$ 5
-	101	101	101	101	101
471	85	599	46	4	821
2,192	2,418	2,691	2,610	3,086	2,443
7,078	8,025	6,087	2,506	2,903	2,586
440	753	1,238	1,719	-	2,385
4,750	4,127	3,139	2,043	1,388	2,024
21,253	44,978	25,433	49,456	37,188	46,601
738	658	745	623	620	646
130	219	521	239	220	635
7,599	9,778	12,126	14,441	12,314	6,012
-	-	-	7,203	27,385	18,014
454	457	460	40	-	41
1,682	1,621	1,594	1,647	1,694	1,547
157	321	505	700	585	397
574	557	608	585	2,490	585
-	-	-	-	-	-
1,136	1,176	1,524	1,384	1,208	6,952
251	1,124	469	1,308	539	583
-	-	-	-	-	(77)
<u>\$ 48,905</u>	<u>\$ 76,398</u>	<u>\$ 57,840</u>	<u>\$ 86,797</u>	<u>\$ 91,752</u>	<u>\$ 92,301</u>

**City of Mesquite, Texas**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Revenues</b>				
Taxes	\$ 80,656	\$ 81,028	\$ 82,740	\$ 85,011
Licenses and permits	1,159	1,090	1,172	1,146
Fines and forfeitures	4,358	4,522	4,925	4,126
Investment income	236	138	71	65
Charges for services	17,064	17,089	17,254	17,683
Intergovernmental	15,743	14,794	13,426	13,566
Contributions and donations	2,771	779	447	374
Other revenues	2,425	3,219	1,595	2,656
Total revenues	<u>124,412</u>	<u>122,659</u>	<u>121,630</u>	<u>124,627</u>
<b>Expenditures</b>				
General government	14,883	18,845	15,294	15,387
Fire services	23,540	23,608	24,024	24,600
Police services	30,474	30,936	32,125	30,980
Field services (1)	13,864	10,967	10,771	10,121
Public works	2,586	2,711	3,089	3,203
Planning and community development	3,711	3,665	3,150	3,389
Housing services	11,543	12,406	11,722	11,540
Library services	2,089	1,927	1,876	1,931
Parks and recreation	9,752	9,614	10,408	9,425
Community services	2,327	2,252	2,290	3,226
Housing and community services	-	-	-	-
Capital outlay	20,970	7,812	10,355	8,317
Debt service - principal	7,006	6,314	6,353	6,747
Debt service - interest and bond issuance costs	4,924	5,323	5,016	4,812
Total expenditures	<u>147,669</u>	<u>136,380</u>	<u>136,473</u>	<u>133,678</u>
Deficiency of revenues under expenditures	<u>(23,257)</u>	<u>(13,721)</u>	<u>(14,843)</u>	<u>(9,051)</u>
<b>Other financing sources (uses)</b>				
Transfer in	18,875	19,056	19,272	17,038
Transfers out	(13,834)	(13,998)	(14,193)	(11,912)
Bond proceeds	11,575	7,235	5,450	9,715
Proceeds of refunding bonds	12,715	3,765	7,635	9,080
Premium on debt	1,163	236	539	963
Payment to refunded bond agent	(13,660)	(3,724)	(7,985)	(10,038)
Sale of general capital assets	-	-	-	-
Total other financing sources (uses)	<u>16,834</u>	<u>12,570</u>	<u>10,718</u>	<u>14,846</u>
Net change in fund balances	<u>\$ (6,423)</u>	<u>\$ (1,151)</u>	<u>\$ (4,125)</u>	<u>\$ 5,795</u>
Debt service as a percentage of noncapital expenditures	9.60%	9.17%	9.12%	9.34%

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

## Schedule 4

2015	2016	2017	2018	2019	2020
\$ 87,368	\$ 90,911	\$ 97,633	\$ 103,468	\$ 112,214	\$ 116,797
1,728	2,236	2,399	2,281	2,598	3,037
3,226	3,586	3,772	3,295	4,087	4,416
147	388	733	1,304	2,645	1,266
19,701	20,926	21,302	16,672	18,605	19,736
13,353	14,299	15,204	19,936	18,279	27,217
788	313	346	1,703	1,658	1,326
1,338	2,421	1,537	1,730	4,139	3,232
<u>127,649</u>	<u>135,080</u>	<u>142,926</u>	<u>150,389</u>	<u>164,225</u>	<u>177,027</u>
16,285	15,330	15,316	16,737	14,463	10,568
24,811	25,631	27,573	28,082	29,529	30,725
31,267	33,267	36,907	37,060	38,551	40,842
10,191	-	-	-	-	-
3,244	13,158	14,189	14,316	15,592	15,715
3,458	2,874	3,173	3,535	3,318	3,762
11,585	-	-	-	-	-
2,022	1,917	2,055	2,083	2,056	2,340
10,717	10,437	8,126	8,662	9,753	10,221
2,347	-	-	-	-	-
-	15,268	16,001	16,711	17,770	19,639
9,984	16,879	33,453	36,255	39,229	41,525
7,897	9,019	11,185	13,383	14,080	14,970
5,001	5,214	6,557	6,829	10,274	9,009
<u>138,809</u>	<u>148,994</u>	<u>174,535</u>	<u>183,653</u>	<u>194,615</u>	<u>199,316</u>
(11,160)	(13,914)	(31,610)	(33,263)	(30,391)	(22,289)
17,686	21,099	24,375	26,728	23,501	30,261
(12,285)	(15,823)	(18,383)	(22,692)	(22,704)	(31,405)
14,835	35,085	8,285	53,810	34,655	24,945
2,935	17,295	7,600	960	-	27,685
1,265	5,232	1,477	5,136	565	5,373
(3,044)	(19,907)	(8,607)	(1,039)	-	(29,665)
-	-	257	-	1,111	256
<u>21,392</u>	<u>42,981</u>	<u>15,004</u>	<u>62,903</u>	<u>37,128</u>	<u>27,450</u>
\$ 10,232	\$ 29,067	\$ (16,606)	\$ 29,640	\$ 6,737	\$ 5,161
9.97%	10.77%	12.58%	13.71%	15.67%	15.20%

**City of Mesquite, Texas**  
**Tax Revenues by Source – Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(Unaudited)**

