

ANNUAL COMPREHENSIVE FINANCIAL REPORT



For Fiscal Year Ended
September 30, 2023





City of Mesquite, Texas

Annual Comprehensive Financial Report

For the Year Ended September 30, 2023

Prepared by the City of Mesquite Accounting Department



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City of Mesquite, Texas
September 30, 2023

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CITY OFFICIALS

SEPTEMBER 30, 2023

CITY COUNCIL

Daniel Alemán Jr., Mayor

Jeff Casper, District 1

Kenny Green, District 2

Jennifer Vidler, District 3

Tandy Boroughs, District 4

B.W. Smith, District 5

Debbie Anderson, District 6

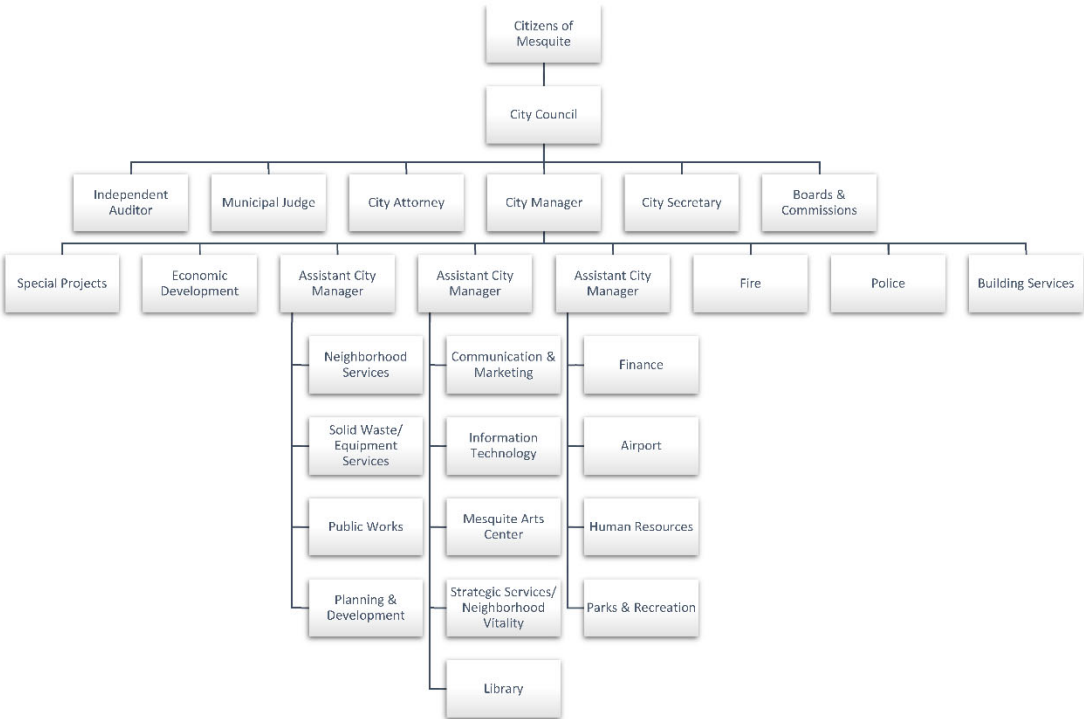
Cliff Keheley, City Manager

Cindy L. Smith, CGFM, CPM, Director of Finance

Ashley Tierney, CFE, CGFM, Manager of Accounting Services

City of Mesquite, Texas

Organizational Chart
September 30, 2023





April 30, 2024

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

The Annual Comprehensive Financial Report (Annual Report) of the City of Mesquite, Texas (City), for the fiscal year ended September 30, 2023, 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.

FORVIS, LLP has issued unmodified (“clean”) opinions on the City’s financial statements for the year ending September 30, 2023. The independent auditor’s report is located at the beginning of the financial section of this report.

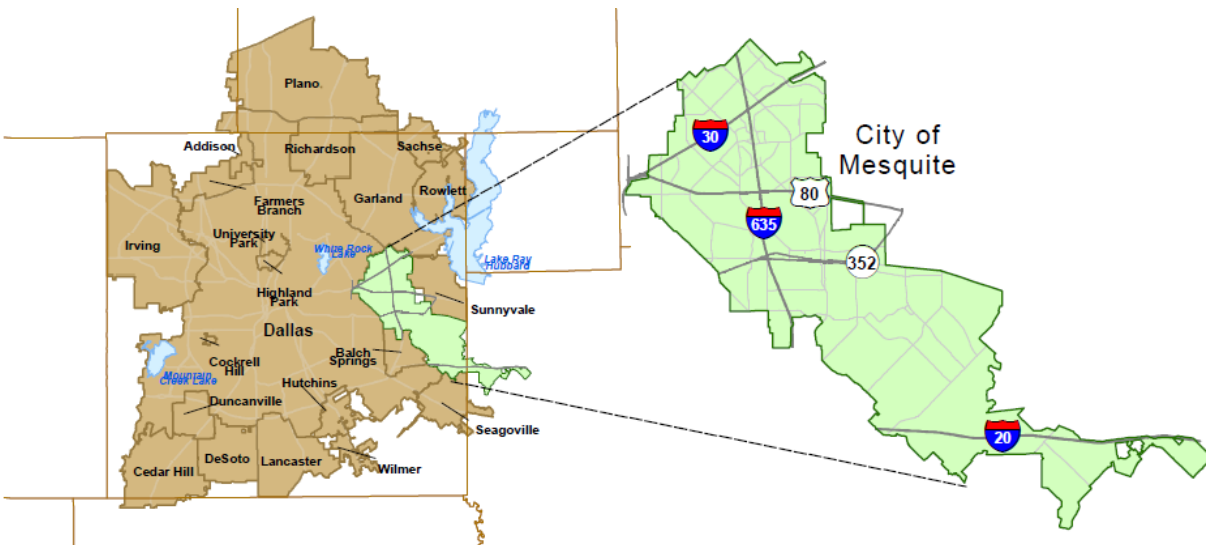
This letter of transmittal is designed to complement Management’s Discussion and Analysis (MD&A) and should be read in conjunction with it. The City’s MD&A can be found immediately following the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial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

City of Mesquite, Texas Profile

The city resides 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 154,000, making it the 21st largest city in Texas and the 10th 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, the 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, 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-two 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 City of Mesquite is a diverse, dynamic, and rapidly growing city. These levers have enabled strong financial health through 2023. Although every sector of the Mesquite community has been challenged, staff remain committed and the city, community, and partners continue to pull together and remain resilient.

Economic development plays a critical role in the growth and financial sustainability of the City. A strong focus is given to business retention and expansion; new business attraction; workforce development; retail and special district redevelopment; land development; marketing; project research, data, and analysis; and incentive programs and negotiations.

Industrial activity leads primary quality job growth in Mesquite. Growth in this region is led by a surge in speculative development in DFW due to new corporate relocations and facility expansions from across the globe, for which Mesquite is receiving significant market share. In 2020, Mesquite had 12 million square feet of industrial space, and today has 18 million square feet of active industrial space along with 4 million more under construction at this time. Plans in the pipeline for approximately 8 million more square feet over the next decade will result in Mesquite's supply growing 150% in less than 15 years.

Highlights of 2023 include the continued attention to the global market with the announcement of Canadian Solar opening its first North American factory in an existing 760,000 square foot facility with plans for an additional 750,000 square foot expansion, providing 1,500 clean energy jobs. Others include Hexagon Purus leasing 216,000 square feet and adding 250 more clean energy jobs; General Dynamics leasing an approximately 500,000 square foot campus adding 200+ defense jobs; RJW Logistics leasing 600,000 square feet adding 300 new distribution jobs, and Vehicle Accessories Group leasing 340,000 square feet and adding 315 manufacturing jobs. These five companies alone will lease 3.2 million square feet of space producing additional job growth of 2,565.

The Town East Mall area and retail stores and restaurants throughout the city continue to be primary destinations, with new brands coming into the market such as Pluckers, Nothing Bundt Cakes, Tiff's Treats, and the opening of two new La Michoacanas. Redevelopment of Mesquite's first strip Center, Town East Shopping Center, known for the location of "Bingo" began a major remodel this year. The visitor economy remains steady with a 16 percent growth in number of conventions and events in 2023 and a one percent growth in hotel occupancy. New data services show that 18 percent of all sales tax revenue comes from visitors 50-miles outside of Mesquite, and approximately 25 percent of all retail and restaurant sales come from those visitors. The visitor type is evenly distributed among leisure and business, and with recent openings of additional event centers, an influx of celebratory events such as weddings and quinceaneras.