<u>Year Ended September</u>	<u>Total</u>	<u>Ad Valorem Taxes</u>	<u>Sales Taxes</u>		
			<u>General</u>	<u>Liquor</u>	<u>Hotel/Motel</u>
2011	\$ 80,656	\$ 36,571	\$ 35,069	\$ 194	\$ 891
% Total	100.0	45.3	43.5	0.2	1.1
2012	81,028	35,828	36,357	173	910
% Total	100.0	44.2	44.9	0.2	1.1
2013	82,412	35,138	38,497	199	1,040
% Total	100.0	42.6	46.7	0.2	1.3
2014	84,767	35,198	39,780	250	1,150
% Total	100.0	41.5	46.9	0.3	1.4
2015	87,368	36,439	41,310	271	1,267
% Total	100.0	41.7	47.3	0.3	1.5
2016	90,912	38,345	43,191	274	1,296
% Total	100.0	42.2	47.5	0.3	1.4
2017	97,633	44,459	43,664	273	1,539
% Total	100.0	45.5	44.7	0.3	1.6
2018	103,468	49,780	43,790	279	1,630
% Total	100.0	48.1	42.3	0.3	1.6
2019	112,214	57,535	44,575	284	2,010
% Total	100.0	51.3	39.7	0.3	1.8
2020	116,797	62,420	45,522	228	1,442
% Total	100.0	53.4	39.0	0.2	1.2

**Schedule 5**

<b>Gross Receipts Taxes</b>						
<b>Electrical</b>	<b>Gas</b>	<b>Telephone</b>	<b>Cable TV</b>	<b>Sanitation</b>	<b>Other</b>	
\$ 4,483	\$ 1,020	\$ 550	\$ 1,182	\$ 662	\$ 34	
5.6	1.3	0.7	1.5	0.8	0.0	
4,138	845	526	1,518	698	35	
5.1	1.0	0.6	1.9	0.9	0.0	
3,994	966	519	1,310	710	39	
4.8	1.2	0.6	1.6	0.9	0.0	
4,172	1,305	473	1,442	958	39	
4.9	1.5	0.6	1.7	1.1	0.0	
4,041	1,157	-	1,556	975	352	
4.6	1.3	-	1.8	1.1	0.4	
4,007	943	-	1,510	1,001	344	
4.4	1.0	-	1.7	1.1	0.4	
4,051	1,072	-	1,259	1,022	294	
4.1	1.1	-	1.3	1.0	0.3	
4,146	1,255	-	1,230	1,079	279	
4.0	1.2	-	1.2	1.0	0.3	
3,961	1,144	-	1,230	1,189	286	
3.5	1.0	-	1.1	1.1	0.3	
3,961	993	-	868	1,314	49	
3.4	0.9	-	0.7	1.1	0.0	

**City of Mesquite, Texas**  
**Taxable Sales by Category**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**  
**(Unaudited)**

	Fiscal Year			
	2011	2012	2013	2014
General Merchandise Stores	\$ 224,141	\$ 235,820	\$ 240,520	\$ 235,681
Eating and Drinking Establishments	213,021	223,860	233,982	240,528
Clothing and Apparel Stores	165,529	174,670	191,244	193,470
Building Materials, Garden Equipment, and Supplies	108,653	124,763	130,072	126,543
Home Furnishings and Appliances	119,292	125,966	129,970	114,419
Automotive Dealers, Service, and Supplies	49,545	55,177	58,316	60,449
Food and Grocery Stores (2)	34,237	44,979	53,449	53,765
Gas Stations	26,068	37,021	38,120	41,399
Other Retail Stores	133,170	138,624	147,084	158,885
All Other Outlets	<u>731,278</u>	<u>654,958</u>	<u>705,904</u>	<u>789,761</u>
Total Taxable Sales (1)	<u>\$ 1,804,934</u>	<u>\$ 1,815,838</u>	<u>\$ 1,928,661</u>	<u>\$ 2,014,900</u>
City Direct Sales Tax Rate	2.0%	2.0%	2.0%	2.0%

Notes:

- (1) Sales tax filing information obtained from Texas Comptroller of Public Accounts. Taxable sales calculated by dividing sales taxes reported by the City's direct sales tax rate.
- (2) General grocery items are not taxable; the sales tax applies only to prepared food items and nonfood items.
- (3) Data subject to change as more precise reporting becomes available. Total sales tax received in FY20 will not tie to the financial statements from this schedule due to taxpayers' amended returns and late filers.

**Schedule 6**

<b>Fiscal Year</b>					
<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020 (3)</b>
\$ 256,248	\$ 282,485	\$ 284,451	\$ 298,272	\$ 280,841	\$ 261,938
259,762	273,022	281,283	286,661	290,527	278,764
196,123	198,003	212,609	190,250	206,658	186,787
133,744	155,725	149,725	127,790	149,031	152,098
134,511	152,402	138,242	158,791	132,850	134,323
64,477	68,707	67,741	64,476	86,346	89,447
54,923	56,981	59,041	67,033	42,939	95,888
45,480	48,377	49,944	51,453	56,808	50,335
168,257	181,988	185,967	191,585	189,601	219,692
<u>764,131</u>	<u>746,715</u>	<u>775,586</u>	<u>818,658</u>	<u>822,433</u>	<u>787,669</u>
<u>\$2,077,656</u>	<u>\$2,164,405</u>	<u>\$2,204,589</u>	<u>\$2,254,969</u>	<u>\$2,258,034</u>	<u>\$2,256,941</u>
2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

**City of Mesquite, Texas**  
**Sales Tax Revenue Payers by Industry**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

**Schedule 7**

	2020		2011	
	Number of Filers	Tax Liability	Number of Filers	Tax Liability
Retail Trade	3,371	\$ 28,816,776	1,443	\$ 21,314,250
Services	2,906	6,607,126	1,639	5,188,078
Transportation and Utilities	105	2,721,925	92	3,537,617
Wholesale Trade	1,488	2,426,890	1,008	2,004,440
Manufacturing	1,278	2,092,066	744	1,493,285
Construction	836	1,421,834	647	1,055,756
Finance, Insurance, and Real Estate	365	1,002,463	305	628,576
Agricultural	8	4,292	4	2,992
Mining	7	6,274	13	20,591
Public Administration	6	39,162	10	853,134
Total	<u>10,370</u>	<u>\$ 45,138,808</u>	<u>5,905</u>	<u>\$ 36,098,719</u>

Source: Texas Comptroller of Public Accounts

**City of Mesquite, Texas**  
**Sales Tax Rates - Direct and Overlapping**  
**Last Ten Fiscal Years**  
**(Unaudited)**

**Schedule 8**

<b>Fiscal Year</b>	<b>City of Mesquite</b>				<b>State of Texas</b>	<b>Total Sales Tax Rate</b>
	<b>Economic Development - 4B</b>	<b>Property Tax Relief</b>	<b>Regular Rate</b>	<b>Total COM</b>		
2011	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2012	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2013	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2014	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2015	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2016	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2017	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2018	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2019	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2020	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%

Source: Texas Comptroller of Public Accounts

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

**City of Mesquite, Texas**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(amounts expressed in thousands)**  
**(Unaudited)**

Fiscal Year	Assessed and Actual Value of Property (1)					Total Assessed Value
	Real Property Residential	Real Property Commercial	Real Property Other	Utilities Real and Personal	Personal Property	
2011	4,059,862	1,735,638	225,977	105,015	714,087	6,840,579
2012	3,990,016	1,754,347	231,151	102,613	746,505	6,824,632
2013	3,883,652	1,749,220	205,574	103,260	757,902	6,699,608
2014	3,837,683	1,810,542	225,413	102,909	779,653	6,756,200
2015	4,026,866	1,905,028	206,709	111,081	826,306	7,075,990
2016	4,254,661	1,983,357	209,767	109,107	833,635	7,390,527
2017	4,784,452	2,111,684	207,429	113,444	895,405	8,112,414
2018	5,433,038	2,252,673	206,414	114,705	966,735	8,973,565
2019	6,167,059	2,412,704	253,364	133,646	1,035,854	10,002,627
2020	6,528,588	2,766,119	239,948	142,322	1,093,135	10,770,112

Source: Dallas Central Appraisal District and Kaufman Central Appraisal District

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 \$306,111. The taxable value upon which the tax levy was based, noted in footnote 4 in the Notes to Basic Financial Statements, includes the TIF value. (\$8,373,445 + \$306,111= \$8,679,556).
- (4) Tax rate is per \$100 assessed valuation.

**Schedule 9**

<b>Less: Exemptions, Abatements, and TIFs (2)</b>					
<b>Exemptions Granted</b>	<b>Tax Abatements</b>	<b>Tax Incentive Financing Districts (TIF)</b>	<b>Total Exemptions</b>	<b>Total Taxable Valuation (3)</b>	<b>Tax Rate (4)</b>
990,882	10,199	129,621	1,130,702	5,709,877	0.64000
1,065,133	10,207	121,721	1,197,061	5,627,571	0.64000
1,092,748	-	128,565	1,221,313	5,478,295	0.64000
1,143,482	-	148,404	1,291,886	5,464,314	0.64000
1,189,509	-	150,640	1,340,149	5,735,841	0.64000
1,253,159	-	174,807	1,427,966	5,962,562	0.64000
1,384,473	-	200,471	1,584,944	6,527,470	0.68700
1,651,691	-	222,549	1,874,240	7,099,325	0.68700
1,938,037	-	232,249	2,170,286	7,832,341	0.73400
2,090,556	-	306,111	2,396,667	8,373,445	0.73400

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

**Schedule 10**

Fiscal Year	City of Mesquite			Overlapping Rates (1)				Mesquite Independent School District	Total Direct & Overlapping Rates
	General	Debt Service	Total	Dallas County	Dallas County Hospital District	Dallas Community College District	Dallas County School Equalization		
2011	.47076	.16924	.64000	.2431	.2710	.09923	.010000	1.42	2.68333
2012	.46859	.17141	.64000	.2431	.2710	.09967	.010000	1.42	2.68377
2013	.46225	.17775	.64000	.2431	.2710	.119375	.009937	1.42	2.70341
2014	.45953	.18047	.64000	.2431	.2760	.1247	.010000	1.41	2.70380
2015	.46220	.17780	.64000	.2431	.2860	.124775	.010000	1.41	2.71388
2016	.43637	.20363	.64000	.2431	.2860	.12365	.010000	1.41	2.71275
2017	.45542	.23158	.68700	.2431	.2794	.122933	.009271	1.46	2.80170
2018	.44972	.23728	.68700	.2431	.2794	.12424	.010000	1.46	2.80374
2019	.48792	.24608	.73400	.2431	.2794	.12400	.010000	1.52	2.91050
2020	.5039	.2301	.73400	.2431	.2695	.12400	.010000	1.45	2.83060

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.

**City of Mesquite, Texas**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

**Schedule 11**

Taxpayer	2020			Per 2011 CAFR		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Town East Mall	\$ 135,490,990	\$ 1	1.62%	\$ 118,685,240	\$ 1	2.08%
Pepsi Cola	69,136,000	2	0.83%	47,291,927	2	0.83%
Ashley Furniture Ind	67,941,130	3	0.81%			-
Market East Associates LLC	67,500,000	4	0.81%			-
Oncor Electric Delivery	57,850,650	5	0.69%	44,301,810	3	0.78%
Ocean Barons LP	49,750,000	6	0.59%			-
IRIS USA Inc.	38,830,200	7	0.46%			-
United Parcel Service	36,844,150	8	0.44%			-
SPI Mission Ranch LLC	35,511,680	9	0.42%			-
S2 Camelot LLC	35,370,300	10	0.42%			-
Barons Investors II LP			-	27,500,000	4	0.48%
Alliance WE LP			-	24,405,000	5	0.43%
Sun Life Asure Co of Can			-	22,260,350	6	0.39%
American Multicinema Inc			-	21,291,080	7	0.37%
DDR MDT Marketplace				21,234,720	8	0.37%
Chapman & Wilson LLC			-	19,479,740	9	0.34%
CNC - Swagat Nine LTD			-	19,437,320	10	0.34%
Total	<u>\$ 594,225,100</u>		7.10%	<u>\$ 365,887,187</u>		6.41%
Total Taxable Assessed Valuation	<u>\$ 8,373,444,706</u>			<u>\$ 5,709,876,802</u>		