Major Initiatives

Following direction of the City Council, several initiatives were undertaken during the year to improve the quality of services the citizens of Mesquite have come to expect. These improvements were identified after a systematic review of all City activities 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. Activity in Trinity Pointe, IH-20 corridor, is on the rise. As a result of the start of vertical construction on 4,000+ new households near and along IH-20 and the new 20 East at Trinity Pointe business park construction of 1.6 million square feet of industrial space this year, the region continues to gain focus by the real estate community for future commercial opportunities.

Staying ahead of growth requires major initiatives in the service delivery of water throughout the City of Mesquite. Construction of the new Matthew Holzapfel pump station continued in 2023 that will provide water to the southern sector of the city. The City continued its Advanced Meter Infrastructure (AMI) project through 2023 that will replace all City of Mesquite water meters with a new radio read system. This project will improve efficiencies in the water utility operations and enable enhanced water conservation and consumption management by residents and City staff.

Downtown Mesquite continues in its long-game process of revitalization of Mesquite's original town. New commercial developers have acquired key properties within Heritage Square and initiated eight property rehabilitations in 2023 with more to occur in 2024. Total property rehabilitation value since 2018 has grown to \$2.2 million. Additionally, Baker Brothers brought their company call center to Downtown, bringing 50 new daytime employees to the district. The district is currently undergoing the formation of a new overlay to aid in attracting new uses for ready properties.

Parks and recreation play a key role in the community as evidenced by the Council Strategic Goal for Quality Recreation and Culture. Investments in this goal produced the construction of a three-acre Leash Free Zone at Copeland Park; the opening of a new park in South Mesquite at Cross Elementary School; a partnership with NAACP and Hispanic Forum of Mesquite to offer culturally diverse special events; an extension of sports programs through enhanced partnerships with Athletic Associations; a 9% increase in the participation of Adult 50+ programs; increased Summer Camp participation of 48% producing increased revenues of 23%; and expanded free teen program offerings with the addition of a Teen Room at the Dunford Recreations Center and special events like Teen Turnout, Epic Summer Experience, and Hang Time.

Long Term Financial Planning

In January 2023, 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 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 2023 budget. The budgeting for outcomes process allows City staff to better allocate limited resources to the highest priorities established by citizens 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 five-year capital improvement plan with a ten-year outlook 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. 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 framework 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 strong 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 city management, the Finance Director, and the Manager of Budget and Treasury. 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 periodically update expenditure estimates for the current fiscal year. These estimates, as well as revenue estimate revisions, are reviewed by the Manager of Budget and Treasury, the Finance Director, members of city management, 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 Budget and Treasury 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 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. Revenues from charges for services, or user fees, are reviewed more frequently due to the volatility of the economy 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 Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. This was the 44th 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 annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is only valid for a period of one year. 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, 2022. This is the 35th 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 has received eighty-seven applications from local government entities since the program inception, of which only thirteen 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, MPA
Director of Finance



Government Finance Officers Association

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Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Mesquite
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

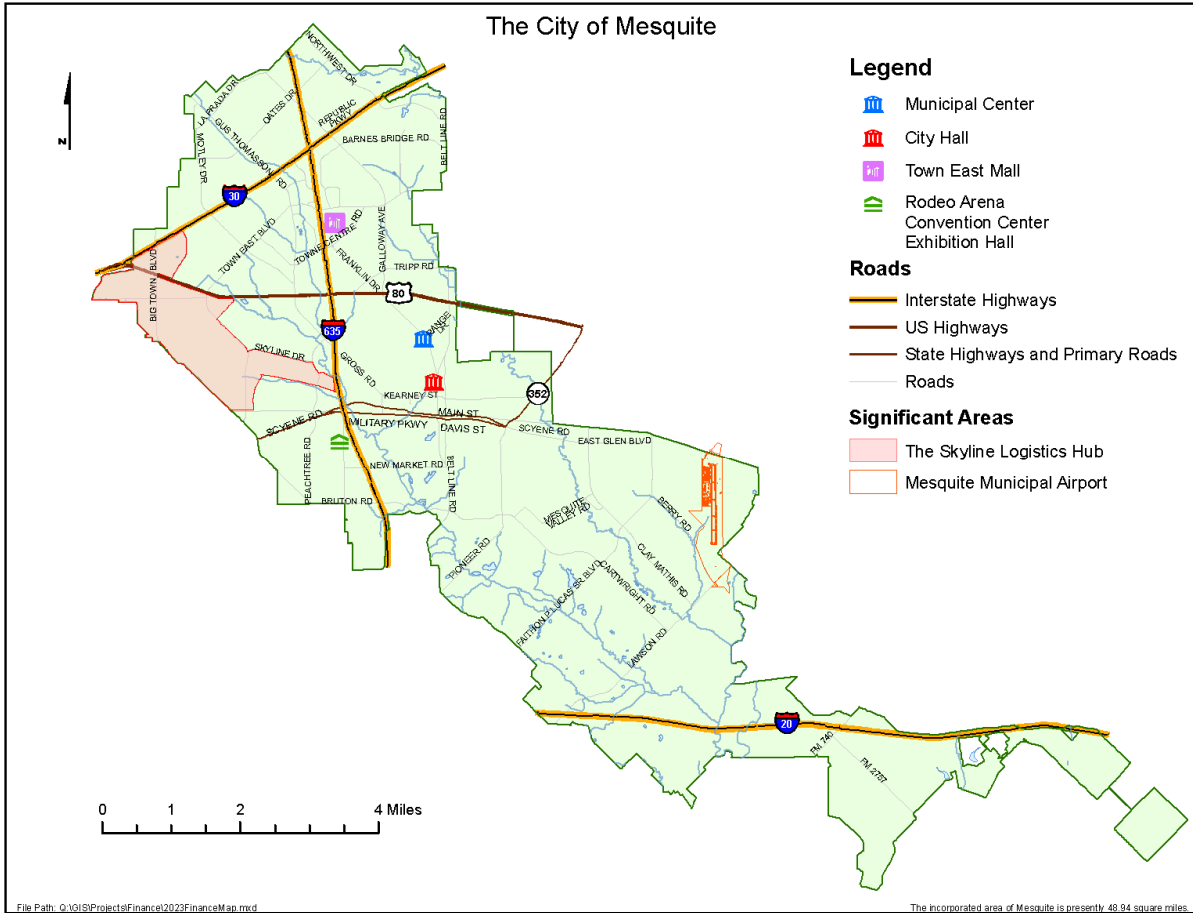
Christopher P. Morill

Executive Director/CEO

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Independent Auditor's Report

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

Opinions

We have audited 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit for the year ended September 30, 2023, was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules for the year ended September 30, 2023, are presented for purposes of additional analysis and are 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended September 30, 2023, 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 financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended September 30, 2023.

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, 2022 (not presented herein), and have issued our report thereon dated June 30, 2023, 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 summarized comparative information presented as part of the combining and individual fund financial statements and schedules for the year ended September 30, 2022, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2022 financial statements. The information was subjected to the audit procedures applied in the audit of the 2022 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 summarized comparative information presented as part of the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended September 30, 2022.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

FORVIS,LLP

**Dallas, Texas
April 30, 2024**

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City of Mesquite, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

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, 2023. 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 \$449.0 million (net position). Within the total net position, unrestricted is an \$12.7 million surplus.

The City's total net position increased by \$79.1 million from operations during fiscal year 2023. Governmental activities which receive taxes and other non-exchange revenues, increased \$23.3 million and business type activities increased by \$55.8 million.

As of the close of the current fiscal year, the City of Mesquite's governmental funds reported combined ending fund balances of \$206.4 million, an increase of \$38.6 million from the prior year due primarily to issue of bonds that will be spent in the future on capital projects.

At year-end, the unassigned fund balance for the General Fund was \$31.7 million and total fund balance was \$35.3 million. Total unassigned fund balance represents approximately 72 days of working capital, calculated in accordance with City Policy of General Fund Budgeted Revenues. For fiscal year 2023, the working days capital based on actuals on the budgetary basis concluded at 71 days working capital. On a current financial resources basis, total fund balance for the General Fund increased \$1.2 million, which was primarily the result of revenues coming in more than budgeted and transfers out coming in more than budgeted.

The City's debt increased by \$114.1 million during this current fiscal year. The City issued certificates of obligation and special assessment bonds for infrastructure, capital replacement, and municipal building improvements. In addition, the City issued revenue bonded debt for water, sewer, and drainage improvements.