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

**City of Mesquite, Texas**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

**Schedule 12**

Fiscal Year Ended September 30	Adjusted Current Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes (1)
		Amount	Percent of Levy		Amount	Percent of Levy	
2011	\$ 36,392,283	\$ 35,761,897	98.27	\$ 484,010	\$ 36,245,907	99.60	\$ 146,376
2012	35,677,427	35,225,462	98.73	314,859	35,540,321	99.62	137,106
2013	34,819,001	34,336,926	98.62	319,409	34,656,335	99.53	162,666
2014	34,961,217	34,457,251	98.56	308,934	34,766,185	99.44	195,032
2015	36,282,438	35,805,787	98.69	293,466	36,099,253	99.50	183,185
2016	37,960,913	37,517,675	98.83	211,880	37,729,555	99.39	231,358
2017	43,954,143	43,411,278	98.76	299,401	43,710,679	99.45	243,464
2018	48,024,985	47,447,876	98.80	318,140	47,766,016	99.46	258,969
2019	55,708,582	54,944,161	98.63	230,037	55,174,198	99.04	534,384
2020	62,122,209	61,308,860	98.69	-	61,308,860	98.69	813,349

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

**City of Mesquite, Texas**  
**Ratio of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(Unaudited)**

**Schedule 13**

<b>Governmental Activities</b>								
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Certificates of Obligations</b>	<b>Special Assessment Bonds</b>	<b>Net Premium/ (Discount) on Bonds (2)</b>	<b>Public Property Finance Contractual Obligations</b>	<b>Notes Payable</b>	<b>Capital Lease Obligations</b>	<b>Total</b>
2011	\$ 37,180,000	\$ 77,115,000	\$ -	\$ -	\$ 3,075,000	\$ 3,931,712	\$ 238,445	\$ 121,540,157
2012	37,545,000	79,950,000	-	-	1,505,000	3,420,915	160,428	122,581,343
2013	38,415,000	80,035,000	-	-	390,000	2,889,779	78,809	121,808,588
2014	41,355,000	80,605,000	-	-	-	2,337,487	5,973	124,303,460
2015	40,995,000	88,355,000	-	3,830,389	-	1,763,191	25,644	134,969,224
2016	79,340,000	74,945,000	-	8,521,721	-	1,166,008	-	163,972,729
2017	82,210,000	69,235,000	-	9,385,301	-	578,096	-	161,408,397
2018	108,940,000	76,200,000	7,245,000	12,808,171	-	-	-	205,193,171
2019	100,740,000	80,385,000	31,835,000	11,634,912	-	-	-	224,594,912
2020	122,010,000	67,685,000	31,835,000	14,613,527	-	-	-	236,143,527
<b>Business-Type Activities</b>								
<b>Fiscal Year</b>	<b>Water/ Sewer Revenue Bonds</b>	<b>Drainage Utility District Revenue Bonds</b>	<b>Net Premium/ (Discount) on Bonds (2)</b>	<b>Water/ Sewer Capital Lease Obligations</b>	<b>Total</b>	<b>Total Primary Government</b>	<b>Percentage of Effective Buying Income (1)</b>	<b>Per Capita (1)</b>
2011	\$ 72,615,000	\$ 5,010,000	\$ -	\$ 71,294	\$ 77,696,294	\$ 199,236,451	7.96%	\$ 1,424.44
2012	72,445,000	3,950,000	-	56,700	76,451,700	199,033,043	7.85%	1,422.17
2013	72,095,000	3,335,000	-	41,052	75,471,052	197,279,640	7.52%	1,406.73
2014	73,633,158	2,947,686	-	24,274	76,605,118	200,908,578	7.08%	1,412.76
2015	72,195,000	2,485,000	2,276,216	6,282	76,962,498	211,931,722	8.21%	1,490.06
2016	73,105,000	2,060,000	3,344,683	-	78,509,683	242,482,412	9.04%	1,696.27
2017	75,100,000	1,625,000	4,376,177	-	81,101,177	242,509,574	8.74%	1,695.16
2018	76,525,000	1,175,000	4,773,464	-	82,473,464	287,666,635	10.18%	2,006.74
2019	85,650,000	8,725,000	5,642,059	-	100,017,059	324,611,971	10.82%	2,238.24
2020	98,140,000	8,140,000	7,983,134	-	114,263,134	350,406,661	11.52%	2,409.78

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

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

**City of Mesquite, Texas**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(Unaudited)**

**Schedule 14**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Taxable Assessed Value (in 000s) (2)</b>	<b>General Bonded Debt</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Net General Bonded Debt</b>	<b>Percentage of Taxable Value of Property</b>	<b>Net General Bonded Debt Per Capita</b>
2011	139,870	\$ 5,709,877	\$ 121,540,157	\$ 61,150	\$ 121,479,007	2.13%	868.51
2012	139,950	5,627,571	122,581,343	56,293	122,525,050	2.18%	875.49
2013	140,240	5,478,295	121,808,588	138,486	121,670,102	2.22%	867.58
2014	142,210	5,464,314	124,303,460	483,072	123,820,388	2.27%	870.69
2015	142,230	5,735,842	134,969,224	470,685	134,498,539	2.34%	945.64
2016	142,950	5,962,561	163,972,729	85,167	163,887,562	2.75%	1,146.47
2017	143,060	6,527,470	161,408,397	599,175	160,809,222	2.46%	1,124.07
2018	143,350	7,099,325	205,193,171	45,694	205,147,477	2.89%	1,431.10
2019	145,030	7,832,341	224,594,912	4,167	224,590,745	2.87%	1,548.58
2020	145,410	8,373,445	236,143,527	821,500	235,322,027	2.81%	1,618.33

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

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

**City of Mesquite, Texas**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2020**  
**(Unaudited)**

**Schedule 15**

Taxing Jurisdiction	Total Outstanding Debt (1)	Estimated Percent Applicable (2)	Direct and Estimated Overlapping Deb
Direct-			
City of Mesquite	\$ 236,143,527	100.00%	\$ 236,143,527
Overlapping-			
Dallas County	130,445,000	3.01%	3,926,395
Dallas County Community College District	135,375,000	3.01%	4,074,788
Dallas County Hospital District	622,000,000	3.01%	18,722,200
Dallas County Schools	27,204,352	3.01%	818,851
Kaufman County	106,514,166	0.10%	106,514
Mesquite Independent School District	748,269,389	86.35%	646,130,617
Dallas Independent School District	3,110,910,000	0.14%	4,355,274
Forney Independent School District	359,548,181	0.20%	719,096
Garland Independent School District	511,020,000	0.03%	153,306
	<u>5,751,286,088</u>		<u>679,007,041</u>
Total overlapping			
	<u>5,751,286,088</u>		<u>679,007,041</u>
Total direct and estimated overlapping bonded debt	<u>\$5,987,429,615</u>		<u>\$ 915,150,568</u>
Ratio, direct and estimated overlapping debt to fiscal 2019 taxable assessed valuation (3)			<u>10.93%</u>
Per capita direct and estimated overlapping bonded debt (4)			<u>\$ 6,294</u>

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 2020 taxable assessed valuation (Net of TIF \$8,373,444,706)
- (4) Based on 2020 population of 145,410.

**City of Mesquite, Texas**  
**Debt Margin Information**  
**September 30, 2020**  
**(Unaudited)**

**Schedule 16**

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, 2020, is \$0.73400 per \$100 of assessed valuation with assessed valuation being 100% of market value.

**City of Mesquite, Texas**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**  
**(Unaudited)**

**Schedule 17**

Year Ended September	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>WATER AND SEWER BONDS</b>							
2011	\$ 46,068,546	\$ 31,283,576	\$ 14,784,970	\$ 97,779,815	20	\$ 4,888,991	3.0
2012	44,339,863	30,452,086	13,887,777	95,751,908	20	4,787,595	2.9
2013	44,892,336	34,046,541	10,845,795	94,114,740	20	4,705,737	2.3
2014	46,909,102	34,731,035	12,178,067	92,892,214	20	4,644,611	2.6
2015	53,676,246	37,584,068	16,092,178	93,172,648	20	4,658,632	3.5
2016(5)	59,870,312	46,899,920	12,970,392	93,973,373	20	4,698,669	2.8
2017	63,876,537	49,921,956	13,954,581	97,269,491	20	4,863,475	2.9
2018	68,430,178	52,242,775	16,187,403	99,859,175	20	4,992,959	3.2
2019	70,519,694	54,779,163	15,740,531	111,838,664	20	5,591,933	2.8
2020	74,595,801	56,492,038	18,103,763	130,118,840	20	6,505,942	2.8
<b>DRAINAGE UTILITY DISTRICT BONDS</b>							
2011	\$ 2,162,146	\$ 869,181	\$ 1,292,965	\$ 5,666,423	11	\$ 515,129	2.5
2012	2,201,193	943,626	1,257,567	4,481,859	10	448,186	2.8
2013	2,171,118	661,823	1,509,295	3,763,916	9	418,213	3.6
2014	2,804,769	687,903	2,116,866	3,237,015	8	404,627	5.2
2015	3,380,515	717,806	2,662,709	2,739,938	7	391,420	6.8
2016(5)	3,818,308	888,855	2,929,453	2,243,100	6	373,850	7.8
2017	4,013,757	1,039,904	2,973,853	1,747,556	5	349,511	8.5
2018	4,062,964	1,139,921	2,923,043	1,249,744	4	312,436	9.4
2019	4,168,327	1,385,229	2,783,098	11,721,457	20	586,073	4.7
2020	4,861,275	1,778,341	3,082,934	10,788,494	19	567,815	5.4

Notes:

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

**City of Mesquite, Texas**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**  
**(Unaudited)**

**Schedule 18**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Total Retail Sales (in thousands of dollars) (2)</b>	<b>Effective Buying Income (EBI) (in thousands of dollars) (2)</b>	<b>Median Household EBI (2)</b>	<b>Number of Households (2)</b>	<b>School Enrollment (3)</b>	<b>Unemployment Unemployment Rate (4)</b>
2011	139,870	N/A	\$ 2,503,265	\$ 51,368	48,732	37,137	8.5%
2012	139,950	N/A	2,536,152	51,773	48,986	38,118	6.8%
2013	140,240	N/A	2,624,125	51,763	50,695	38,609	6.3%
2014	142,210	N/A	2,836,910	55,076	51,509	39,220	5.2%
2015	142,230	N/A	2,581,622	49,871	51,766	39,527	4.3%
2016	142,950	N/A	2,683,515	52,395	51,217	41,067	3.9%
2017	143,060	N/A	2,774,535	54,440	50,965	41,025	3.2%
2018	143,350	N/A	2,824,625	55,890	50,539	41,022	3.7%
2019	145,030	N/A	2,999,387	59,149	50,709	39,638	3.5%
2020	145,410	N/A	3,042,094	61,047	49,832	38,533	8.1%

- Sources:
- (1) Population count is determined by official ordinance adopted by City Council as of October 1 of each year.
  - (2) Effective Buying Income estimated based on median household EBI and number of households; information obtained from the City Economic Development Department.
  - (3) Mesquite Independent School District
  - (4) Texas Workforce Commission

**City of Mesquite, Texas**  
**Principal Employers**  
**Current Year and Nine Years Ago**  
**(Unaudited)**

**Schedule 19**

<u>Employer</u>	<u>2020 Range</u>	<u>2011 Range</u>
Mesquite Independent School District	1,000+	
Town East Mall	1,000+	
United Parcel Service Inc	1,000+	1,000 +
City of Mesquite	1,000+	1,000 +
Eastfield College	500-999	1,000 +
Dallas Regional Medical Center (Formerly Mesquite Community Hospital)	500-999	1,000 +
Walmart Supercenter	500-999	100-499
Pepsi Beverages Co	500-999	
Ashley Furniture	500-999	
Morrison Products	100-499	
Integra Color		100-499
Texas Dept of Transportation-Dallas District		100-499
Christian Care Center		100-499
Macy's		100-499
Dillard's		100-499
	<hr/>	<hr/>
Total Estimated City Employment	<u>73,311</u>	<u>69,816</u>

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

Note: Employees listed by employer are estimates.