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.

City of Mesquite, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

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
Management's Discussion and Analysis (Unaudited)
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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 General, Local Finance Capital Project, Bond Finance Capital Project, Debt Service, and Other Grants 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 nonmajor 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 Fund, which is presented as part of the basic financial statements to demonstrate compliance with the budget.

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 nonmajor 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 nonmajor funds and the internal service funds is provided in the form of combining statements elsewhere in this report.

City of Mesquite, Texas
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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 accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two different types of fiduciary funds. The Private-purpose trust fund is used to report resources held in trust to maintain a small cemetery within the City. The Custodial funds report resources, not in a trust, that are held by the City for other parties outside of the City's reporting entity. One custodial fund, the tax collection fund, accounts for ad valorem taxes collected on behalf of the Mesquite Independent School District. The other custodial fund, the seized assets fund, accounts for funds seized from court cases that are held in escrow until judgment.

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 \$449.0 million as of September 30, 2023.

The largest portion of the City's net position (86.9%) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Mesquite, Texas
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City of Mesquite's Net Position

The following table reflects the condensed Statement of Net Position. Prior year comparative information has not been restated for the change in accounting principle and at the beginning of fiscal year 2023.

	Governmental Activities		Business-type Activities		Totals	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Current and other assets	\$ 278,912,018	\$ 219,474,756	\$ 180,237,667	\$ 142,324,379	\$ 459,149,685	\$ 361,799,135
Capital, lease, and subscription assets, net	450,330,233	368,912,655	335,783,327	291,626,999	786,113,560	660,539,654
Total Assets	729,242,251	588,387,411	516,020,994	433,951,378	1,245,263,245	1,022,338,789
Deferred Outflows of Resources	55,945,580	20,857,975	4,908,076	2,180,392	60,853,656	23,038,367
Other liabilities	59,691,629	39,910,797	16,559,499	14,494,944	76,251,128	54,405,741
Long-term liabilities	568,737,654	402,291,143	206,328,328	176,723,915	775,065,982	579,015,058
Total Liabilities	628,429,283	442,201,940	222,887,827	191,218,859	851,317,110	633,420,799
Deferred Inflows of Resources	5,453,343	38,993,550	341,503	3,052,888	5,794,846	42,046,438
Net investment in capital assets	188,826,078	177,921,974	201,458,864	168,729,099	390,284,942	346,651,073
Restricted	50,547,619	41,738,493	15,198,743	12,198,566	65,746,362	53,937,059
Unrestricted	(88,068,492)	(91,610,571)	81,042,133	60,932,358	(7,026,359)	(30,678,213)
Total Net Position	\$ 151,305,205	\$ 128,049,896	\$ 297,699,740	\$ 241,860,023	\$ 449,004,945	\$ 369,909,919

An additional portion of the City's net position (14.7%) represents resources that are subject to external restriction on how they may be used. Within the total net position, unrestricted is a \$7.0 million deficit, which represents (1.6%) of the City's net position.

The current and other assets increased in the governmental activities by \$59.4 million and the business-type activities increased by \$37.9 million. The increase in the governmental activities assets is primarily due to an increase in pooled cash and investments from bond proceeds received for major capital projects still in progress. Increase in the business-type activities is primarily due to an increase in pooled cash and investments for bond proceeds received for major capital infrastructure still in progress and net receivables as a result of current year operations.

The City's total liabilities increased by \$217.9 million. Bonds payable increased \$112.4 million for new capital projects. The net pension liability increased \$82.2 million due to weak investment performance during the measurement period.

Deferred inflows and outflows of resources are primarily due to pension and other postemployment benefit valuation activity including a significant swing in the difference between projected and actual earnings on pension assets.

City of Mesquite, Texas
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Analysis of the City's Operations

Governmental and Business-type activities increased the City's net position by \$79.1 million. Prior year comparative information has not been restated for the change in accounting principle at the beginning of fiscal year 2023. The key elements of this increase and the prior year results are as follows:

	Governmental Activities		Business-type Activities		Totals	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
REVENUES:						
Program Revenues:						
Charges for services	\$ 36,236,698	\$ 42,160,893	\$ 97,591,995	\$ 88,168,735	\$ 133,828,693	\$ 130,329,628
Operating grants and contributions	26,842,072	25,362,954	74,250	67,898	26,916,322	25,430,852
Capital grants and contributions	14,027,019	3,573,868	31,132,720	3,730,397	45,159,739	7,304,265
Total Program Revenues	77,105,789	71,097,715	128,798,965	91,967,030	205,904,754	163,064,745
General Revenues:						
Ad valorem taxes	76,637,791	71,023,000	-	-	76,637,791	71,023,000
Gross receipts taxes	8,104,057	8,053,578	-	-	8,104,057	8,053,578
Sales taxes	63,582,320	60,137,724	-	-	63,582,320	60,137,724
Grants not restricted to specific programs	1,655,425	610,426	-	-	1,655,425	610,426
Gain on sale of capital assets	1,164,908	167,493	212,614	-	1,377,522	167,493
Investment income (loss)	8,982,090	(380,724)	5,279,136	(259,421)	14,261,226	(640,145)
Miscellaneous	292,324	1,853,096	-	30,759	292,324	1,883,855
Total General Revenues	160,418,915	141,464,593	5,491,750	(228,662)	165,910,665	141,235,931
Total Revenues	237,524,704	212,562,308	134,290,715	91,738,368	371,815,419	304,300,676
EXPENSES:						
General government	26,238,188	19,655,559	-	-	26,238,188	19,655,559
Fire services	41,142,835	32,371,375	-	-	41,142,835	32,371,375
Police services	53,248,368	42,744,250	-	-	53,248,368	42,744,250
Public works	29,056,552	23,103,175	-	-	29,056,552	23,103,175
Planning and community development	10,668,690	4,542,257	-	-	10,668,690	4,542,257
Housing and community services	24,827,018	22,788,823	-	-	24,827,018	22,788,823
Library services	3,157,134	2,337,933	-	-	3,157,134	2,337,933
Parks and recreation	13,337,589	12,104,171	-	-	13,337,589	12,104,171
Interest on long-term debt	14,194,564	8,109,662	-	-	14,194,564	8,109,662
Water and sewer	-	-	68,537,501	61,273,690	68,537,501	61,273,690
Drainage utility district	-	-	3,594,735	2,986,003	3,594,735	2,986,003
Municipal airport	-	-	3,102,472	1,108,079	3,102,472	1,108,079
Municipal golf	-	-	1,614,747	1,494,377	1,614,747	1,494,377
Total Expenses	215,870,938	167,757,205	76,849,455	66,862,149	292,720,393	234,619,354
Increase in net position before transfers	21,653,766	44,805,103	57,441,260	24,876,219	79,095,026	69,681,322
Transfers	1,601,543	6,609,920	(1,601,543)	(6,609,920)	-	-
CHANGE IN NET POSITION	23,255,309	51,415,023	55,839,717	18,266,299	79,095,026	69,681,322
NET POSITION - BEGINNING	128,049,896	76,634,873	241,860,023	223,593,724	369,909,919	300,228,597
NET POSITION - ENDING	\$ 151,305,205	\$ 128,049,896	\$ 297,699,740	\$ 241,860,023	\$ 449,004,945	\$ 369,909,919

City of Mesquite, Texas
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Governmental Activities

Governmental activities increased the City of Mesquite's net position by \$23.3 million.

The City's program revenues from governmental activities increased approximately \$6.0 million (8.5%) as compared to the prior year. Charges for services decreased approximately \$5.9 million, operating grants and contributions increased approximately \$1.5 million, and capital grants and contributions increased approximately \$10.5 million.

Charges for services decreased primarily due to a decrease in roadway impact fees related to significant development completion of Roadway Areas A, B, & C, that started in prior year. Capital contributions increased due to developer contributions as the City is experiencing significant commercial and residential development.

General revenues of the City's governmental activities increased \$19.0 million (13.4%) during the year. General revenue from property taxes increased \$5.6 million due to increased property tax values and new property added to the tax roll. Gross receipts tax revenue increased \$50 thousand due to increased activity in gas, electrical and sanitation franchise fees. Sales tax revenues increased \$3.4 million due to an increase in retail activity and inflation. Investment income increased \$9.4 million due to higher yields on investments throughout the year. Gain on sale of capital assets increased by \$997 thousand due primarily to land sales related to economic development agreements made in the current year.