**City of Mesquite, Texas**  
**Full-time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	Fiscal Year				
	2011	2012	2013	2014	2015
<b>By Functions</b>					
General government	112.00	111.13	113.25	117.25	118.50
Fire services	207.00	207.00	208.00	206.00	207.00
Police services	315.50	315.00	315.00	314.50	314.50
Field services	129.00	129.00	129.00	129.00	129.00
Public works	24.00	24.00	24.00	23.00	22.00
Planning and Community development	37.60	37.40	35.40	36.40	36.40
Housing services	21.40	21.60	21.60	21.10	20.60
Library services	31.45	32.08	32.08	32.08	31.71
Parks and recreation	120.66	123.68	123.68	123.54	117.47
Community services	28.00	28.10	28.10	27.85	27.35
Water and Sewer	107.07	107.07	109.07	109.07	109.07
Drainage utility district	7.00	7.00	7.00	7.00	7.00
Municipal airport	7.38	7.38	8.05	7.90	7.90
Total employees by function	<u>1,148.06</u>	<u>1,150.44</u>	<u>1,154.23</u>	<u>1,154.69</u>	<u>1,148.50</u>
<b>By Departments</b>					
Administration	29.50	28.50	30.00	31.00	33.50
City Secretary	3.00	3.00	3.00	3.00	3.00
City Attorney	7.00	7.00	7.00	8.00	8.00
Human Resources	14.00	14.00	14.00	15.00	14.00
Budget and Research	2.00	2.00	2.00	1.00	1.00
Finance	54.50	54.63	57.25	58.25	58.00
Information Technology	15.00	15.00	15.00	16.00	16.00
Fire service	207.00	207.00	208.00	206.00	207.00
Police Service	315.50	315.00	315.00	314.50	314.50
Public Works	254.07	254.07	254.07	253.07	252.07
Housing and community service	49.40	49.70	49.70	48.95	47.95
Planning and Community development	37.60	37.40	35.40	36.40	36.40
Parks/ Recreation/Building service	120.66	123.68	123.68	123.54	117.47
Library service	31.45	32.08	32.08	32.08	31.71
Airport service	7.38	7.38	8.05	7.90	7.90
Total employees by department	<u>1,148.06</u>	<u>1,150.44</u>	<u>1,154.23</u>	<u>1,154.69</u>	<u>1,148.50</u>
<b>By Fund</b>					
General	1,002.21	1,004.39	1,005.51	1,007.62	1,000.43
Grants	22.40	22.60	22.60	21.10	20.60
Water and Sewer	107.07	107.07	109.07	109.07	110.07
Drainage Utility District	7.00	7.00	7.00	7.00	7.00
Municipal Airport	7.38	7.38	8.05	7.90	7.90
Golf Course (1)					
Hotel/Motel	2.00	2.00	2.00	2.00	2.50
Total employees by fund	<u>1,148.06</u>	<u>1,150.44</u>	<u>1,154.23</u>	<u>1,154.69</u>	<u>1,148.50</u>

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

Notes:

(1) Golf Course fund created in 2017.

Schedule 20

Fiscal Year				
2016	2017	2018	2019	2020
124.86	131.61	135.39	139.24	141.83
207.00	212.00	214.00	217.00	213.00
324.50	327.50	331.50	333.50	337.50
129.00	131.00	130.00	134.00	139.00
22.00	23.00	23.00	24.00	24.00
42.95	45.05	48.25	52.25	52.25
20.55	19.45	18.50	18.50	17.50
31.72	32.72	32.72	32.72	32.72
121.09	120.09	122.09	131.79	131.79
18.35	18.35	17.35	18.35	21.00
109.07	112.07	117.57	112.57	111.57
7.00	7.00	7.00	10.00	11.00
7.90	7.90	7.90	9.48	9.48
<u>1,165.99</u>	<u>1,187.74</u>	<u>1,205.27</u>	<u>1,233.40</u>	<u>1,242.64</u>
38.00	42.25	42.25	42.50	43.00
4.00	4.00	4.00	4.00	5.00
8.00	9.00	9.00	9.60	9.60
13.00	14.50	14.50	14.50	14.50
-	-	-	-	-
60.86	60.86	63.14	63.14	63.23
16.00	16.00	16.50	17.50	17.50
207.00	212.00	214.00	217.00	213.00
324.50	327.50	331.50	333.50	337.50
252.07	258.07	263.57	268.57	274.57
38.90	37.80	35.85	36.85	38.50
42.95	45.05	48.25	52.25	52.25
121.09	120.09	122.09	131.79	131.79
31.72	32.72	32.72	32.72	32.72
7.90	7.90	7.90	9.48	9.48
<u>1,165.99</u>	<u>1,187.74</u>	<u>1,205.27</u>	<u>1,233.40</u>	<u>1,242.64</u>
1,017.72	1,036.32	1,032.58	1,064.13	1,073.37
20.30	19.45	18.50	18.50	17.50
110.57	113.57	119.07	111.57	111.57
7.00	7.00	7.00	10.00	11.00
7.90	7.90	7.90	9.48	9.48
	16.72	16.72	16.72	16.72
2.50	3.50	3.50	3.00	3.00
<u>1,165.99</u>	<u>1,204.46</u>	<u>1,205.27</u>	<u>1,233.40</u>	<u>1,242.64</u>

**City of Mesquite, Texas**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	Fiscal Year			
	2011	2012	2013	2014
<b>Functions</b>				
Fire services				
Number of calls answered	12,151	15,247	15,086	16,823
Inspections	4,151	4,784	3,279	3,077
Police services				
Reported index crimes	6,997	6,940	6,865	6,237
Criminal arrests	5,207	5,316	5,086	4,737
Traffic citations	36,745	38,477	42,330	33,970
Field services				
Residential solid waste customers	37,500	37,500	37,500	37,540
Annual tons recycled	31,268	32,124	35,556	37,804
Work hours per mile of streets and alleys	81.51	80.62	79.08	84.10
Public works				
Traffic studies conducted	355	314	313	302
Engineering Information requests	52,845	55,998	52,744	41,377
Housing services				
Number of HUD allocated unit months	15,156	16,848	16,848	16,848
Community development				
Residential building permits	1,375	1,272	1,414	1,344
Commercial building permits	252	147	166	299
Environmental code violations	12,791	20,205	15,094	15,685
Food inspections conducted	1,949	1,806	1,411	1,917
Library services				
Library visits per capita	2.61	2.52	2.42	2.24
Registered borrowers per capita	0.28	0.33	0.33	0.31
Parks and recreation				
Work hours per acre of park land	59.84	59.84	60.13	60.13
Athletic program participants	20,417	15,020	2,111	2,945
Aquatic program participants	99,350	92,738	76,242	76,301
Tennis program participants	7,200	6,000	8,589	8,691
Recreation centers programs offered	850	1,010	1,000	1,100
Community services				
Number of health clinic clients	3,709	3,787	2,844	2,624
Number of volunteer hours	49,483	54,622	59,564	65,733
Arts center events	489	601	486	588
Arts center participants	95,002	67,227	57,318	70,925
Animals processed by animal shelter	6,605	7,419	6,523	6,648
Water and Sewer				
Number of gallons of water pumped (000s)	6,893,829	6,164,038	5,789,895	5,516,359
Water main breaks	334	237	306	286
Miles of sewer mains cleaned	167	129	128	116

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

**Schedule 21**

Fiscal Year					
2015	2016	2017	2018	2019	2020
17,693	18,539	18,691	18,558	18,726	18,609
2,493	1,250	1,812	3,068	2,809	2,080
6,346	6,323	5,923	5,798	5,698	5,391
4,679	4,749	4,996	6,147	6,510	4,638
24,965	18,116	26,912	31,188	37,111	28,122
37,540	37,500	37,600	37,600	38,000	38,000
37,850	37,850	40,296	40,084	40,193	40,200
82.25	298.10	289.06	249.07	63.24	88.19
330	355	648	554	831	990
107,853	371,971	486,417	937,595	971,341	1,002,266
16,848	16,848	16,848	16,848	16,848	17,382
1,580	2,229	2,181	2,744	3,387	3,495
626	633	720	890	470	189
15,881	14,132	25,701	20,472	19,469	16,399
1,909	2,072	2,128	2,198	2,232	1,869
2.32	2.06	1.89	1.83	1.77	0.92
0.31	0.22	0.23	0.21	0.20	0.05
59.23	59.41	60.24	36.04	40.46	42.01
3,100	3,515	3,523	3,182	3,093	1,371
85,000	78,586	78,247	73,516	74,318	389
8,500	9,327	8,500	6,500	2,780	5,650
1,000	1,037	1,135	900	1,672	1,035
2,430	2,187	2,307	2,713	3,731	215
68,868	80,843	74,945	83,075	61,021	29,111
1,206	1,180	1,330	1,050	640	216
138,225	167,850	174,300	143,660	80,840	22,830
6,592	6,070	5,567	6,001	6,543	4,984
5,855,090	5,973,641	5,346,643	5,787,400	6,066,383	5,909,548
276	395	105	243	172	206
82	118	126	155	150	126

**City of Mesquite, Texas**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	Fiscal Year			
	2011	2012	2013	2014
<b>Functions</b>				
Police services				
Police vehicles	233	223	226	262
Field services				
Miles of streets	440	440	440	440
Miles of alleys	220	220	220	220
Number of vehicles in City fleet	715	702	690	760
Parks and recreation				
Parks acreage	1,430	1,430	1,450	1,450
Number of parks	68	68	68	69
Water and Sewer				
Water system miles	567	567	567	567
Water system connections	54,921	54,961	54,000	54,964
Sewer system miles	493	493	493	493
Sewer system connections	53,677	53,750	53,700	53,714

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

**Schedule 22**

<b>Fiscal Year</b>						
<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	
221	226	217	220	235	248	
440	440	440	440	440	440	440
220	220	220	220	220	220	220
734	660	702	675	722	742	
1,650	1,650	1,700	1,700	1,700	1,700	1,700
70	70	70	70	70	70	70
568	568	585	485	602	613	
55,135	55,174	54,608	52,688	55,725	55,980	55,980
494	494	483	498	485	483	483
53,764	53,803	52,604	52,688	55,725	55,980	55,980

**MESQUITE**

T E X A S

Real. Texas. Flavor.

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mesquite, Texas (City), as of and for the year ended September 30, 2020, 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 31, 2021.

***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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

***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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

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

**BKD, LLP**

Dallas, Texas  
March 31, 2021

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

### **Independent Auditor's Report**

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

#### **Report on Compliance for Each Major Federal and State Program**

We have audited the City of Mesquite, Texas' (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2020. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal and state 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and UGMS, issued by the Texas Comptroller of Public Accountants. Those standards, the Uniform Guidance and UGMS 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 and state 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 and state program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal and State 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 and state programs for the year ended September 30, 2020.

**Report on Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program, and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGMS, 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 or state 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 or state 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 or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

**BKD, LLP**

Dallas, Texas  
March 31, 2021

**City of Mesquite, Texas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>Department of Housing and Urban Development</b>				
Direct Programs:				
<i>CDBG – Entitlement Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218		\$ 130,526	\$ 1,564,703
COVID-19 – Community Development Block Grants/Entitlement Grants	14.218		-	86,343
<i>Total CDBG – Entitlement Grants Cluster</i>			130,526	1,651,046
<i>Housing Voucher Cluster</i>				
Section 8 Housing Choice Vouchers	14.871		-	15,022,655
COVID-19 – Section 8 Housing Choice Vouchers	14.871		-	31,078
<i>Total Housing Voucher Cluster</i>			-	15,053,733
<b>Total Department of Housing and Urban Development</b>			<b>130,526</b>	<b>16,704,779</b>
<b>Department of Homeland Security</b>				
Passed through from:				
Texas Office of the Governor				
Homeland Security Grants Division				
Homeland Security Grant Program	97.067	EMW-2017-SS-00005, EMW-2018-SS-00022- S01, EMW-2019-SS- 00034-S01	-	234,177
<b>Total Department of Homeland Security</b>			<b>-</b>	<b>234,177</b>
<b>Department of Transportation</b>				
Direct Program:				
<i>Federal Transit Cluster</i>				
Federal Transit – Formula Grants	20.507		-	19,031
COVID-19 - Federal Transit – Formula Grants	20.507		-	297,136
<i>Total Federal Transit Cluster</i>			-	316,167
Passed through from:				
Texas Department of Transportation				
<i>Highway Planning and Construction Cluster</i>				
Highway Planning and Construction	20.205	0918-47-143, 0918-47- 144, 2374-01-137	-	546,081
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	2017-Mesquite-S-1YG- 0082	-	33,881
National Priority Safety Programs	20.616	2017-Mesquite-IDM- 00010	-	10,702
<i>Total Highway Safety Cluster</i>			-	44,583
<b>Total Department of Transportation</b>			<b>-</b>	<b>906,831</b>