Expenses for the City's governmental activities experienced a net increase of \$48.1 million (28.7%) compared with the prior fiscal year. The increase can be attributed to General Government, \$6.6 million, Fire Services, \$8.8 million, Police Services, \$10.5 million, Public Works, \$6.0 million, Planning and Community development \$6.1 million, and Interest on long-term debt, \$6.1 million.

- General Government increased \$6.6 million due to an increase in personal and contractual services in both the general fund and local finance fund.
- Fire services increased \$8.8 million, police services increased \$10.5 million, public works increased \$6.0 million, and library services increased \$819 thousand due to an increase in salaries and pension expense.
- Planning and community development increased \$6.1 million due to an increase in contractual agreements related to economic development.
- Housing and community services increased \$2 million due to an increase in expenditures covered by federal housing grant awards.
- Parks and recreation increased \$1.2 million due to an increase in salaries and contractual services.
- Interest on long-term debt increased \$6.1 million primarily due to the addition of fiscal year 2022 and 2023 bonds.

City of Mesquite, Texas
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Business-type Activities

Business-type activities increased the City of Mesquite's net position by \$55.8 million.

The City's overall revenues for business-type activities increased by \$42.3 million (46.1%) during the fiscal year. The majority of the program revenues for the City's business-type activities are from its water and sewer operations. Customer charges increased \$9.4 million due to rate increases passed to residents and the addition of new utility accounts. Capital grants and contributions increased \$27.4 million due to an increase in developer contributions for the Water Sewer fund and Drainage Utility District fund.

Expenses increased by approximately \$9.8 million (14.6%). The increase is mainly due to an increase in personal and contractual services.

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 \$206.4 million. Approximately 15.4% of this total amount (31.7 million) constitutes unassigned fund balance. The remainder of the fund balance is comprised of \$4.3 million for nonspendable, which represents funds already committed for prepaid and inventory items and notes receivable which will be repaid in future years, \$148.6 million for restricted, which represents funds restricted for specific purposes by their providers (such as grantors, bondholders, and higher levels of government), and \$21.8 million assigned, which represents amounts the City intends to use for specific purposes (such as encumbrances, promotion of tourism, and capital projects). The fund balances for all governmental funds increased by \$38.6 million, from the previous fiscal year. This overall increase is explained below individually by fund.

The General Fund is the chief operating fund of the City of Mesquite. At the end of the current fiscal year, unassigned fund balance of the General fund was \$31.7 million while the total fund balance was at \$35.3 million. The total fund balance increased by \$1.2 million.

In the General Fund, total revenues increased from the prior year as follows:

- Ad valorem taxes increased \$4.6 million due to an increase in assessed property values and growth.
- Sales tax increased over the prior year by \$2.6 million due to an increase in retail activity within the City and overall inflation.
- Licenses and permits decreased \$1.6 million due to decreased permitting associated with economic expansion.

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- Fines and forfeitures increased \$286 thousand as a result of an increase in traffic related citations.
- Charges for services increased \$1.8 million over the prior year. The rise can be attributed to the increased public works inspection fees, waste collection fees and compost fees.
- Investment income increased \$2.2 million as a result of rising interest rates.

Total expenditures in the General Fund increased \$13.4 million over the prior year as follows:

- Fire services increased \$3.5 million due to increased salary and overtime expenses.
- Police services increased \$4.3 million due increased salary and overtime expenses.
- Public works increased \$2.3 million due to increased motor vehicle parts and fuel costs.
- Parks and recreation increased \$1.7 million due to increased salary and overtime expenses and contractual services.

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 \$48.8 million, \$27.1 million of which is restricted for various capital projects and specified spending, \$20.8 million is assigned for other capital projects identified by the City, and \$883 thousand is nonspendable. The fund balance increased \$7.8 million primarily due to timing fluctuations of debt issuance versus 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, Lease, and Subscription Asset section for highlights on project spending. Fund balance at year end is \$89.4 million, all of which is restricted for use for the capital projects approved within the various bond issues. The fund balance increased \$20.6 million which is due to timing fluctuations of issuing of bonds (current year) versus capital project spending from year to year.

The Debt Service fund is a designated 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 \$3.7 million at the end of the year, all of which is restricted for debt service. Fund balance increased by \$2.2 million in the current year.

The Other Grants fund is a major special revenue fund used to account for funds awarded to the City by all federal and state awarding agencies other than those funds accounted for in the Housing Grants fund. The fund balance was \$776 thousand at the end of the year, all of which is restricted for various grants programs. Fund balance increased by \$518 thousand in the current year due primarily to gains on cash and investment balances.

City of Mesquite, Texas
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Year Ended September 30, 2023

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 \$92.3 million and the Drainage Utility District amounted to \$9.7 million. The change in net position was an increase of \$44.4 million, for the Water/Sewer Fund and an increase of \$9.1 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 \$596 thousand in investment income and \$4.4 million in capital contributions.

General Fund Budgetary Highlights

The City revised the original appropriations approved by the City Council for the 2023 fiscal year budget. Overall, these changes resulted in an increase in budgeted revenues and transfers in by \$5.7 million and an increase in expenditures and transfers out of \$2.5 million from the original budget.

The increase in budgeted revenues primarily was to reflect:

- General Sales Tax collections increase of \$3.5 million due to inflation.
- Gross Receipts increase of \$500 thousand for gas gross receipts and sanitation contract fees.
- Licenses and Permits decrease of \$700 thousand due to a decline in new building permits related to development activity.
- Investment income increase of \$1.7 million for increased interest rates.
- Charges for services increase of \$731 thousand from increased public works inspection fees and waste collection.

The increase in budgeted expenditures were:

- \$699 thousand for fire services salary and overtime expenses and equipment maintenance services.
- \$1.1 million for police services salary and overtime expenses and general liability expenses.
- \$449 thousand for public works landfill charges.
- \$392 thousand for parks and recreation contractual services.

City of Mesquite, Texas
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Budget variances as compared to actuals were more revenues and transfers in of \$3.6 million and \$9.1 million more in expenditures and transfers out. The positive variance in revenues was mainly due to additional Ad Valorem Taxes of \$1.3 million due to increased property values and a \$1.2 million increase in charges for services for public works inspection fees. Other positive variances include \$843 thousand in Sales taxes, \$74 thousand in Gross Receipts, \$22 thousand in licenses and permits, \$43 thousand in Fines and forfeitures, \$335 thousand in Investment income and \$59 thousand of Other Revenues. Negative variances versus budgeted revenues include \$14 thousand in contributions and donations and \$263 thousand in Transfers In.

The budget variance of \$9.1 million more in expenditures and transfers out was due to the general government, planning and community development, library services, parks and recreation, and housing and community services coming in under amended budget mainly due to salary savings from personnel vacancies offset by increases in fire services, police services, public works, capital outlay, and debt service and an unbudgeted \$7 million transfer out to capital projects reserve fund for future capital projects. Taking into consideration cost allocation reimbursements, General government was under budget by \$3.0 million from personnel vacancies, supplies, and contractual services savings. Fire services was over budget \$547 thousand due to salaries, uniform supplies, and contractual services. Police services was over budget \$789 thousand due to salaries. Public works was over budget \$158 thousand due to capital asset expenditures and decreased work order credits due to decreased capital projects activity. Planning and community development was under budget \$197 thousand from personnel vacancies and contractual services related to building inspection, planning, zoning, and demolition services. Library services was under budget \$56 thousand from library supplies and contractual services. Parks and recreation was under budget \$876 thousand due to personnel vacancies, supplies, and contractual services as a result of reduced programming due to labor shortages. Housing and community services was under budget \$604 thousand as a result of personnel vacancies and contractual services in animal services and environmental code inspection.

Capital, Lease, and Subscription Assets

At the end of fiscal year 2023, the City had over \$786.1 million (net of accumulated depreciation/amortization) invested in capital, lease, and subscription 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 19.0% for the current fiscal year.