**City of Mesquite, Texas**  
**Schedule of Expenditures of Federal Awards (continued)**  
**Year Ended September 30, 2020**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>Department of Justice</b>				
Direct Programs:				
Equitable Sharing Program	16.922		\$ -	\$ 114,075
COVID-19 – Coronavirus Emergency Supplemental Funding Program	16.034		-	121,764
Passed through from:				
The City of Dallas				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-H2659-TX-DJ	-	(213)
<b>Total Department of Justice</b>			<u>-</u>	<u>235,626</u>
<b>Department of Health and Human Services</b>				
Passed through from:				
Dallas Area Agency on Aging				
Aging Cluster				
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	N/A	-	122,143
<b>Total Department of Health and Human Services</b>			<u>-</u>	<u>122,143</u>
<b>Institute of Museum and Library Services</b>				
Passed through from:				
Texas State Library and Archives Commission				
Grants to States (Library Impact Grant)	45.310	901614	-	2,714
<b>Total Institute of Museum and Library Services</b>			<u>-</u>	<u>2,714</u>
<b>Department of Transportation</b>				
Passed through from:				
Texas Department of Transportation				
COVID-19 – Airport Improvement Program	20.106	20CRMESQT	-	69,000
<b>Total Department of Transportation</b>			<u>-</u>	<u>69,000</u>
<b>United States Department of the Treasury</b>				
Passed through from:				
Dallas County				
COVID-19 – Coronavirus Relief Fund	21.019	N/A	-	6,109,627
<b>Total United States Department of the Treasury</b>			<u>-</u>	<u>6,109,627</u>
<b>Total Federal Awards Expended</b>			<u>\$ 130,526</u>	<u>\$ 24,384,897</u>

**City of Mesquite, Texas**  
**Schedule of Expenditures of State Awards**  
**Year Ended September 30, 2020**

<b>State Agency / Pass-Through Entity / Program Title</b>	<b>Grant Number</b>	<b>Total State Expenditures</b>
<b>Texas Department of Transportation</b>		
Public Assistance – Hurricane Laura	N/A	\$ 287,913
State Section 5307 Urban Public Transportation Project Grant	51309012618	142,455
Routine Airport Maintenance Program (RAMP) Grant	M118MSQTE	<u>50,000</u>
<b>Total Texas Department of Transportation</b>		<b><u>480,368</u></b>
<b>Texas Commission on Environmental Quality</b>		
Passed through from:		
North Central Texas Council of Governments (NCTCOG) Sustainable Development Infrastructure Grant	0918-47-020	<u>1,065,646</u>
<b>Total Texas Commission on Environmental Quality</b>		<b><u>1,065,646</u></b>
<b>Total State Awards Expended</b>		<b><u>\$ 1,546,014</u></b>

**City of Mesquite, Texas**  
**Notes to Schedules of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2020**

**Notes to Schedule**

1. The accompanying schedules of expenditures of federal and state awards include the federal and state award activity of the City of Mesquite, Texas (City) under programs of the federal and state government for the year ended September 30, 2020. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Uniform Grant Management Standards* (UGMS) issued by the Texas Comptroller of Public Accounts. Because the schedules present only a selected portion of the operations of the City, they are not intended to and do not present the financial position, changes in net position, or cash flows of the City.
2. Expenditures reported on the schedules of expenditures of federal and state awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or UGMS or other regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule of expenditures of federal awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**City of Mesquite, Texas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2020**

**Summary of Auditor's Results**

*Financial Statements*

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:  
 Unmodified       Qualified       Adverse       Disclaimer
  
2. The independent auditor's report on internal control over financial reporting disclosed:  
Significant deficiency(ies)?       Yes       None reported  
Material weakness(es)?       Yes       No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?  
 Yes       No

*Federal Awards*

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:  
Significant deficiency(ies)?       Yes       None reported  
Material weakness(es)?       Yes       No
  
5. The opinion expressed in the independent auditor's report on compliance for major federal awards program was:  
 Unmodified       Qualified       Adverse       Disclaimer
  
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?  
 Yes       No

**City of Mesquite, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2020**

7. The City's major federal programs were:

Cluster/Program	CFDA Number
<i>CDBG Entitlement Grants Cluster</i>	
Community Development Block Grants/Entitlement Grants	14.218
COVID-19 Community Development Block Grants/Entitlement Grants	
COVID-19 – Coronavirus Relief Fund	21.019

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

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

*State Awards*

10. The independent auditor's report on internal control over compliance for the major state award program disclosed:

Significant deficiency(ies)?  Yes  None reported

Material weakness(es)?  Yes  No

11. The opinion expressed in the independent auditor's report on compliance for the major state award program was:

Unmodified  Qualified  Adverse  Disclaimer

12. The audit disclosed findings required to be reported by the State of Texas *Uniform Grant Management Standards*?

Yes  No

**City of Mesquite, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2020**

13. The City's major state program was:

**Program**

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Sustainable Development Infrastructure Grant

14. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the State of Texas *Uniform Grant Management Standards* was \$300,000.

15. The City qualified as a low risk auditee as that term is defined in the State of Texas *Uniform Grant Management Standards*?

Yes       No

**City of Mesquite, Texas**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2020**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.

**Findings Required to be Reported by the Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.

**Findings Required to be Reported by the State of Texas *Uniform Grant Management Standards***

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.

**City of Mesquite, Texas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2020**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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No matters are reportable.

# MESQUITE

T E X A S  
Real. Texas. Service.



PANORAMIC VIEW OF DOWNTOWN MESQUITE FACING EAST



FRONT STREET STATION IS A PUBLIC INFRASTRUCTURE IMPROVEMENT PROJECT IN DOWNTOWN MESQUITE.  
THE PROJECT WILL SPAN FRONT STREET FROM EBRITE STREET TO GALLOWAY AVENUE.

**CITY OF MESQUITE**

P.O. BOX 850137  
Mesquite, TX 75185 - 0137

**FINANCE OFFICE**

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