City of Mesquite, Texas
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City of Mesquite's Capital, Lease, and Subscription Assets, Net of Depreciation or Amortization

	Governmental Activities		Business-type Activities		Totals	
	FY2023	FY2022*	FY2023	FY2022*	FY2023	FY2022*
Land	\$ 25,597,508	\$ 25,649,615	\$ 13,338,876	\$ 13,246,089	\$ 38,936,384	\$ 38,895,704
Construction in progress	119,355,088	63,845,135	74,130,667	62,952,234	193,485,755	126,797,369
Buildings	62,820,555	64,762,724	6,311,760	6,326,846	69,132,315	71,089,570
Infrastructure	200,665,269	178,774,796	235,167,405	202,995,852	435,832,674	381,770,648
Improvements other than buildings	12,666,041	13,061,215	2,715,614	2,951,611	15,381,655	16,012,826
Equipment	27,723,464	22,476,592	3,292,106	2,873,393	31,015,570	25,349,985
Lease assets	229,035	342,578	826,899	280,974	1,055,934	623,552
Subscription assets	1,273,273	-	-	-	1,273,273	-
Totals	\$ 450,330,233	\$ 368,912,655	\$ 335,783,327	\$ 291,626,999	\$ 786,113,560	\$ 660,539,654

*2022 balances have not been restated for adoption of GASB 96

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

- Over \$83.6 million was expended for governmental type activities for capital projects in 2023 and \$15.1 million was completed and placed into service. Major components of projects placed into service include the following:
 - Over \$11.5 million was expended on vehicles and equipment replacements including police and fire vehicles and equipment, public works vehicles and equipment and various other types of equipment.
 - Over \$11 million in infrastructure improvements and additions including portions of Town East Blvd (80 to Skyline) and Powell road construction and screening wall replacements.
 - Over \$849 thousand in improvements to include the Clay Mathis Spray Pad.
 - Over \$740 thousand in building improvements to include a Convention Center kitchen remodel and Arts Center exterior improvements.
- The water and sewer system expended \$7.8 million in capital projects that were completed and placed into service.
- The drainage system capital expended \$723 thousand in capital projects that were completed and placed into service.

Additional information on the City's capital, lease, and subscription assets can be found in *Note 6* of the Notes to the Financial Statements.

City of Mesquite, Texas
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Year Ended September 30, 2023

Debt Administration

At year-end, the City had \$546.9 million in net bonded debt outstanding. Of this total amount, \$276.2 million, 50.5%, is comprised of bonded debt backed by the full faith and credit of the City; \$79.3 million, 14.5%, 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, Solterra PID and is secured by special assessments; \$189.2 million, 34.6%, represents revenue bonds secured by specified revenue sources related to the revenue bond projects; \$1.1 million represents lease obligations; and \$1.2 million represents subscription obligations.

City of Mesquite's Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
General obligation bonds	\$ 107,785,000	\$ 118,710,000	\$ -	\$ -	\$ 107,785,000	\$ 118,710,000
Certificates of obligation	151,520,000	101,225,000	-	-	151,520,000	101,225,000
Special assessment bonds	79,254,000	30,930,000	-	-	79,254,000	30,930,000
Revenue bonds	-	-	176,810,000	154,675,000	176,810,000	154,675,000
Premiums on bonds	16,914,132	15,042,845	12,350,310	11,650,904	29,264,442	26,693,749
Lease obligations	230,854	343,957	836,453	278,813	1,067,307	622,770
Subscription obligations	1,235,886	-	-	-	1,235,886	-
Totals	\$ 356,939,872	\$ 266,251,802	\$ 189,996,763	\$ 166,604,717	\$ 546,936,635	\$ 432,856,519

During the fiscal year, the City had six debt issuances in 2023. The first debt issue was for \$5.0 million of special assessment debt related to the Heartland Public Improvement District for paying or reimbursing a portion of the Phase #2 specific improvement costs. The second, third, and fourth debt issues were for \$33.4 million, \$7.0 million, and 3.5 million of special assessment debt related to the Solterra Public Improvement District for paying or reimbursing a portion of the Improvement Area A-1, C-1, and C-2 project costs, respectively. The fifth debt issue was for \$56.5 million of certificates of obligation for acquisitions and installation of City information technology infrastructure and equipment; 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; designing, developing, constructing, improving and renovating City buildings and facilities, including City Hall, equipment services facilities, animal shelter facilities, composting facilities, and City fire stations, acquisition of equipment and vehicles for police, public works, fire, emergency services, building services, and planning and development and park and recreation purposes. The sixth debt issue was for \$31.0 million of revenue bonds for water and sewer improvements.

City of Mesquite, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

Standard and Poor's Rating Services assigned its 'AA' long-term rating to the City's series 2023 combination tax and limited surplus revenue certificates of obligation. Standard and Poor's Rating Services assigned its 'AA' rating and stable outlook to the City's series 2023 waterworks and sewer system revenue bonds. Standard and Poor's affirmed its 'AA' rating on the City's existing system revenue debt. The City's special assessment bonds were not rated by Standard and Poor's Rating Services. Moody's Investor Services, Inc. assigned its 'Aa2' long-term rating to the City's series 2023 combination tax and limited surplus revenue certificates of obligation. Moody's assigned its 'Aa2' rating to the City's series 2023 waterworks and sewer system revenue bonds. Moody's affirmed its 'Aa2' rating on the City's existing system revenue debt. The City's special assessment bonds were not rated by Moody's Investor Services, Inc.

Additional information on the City's long-term bonded debt can be found in *Note 10* of the Notes to the Financial Statements.

Economic Factors and Next Year's Budget and Rates

As with many other cities, Mesquite's main challenges for fiscal year 2023-24 are limited property tax revenue, availability of workforce and competitive pay plans, aging infrastructure, and preparing for the growth of the community.

The City of Mesquite continued utilizing the hybrid form of the budgeting process known as Budgeting for Outcomes methodology for the 2023-24 Budget to guide the organization and address the needs of the community. In preparing the budget, the city followed the performance management model of success to better address the needs of the community with greater citizen participation and community engagement.

In the 2023-2024 budget, General Fund revenues and transfers in are projected to increase by 13.4% from the 2022-23 final budget with the majority of this increase coming from property tax and charges for services. 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 Kaufman County Appraisal District and the tax rate set by City Council. Certified assessed valuations increased 15.24% over the preceding year. The City's adopted tax rate is set at \$0.69000 per \$100 of assessed valuation and represents a three-cent increase from the prior year tax rate. Based on historical patterns, sales tax is expected to increase slightly for 2023-2024. This revenue source comprises 25.0% of General Fund revenues and transfers in and is the most volatile and subject to change based on the economy and any further inflation effects. Charges for services is budgeted with an approximate \$9.2 million increase mainly due to a fee increase in residential solid waste collections of \$2.00 per month per household.

City of Mesquite, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2023

General Fund expenditures and transfers out are budgeted at a 15.8% increase over the 2022-23 final budget. The 2023-24 budget includes a 5.00% merit increase for all general government employees on their anniversary date and 5.00% merit increase for all sworn public safety position on January 1, 2024 along with competitive pay and incentive programs for retention and recruitment efforts. In addition, sworn public safety employees are budgeted to receive 5.00% step increases for firefighters and police officers with less than six years of service, and the addition of a seventh step for public safety positions. The 2023-24 budget also includes increases for contributions to Texas Municipal Retirement System (TMRS), Group Medical Insurance Fund and worker's compensation and general liability expenses. The budget includes full-time positions for growth and expansion including four police officers and fourteen additional firefighters for Mesquite Trinity Pointe Public Safety Facility. Expenditures also include additional funding for continuation of transit services, community care team services, roadway, park, and public safety projects, inflationary increases, special events, and economic development studies.

The General Fund Reserve Policy, as approved in January 2019, 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 flat in fiscal year 2023-24. The projected ending fund balance is approximately 60 days of working capital for the unassigned fund balance based on total revenues.

The Water and Sewer Fund budget includes 5.00% water and sewer rate increase for fiscal year 2023-24 to offset the increases imposed by North Texas Municipal Water District (NTMWD) for purchased water and wastewater treatment costs.

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 atierney@cityofmesquite.com.

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City of Mesquite, Texas
Statement of Net Position
September 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Pooled cash and investments	\$ 51,726,206	\$ 81,262,765	\$ 132,988,971
Receivables (net of allowance for uncollectibles)	27,568,506	19,007,341	46,575,847
Internal balances	791,059	(791,059)	-
Inventory	1,307,121	509,297	1,816,418
Prepays and other assets	1,729,545	33,125	1,762,670
Accrued interest	305,145	240,918	546,063
Restricted pooled cash and investments	195,484,436	79,975,280	275,459,716
Capital, lease, and subscription assets-			
Land and construction in progress	144,952,596	87,469,543	232,422,139
Other capital, lease, and subscription assets (net of accumulated depreciation/amortization)	305,377,637	248,313,784	553,691,421
Total Assets	729,242,251	516,020,994	1,245,263,245
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refunding	1,013,032	454,088	1,467,120
Deferred pension contributions	13,000,239	1,054,075	14,054,314
Difference in projected and actual earnings on pension assets	31,613,221	2,563,233	34,176,454
Difference in expected and actual pension experience	9,988,336	809,865	10,798,201
Difference in expected and actual OPEB experience	284,993	23,106	308,099
Difference in assumption changes - pension	45,759	3,709	49,468
Total Deferred Outflows of Resources	55,945,580	4,908,076	60,853,656
LIABILITIES:			
Accounts payable	33,521,569	7,768,604	41,290,173
Accrued interest payable	1,627,710	594,100	2,221,810
Retainage payable	929,508	2,539,000	3,468,508
Deposits and other liabilities	953,059	5,657,795	6,610,854
Unearned revenue	22,659,783	-	22,659,783
Long-term liabilities:			
Due within one year:			
Bonds payable	23,213,000	10,560,000	33,773,000
Lease liability	127,456	210,683	338,139
Subscription liability	364,792	-	364,792
Total other postemployment benefit (OPEB) liability	813,046	102,931	915,977
Accrued compensated absences	7,962,017	255,047	8,217,064
Estimated claims payable	1,479,850	-	1,479,850
Due in more than one year:			
Bonds payable	332,260,132	178,600,310	510,860,442
Lease liability	103,398	625,770	729,168
Subscription liability	871,094	-	871,094
Total other postemployment benefit (OPEB) liability	27,856,614	2,221,642	30,078,256
Net pension liability	159,411,696	12,925,275	172,336,971
Accrued compensated absences	12,775,304	826,670	13,601,974
Estimated claims payable	1,499,255	-	1,499,255
Total Liabilities	628,429,283	222,887,827	851,317,110
DEFERRED INFLOWS OF RESOURCES:			
Difference in expected and actual pension experience	600,031	48,650	648,681
Difference in expected and actual OPEB experience	104,196	8,448	112,644
Difference in assumption changes - OPEB	3,507,680	284,405	3,792,085
Leases	1,241,436	-	1,241,436
Total Deferred Inflows of Resources	5,453,343	341,503	5,794,846
NET POSITION:			
Net investment in capital assets	188,826,078	201,458,864	390,284,942
Restricted for:			
Capital projects	17,574,410	-	17,574,410
Local finance projects	17,404,423	-	17,404,423
Housing and community services	2,921,073	-	2,921,073
Other grants and special revenue	8,993,998	-	8,993,998
Debt service	3,653,715	15,198,743	18,852,458
Unrestricted	(88,068,492)	81,042,133	(7,026,359)
Total Net Position	\$ 151,305,205	\$ 297,699,740	\$ 449,004,945

City of Mesquite, Texas
Statement of Activities
Year Ended September 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTION / PROGRAM ACTIVITIES:				
Governmental Activities:				
General government	\$ 26,238,188	\$ 3,622,247	\$ 32,284	\$ -
Fire services	41,142,835	2,848,477	14,751	601,341
Police services	53,248,368	4,406,208	1,655,638	-
Public works	29,056,552	19,995,212	1,065,270	13,375,678
Planning and community development	10,668,690	3,335,784	3,658,099	50,000
Housing and community services	24,827,018	162,279	20,308,976	-
Library services	3,157,134	87,511	3,160	-
Parks and recreation	13,337,589	1,778,980	103,894	-
Interest on long-term debt	14,194,564	-	-	-
Total Governmental Activities	215,870,938	36,236,698	26,842,072	14,027,019
Business-type Activities:				
Water and sewer	68,537,501	88,124,002	-	24,052,213
Drainage utility district	3,594,735	5,081,847	-	7,080,507
Municipal airport	3,102,472	2,855,285	74,250	-
Municipal golf	1,614,747	1,530,861	-	-
Total Business-type Activities	76,849,455	97,591,995	74,250	31,132,720
Total Function/Program Activities	\$ 292,720,393	\$ 133,828,693	\$ 26,916,322	\$ 45,159,739
General Revenues:				
Ad valorem taxes				
Gross receipts taxes				
Sales taxes				
Grants not restricted to specific programs				
Gain on sale of capital assets				
Investment income				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
CHANGE IN NET POSITION				
NET POSITION - BEGINNING				
NET POSITION - ENDING				

City of Mesquite, Texas
Statement of Activities (Continued)
Year Ended September 30, 2023

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (22,583,657)	\$ -	\$ (22,583,657)
(37,678,266)	-	(37,678,266)
(47,186,522)	-	(47,186,522)
5,379,608	-	5,379,608
(3,624,807)	-	(3,624,807)
(4,355,763)	-	(4,355,763)
(3,066,463)	-	(3,066,463)
(11,454,715)	-	(11,454,715)
(14,194,564)	-	(14,194,564)
<u>(138,765,149)</u>	<u>-</u>	<u>(138,765,149)</u>
-	43,638,714	43,638,714
-	8,567,619	8,567,619
-	(172,937)	(172,937)
-	(83,886)	(83,886)
<u>-</u>	<u>51,949,510</u>	<u>51,949,510</u>
<u>(138,765,149)</u>	<u>51,949,510</u>	<u>(86,815,639)</u>
76,637,791	-	76,637,791
8,104,057	-	8,104,057
63,582,320	-	63,582,320
1,655,425	-	1,655,425
1,164,908	212,614	1,377,522
8,982,090	5,279,136	14,261,226
292,324	-	292,324
<u>1,601,543</u>	<u>(1,601,543)</u>	<u>-</u>
162,020,458	3,890,207	165,910,665
23,255,309	55,839,717	79,095,026
<u>128,049,896</u>	<u>241,860,023</u>	<u>369,909,919</u>
<u>\$ 151,305,205</u>	<u>\$ 297,699,740</u>	<u>\$ 449,004,945</u>

City of Mesquite, Texas
Balance Sheet – Governmental Funds
September 30, 2023

	<u>General</u>	<u>Local Finance</u>	<u>Bond Finance</u>
ASSETS:			
Pooled cash and investments	\$ 26,545,605	\$ 62,686,066	\$ 95,682,905
Receivables (net of allowance):			
Accounts receivable	7,548,429	35,644	15,168
Ad valorem taxes	2,533,778	-	-
Other taxes receivable	1,834,692	-	-
Leases	1,005,405	288,195	-
Interest receivable - leases	65,274	428	-
Note receivable	804,560	832,814	-
Intergovernmental	7,978,278	-	-
Due from other funds	126,256	50,000	-
Inventory	1,307,121	-	-
Prepays and other assets	1,313,374	-	-
Accrued interest	42,451	50,573	68,038
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 51,105,223	\$ 63,943,720	\$ 95,766,111
	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 8,492,890	\$ 14,528,711	\$ 5,533,051
Retainage payable	-	23,180	845,009
Deposits	674,628	278,431	-
Unearned revenue	-	-	-
Due to other funds	-	2,986	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	9,167,518	14,833,308	6,378,060
	<hr/>	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	5,684,436	21,000	-
Leases	975,144	266,292	-
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	6,659,580	287,292	-
	<hr/>	<hr/>	<hr/>
FUND BALANCES:			
Nonspendable	3,425,055	832,814	-
Restricted	-	27,174,423	89,388,051
Assigned	126,063	20,815,883	-
Unassigned	31,727,007	-	-
	<hr/>	<hr/>	<hr/>
Total Fund Balances	35,278,125	48,823,120	89,388,051
	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 51,105,223	\$ 63,943,720	\$ 95,766,111
	<hr/>	<hr/>	<hr/>

City of Mesquite, Texas
Balance Sheet – Governmental Funds (Continued)
September 30, 2023

<u>Debt Service</u>	<u>Other Grants</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 3,652,686	\$ 23,975,907	\$ 26,730,363	\$ 239,273,532
-	-	177,999	7,777,240
-	-	-	2,533,778
-	-	41,664	1,876,356
-	-	-	1,293,600
-	-	-	65,702
-	-	-	1,637,374
-	1,420,808	2,845,076	12,244,162
-	-	-	176,256
-	-	-	1,307,121
-	-	48,465	1,361,839
<u>4,529</u>	<u>30,995</u>	<u>34,754</u>	<u>231,340</u>
<u>\$ 3,657,215</u>	<u>\$ 25,427,710</u>	<u>\$ 29,878,321</u>	<u>\$ 269,778,300</u>
\$ 3,500	\$ 994,105	\$ 1,177,032	\$ 30,729,289
-	18,586	42,733	929,508
-	-	-	953,059
-	22,659,783	-	22,659,783
<u>-</u>	<u>105,015</u>	<u>18,255</u>	<u>126,256</u>
<u>3,500</u>	<u>23,777,489</u>	<u>1,238,020</u>	<u>55,397,895</u>
-	874,252	154,611	6,734,299
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,241,436</u>
<u>-</u>	<u>874,252</u>	<u>154,611</u>	<u>7,975,735</u>
-	-	48,465	4,306,334
3,653,715	775,969	27,636,184	148,628,342
-	-	801,041	21,742,987
<u>-</u>	<u>-</u>	<u>-</u>	<u>31,727,007</u>
<u>3,653,715</u>	<u>775,969</u>	<u>28,485,690</u>	<u>206,404,670</u>
<u>\$ 3,657,215</u>	<u>\$ 25,427,710</u>	<u>\$ 29,878,321</u>	<u>\$ 269,778,300</u>

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City of Mesquite, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2023

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

Total fund balance per balance sheet		\$ 206,404,670
Capital, lease, and subscriptions asset used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		450,330,233
Other long-term assets less related uncollectibles are not available to pay for current period expenditures and therefore are reported as unavailable revenues in the governmental funds.		6,734,299
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 is included in the governmental activities in the statement of net position.		3,488,589
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.		(1,627,710)
Long-term liabilities, including bonds payable, net pension and total OPEB liabilities (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	\$ (107,785,000)	
Certificates of obligation bonds payable	(151,520,000)	
Special Assessment Bonds	(79,254,000)	
Deferred amount on refunding	1,013,032	
Unamortized premiums on bonds	(16,914,132)	
Leases	(230,854)	
Subscriptions	(1,235,886)	
Total other postemployment benefit (OPEB) liability	(28,669,660)	
Net pension liability	(159,411,696)	
Deferred outflows of resources – pension	54,647,555	
Deferred outflows of resources – OPEB	284,993	
Deferred inflows of resources – pension	(600,031)	
Deferred inflows of resources – OPEB	(3,611,876)	
Accrued compensated absences	(20,737,321)	
	(514,024,876)	
Net position of governmental activities		\$ 151,305,205

City of Mesquite, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended September 30, 2023

	<u>General</u>	<u>Local Finance</u>	<u>Bond Finance</u>
REVENUES:			
Taxes:			
Ad valorem	\$ 73,031,909	\$ 3,300,002	\$ -
Gross receipts	8,104,057	-	-
Sales	46,234,627	-	-
Licenses and permits	3,553,897	433,000	-
Fines and forfeitures	3,129,560	-	-
Investment income	2,158,586	1,688,129	2,711,074
Charges for services	21,338,608	3,849,102	-
Special assessments	-	2,917,123	-
Intergovernmental	-	-	-
Contributions and donations	53,779	57,500	-
Other revenues	961,695	1,472,221	-
	<u>158,566,718</u>	<u>13,717,077</u>	<u>2,711,074</u>
Total Revenues			
EXPENDITURES:			
Current:			
General government	14,784,166	2,179,537	3,350,934
Fire services	37,609,512	28,581	1,917
Police services	47,291,177	13,591	9,309
Public works	17,903,237	8,066	1,928,924
Planning and community development	3,521,486	5,359,577	-
Library services	2,937,632	5,881	-
Parks and recreation	5,064,091	19,313	-
Housing and community services	4,013,094	-	-
Capital outlay	489,027	44,179,731	34,556,988
Debt service			
Principal	466,171	565,000	-
Interest and fiscal charges	21,504	1,802,362	-
Bond issuance costs	-	3,813,091	915,258
	<u>134,101,097</u>	<u>57,974,730</u>	<u>40,763,330</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	<u>24,465,621</u>	<u>(44,257,653)</u>	<u>(38,052,256)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	6,424,956	7,350,000	42
Transfers out	(30,383,151)	(5,101,933)	(1,787,360)
Leases issued	-	-	-
Subscriptions issued	194,394	-	-
Issuance of debt	-	48,889,000	56,485,000
Premium (discount) on bonds issued	-	-	3,919,526
Proceeds from sale of general capital assets	473,095	942,566	-
	<u>(23,290,706)</u>	<u>52,079,633</u>	<u>58,617,208</u>
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	1,174,915	7,821,980	20,564,952
FUND BALANCES - BEGINNING OF YEAR	<u>34,103,210</u>	<u>41,001,140</u>	<u>68,823,099</u>
FUND BALANCES - END OF YEAR	<u>\$ 35,278,125</u>	<u>\$ 48,823,120</u>	<u>\$ 89,388,051</u>

City of Mesquite, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds (Continued)
Year Ended September 30, 2023

Debt Service	Other Grants	Total Nonmajor Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 76,331,911
-	-	-	8,104,057
-	-	17,347,693	63,582,320
-	-	512,800	4,499,697
-	-	1,329,300	4,458,860
249,383	985,930	950,296	8,743,398
-	-	1,032,583	26,220,293
-	-	-	2,917,123
-	5,148,914	19,118,051	24,266,965
-	4,095	283,165	398,539
-	-	305,918	2,739,834
<u>249,383</u>	<u>6,138,939</u>	<u>40,879,806</u>	<u>222,262,997</u>
-	267,578	2,086,911	22,669,126
-	53,938	7,255	37,701,203
-	285,178	1,137,417	48,736,672
-	443,631	205,977	20,489,835
-	1,016,511	396,418	10,293,992
-	2,525	4,577	2,950,615
-	54,573	6,242,315	11,380,292
-	1,241,745	19,174,004	24,428,843
-	2,277,568	2,273,005	83,776,319
17,115,000	22,197	52,028	18,220,396
9,038,880	321	1,279	10,864,346
13,500	-	-	4,741,849
<u>26,167,380</u>	<u>5,665,765</u>	<u>31,581,186</u>	<u>296,253,488</u>
<u>(25,917,997)</u>	<u>473,174</u>	<u>9,298,620</u>	<u>(73,990,491)</u>
28,096,530	-	706,151	42,577,679
(42)	-	(3,703,650)	(40,976,136)
-	44,645	-	44,645
-	-	-	194,394
-	-	-	105,374,000
-	-	-	3,919,526
-	-	-	1,415,661
<u>28,096,488</u>	<u>44,645</u>	<u>(2,997,499)</u>	<u>112,549,769</u>
2,178,491	517,819	6,301,121	38,559,278
<u>1,475,224</u>	<u>258,150</u>	<u>22,184,569</u>	<u>167,845,392</u>
<u>\$ 3,653,715</u>	<u>\$ 775,969</u>	<u>\$ 28,485,690</u>	<u>\$ 206,404,670</u>

MESQUITE

T E X A S

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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, 2023

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

Net change in fund balance - total governmental funds \$ 38,559,278

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/amortization expense. This is the amount by which capital outlay exceeds depreciation/amortization in the current period.

Capital outlay expenditures	\$ 83,776,319	
Depreciation and amortization expense	<u>(16,851,195)</u>	66,925,124

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. (250,753)

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. 13,319,067

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. 558,370

The issuance of long-term debt (e.g. bond proceeds, leases, subscriptions, etc.) 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.

Leases issued	\$ (44,645)	
Subscriptions issued	(194,394)	
Principal amount of debt issued	(105,374,000)	
Amortization of bond premium	2,048,239	
Principal amount of debt paid to bondholders and lessors	18,220,396	
Net change in accrued interest payable	(383,520)	
Premium on bonds issued	(3,919,526)	
Amortization of deferred offering charges	<u>(252,446)</u>	(89,899,896)

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. (907,352)

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. 1,255,103

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. (7,975,769)

Internal service funds are used by management to charge the costs of health claims and general liability to individual funds. The net revenues of certain activities of internal service funds is reported within governmental activities. 1,672,137

Change in net position of governmental activities \$ 23,255,309

City of Mesquite, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund

Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Adjustments - Budgetary Basis	Actual- Budgetary Basis	Variance with Final Budget
	Original	Final				
REVENUES:						
Taxes-						
Ad valorem	\$ 71,744,500	71,744,500	\$ 73,031,909	\$ -	\$ 73,031,909	\$ 1,287,409
Gross receipts	7,530,000	8,030,000	8,104,057	-	8,104,057	74,057
Sales	41,864,500	45,392,000	46,234,627	-	46,234,627	842,627
Licenses and permits	4,236,200	3,532,200	3,553,897	-	3,553,897	21,697
Fines and forfeitures	3,062,000	3,087,000	3,129,560	-	3,129,560	42,560
Investment income	124,000	1,824,000	2,158,586	-	2,158,586	334,586
Charges for services	19,418,050	20,149,300	21,338,608	-	21,338,608	1,189,308
Contributions and donations	98,000	68,000	53,779	-	53,779	(14,221)
Other revenues	877,600	902,600	961,695	-	961,695	59,095
Enterprise funds PILOT/franchise fee	5,437,870	5,437,870	-	5,437,870	5,437,870	-
Total Revenues	154,392,720	160,167,470	158,566,718	5,437,870	164,004,588	3,837,118
EXPENDITURES:						
General government	19,565,380	19,599,250	14,784,166	1,779,260	\$ 16,563,426	3,035,824
Fire services	36,363,930	37,062,690	37,609,512	-	37,609,512	(546,822)
Police services	45,424,000	46,502,370	47,291,177	-	47,291,177	(788,807)
Public works	17,295,500	17,744,800	17,903,237	-	17,903,237	(158,437)
Planning and community development	3,765,050	3,718,620	3,521,486	-	3,521,486	197,134
Library services	3,004,070	2,993,950	2,937,632	-	2,937,632	56,318
Parks and recreation	5,610,290	5,939,850	5,064,091	-	5,064,091	875,759
Housing and community services	4,605,280	4,617,280	4,013,094	-	4,013,094	604,186
Capital outlay	-	-	489,027	-	489,027	(489,027)
Debt service						
Principal	-	-	466,171	-	466,171	(466,171)
Interest and fiscal charges	-	-	21,504	-	21,504	(21,504)
Cost allocation reimbursements	(2,666,760)	(2,666,760)	-	(1,779,260)	(1,779,260)	(887,500)
Total Expenditures	132,966,740	135,512,050	134,101,097	-	134,101,097	1,410,953
EXCESS OF REVENUES OVER EXPENDITURES	21,425,980	24,655,420	24,465,621	5,437,870	29,903,491	5,248,071
OTHER FINANCING SOURCES (USES):						
Transfers in	1,285,000	1,250,000	6,424,956	(5,437,870)	987,086	(262,914)
Transfer out	(22,677,000)	(22,677,000)	(30,383,151)	-	(30,383,151)	(7,706,151)
Subscriptions issued	-	-	194,394	-	194,394	194,394
Proceeds from sale of general capital assets	-	-	473,095	-	473,095	473,095
Total Other Financing Sources (Uses)	(21,392,000)	(21,427,000)	(23,290,706)	(5,437,870)	(28,728,576)	(7,301,576)
NET CHANGE IN FUND BALANCE	\$ 33,980	\$ 3,228,420	1,174,915	\$ -	\$ 1,174,915	\$ (2,053,505)
FUND BALANCE AT BEGINNING OF YEAR			34,103,210			
FUND BALANCE AT END OF YEAR			\$ 35,278,125			

City of Mesquite, Texas
Statement of Net Position – Proprietary Funds
September 30, 2023

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Drainage Utility District	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
ASSETS:					
Current assets:					
Pooled cash and investments	\$ 68,925,096	\$ 11,064,946	\$ 1,272,723	\$ 81,262,765	\$ 7,937,110
Restricted pooled cash and investments	68,411,361	368,523	-	68,779,884	-
Receivables (net of allowance for uncollectibles)	15,496,840	863,694	103,856	16,464,390	182,718
Inventory	439,399	-	69,898	509,297	-
Prepays and other assets	33,125	-	-	33,125	367,706
Accrued interest	144,417	93,670	2,831	240,918	8,789
Total current assets	<u>153,450,238</u>	<u>12,390,833</u>	<u>1,449,308</u>	<u>167,290,379</u>	<u>8,496,323</u>
Noncurrent assets:					
Notes receivable	-	2,542,951	-	2,542,951	-
Revenue bond reserve-					
Restricted pooled cash and investments	10,158,652	1,036,744	-	11,195,396	-
Capital and lease assets-					
Land and construction in progress	73,169,447	2,889,365	11,410,731	87,469,543	-
Other capital assets (net of accumulated depreciation/amortization)	184,716,997	54,832,766	8,764,021	248,313,784	-
Total noncurrent assets	<u>268,045,096</u>	<u>61,301,826</u>	<u>20,174,752</u>	<u>349,521,674</u>	<u>-</u>
Total Assets	<u>421,495,334</u>	<u>73,692,659</u>	<u>21,624,060</u>	<u>516,812,053</u>	<u>8,496,323</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred charges on refunding	454,088	-	-	454,088	-
Deferred pension contributions	843,259	70,272	140,544	1,054,075	-
Difference in projected and actual earnings on pension assets	2,050,587	170,882	341,764	2,563,233	-
Difference in expected and actual OPEB experience	18,486	1,540	3,080	23,106	-
Difference in expected and actual pension experience	647,892	53,991	107,982	809,865	-
Difference in assumption changes - pension	2,968	247	494	3,709	-
Total Deferred Outflows of Resources	<u>4,017,280</u>	<u>296,932</u>	<u>593,864</u>	<u>4,908,076</u>	<u>-</u>

City of Mesquite, Texas
Statement of Net Position – Proprietary Funds (Continued)
September 30, 2023

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Sewer	Drainage Utility District	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES:					
Current Liabilities:					
Accounts payable	\$ 2,766,134	\$ 172,623	\$ 148,823	\$ 3,087,580	\$ 2,769,688
Estimated claims payable	-	-	-	-	1,479,850
Due to other funds	-	-	50,000	50,000	-
Deposits and other liabilities	5,593,733	1,056	63,006	5,657,795	-
Accrued compensated absences	255,047	-	-	255,047	-
Lease liability	53,259	-	157,424	210,683	-
Total other postemployment benefit liability	82,345	6,862	13,724	102,931	-
Total Current Liabilities	<u>8,750,518</u>	<u>180,541</u>	<u>432,977</u>	<u>9,364,036</u>	<u>4,249,538</u>
Current Liabilities Payable from Restricted Assets:					
Accounts payable	4,681,024	-	-	4,681,024	-
Retainage payable	2,522,031	-	16,969	2,539,000	-
Accrued interest payable	559,909	32,998	1,193	594,100	-
Bonds payable	10,120,000	440,000	-	10,560,000	-
Total Current Liabilities Payable from Restricted Assets	<u>17,882,964</u>	<u>472,998</u>	<u>18,162</u>	<u>18,374,124</u>	<u>-</u>
Total Current Liabilities	<u>26,633,482</u>	<u>653,539</u>	<u>451,139</u>	<u>27,738,160</u>	<u>4,249,538</u>
Noncurrent Liabilities:					
Estimated claims payable	-	-	-	-	1,499,255
Bonds payable	167,991,345	10,608,965	-	178,600,310	-
Lease liability	170,744	-	455,026	625,770	-
Accrued compensated absences	516,650	120,677	189,343	826,670	-
Net pension liability	10,340,217	861,687	1,723,371	12,925,275	-
Total other postemployment benefit liability	1,777,309	148,111	296,222	2,221,642	-
Total Noncurrent Liabilities	<u>180,796,265</u>	<u>11,739,440</u>	<u>2,663,962</u>	<u>195,199,667</u>	<u>1,499,255</u>
Total Liabilities	<u>207,429,747</u>	<u>12,392,979</u>	<u>3,115,101</u>	<u>222,937,827</u>	<u>5,748,793</u>
DEFERRED INFLOWS OF RESOURCES:					
Difference in expected and actual pension experience	38,921	3,243	6,486	48,650	-
Difference in expected and actual OPEB experience	6,759	563	1,126	8,448	-
Difference in assumptions - OPEB	227,525	18,960	37,920	284,405	-
Total Deferred Inflows of Resources	<u>273,205</u>	<u>22,766</u>	<u>45,532</u>	<u>341,503</u>	<u>-</u>
NET POSITION:					
Net investment in capital assets	131,356,951	50,556,580	19,545,333	201,458,864	-
Restricted for debt service	13,862,586	1,336,157	-	15,198,743	-
Unrestricted	72,590,125	9,681,109	(488,042)	81,783,192	2,747,530
Total Net Position	<u>\$ 217,809,662</u>	<u>\$ 61,573,846</u>	<u>\$ 19,057,291</u>	<u>298,440,799</u>	<u>\$ 2,747,530</u>
RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF NET POSITION:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(741,059)	
Total Net Position for Business-type Activities				<u>\$ 297,699,740</u>	

City of Mesquite, Texas
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
Year Ended September 30, 2023

	Business-type Activities - Enterprise Funds				Governmental
	Water and Sewer	Drainage Utility District	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:					
Customer charges	\$ 88,124,002	\$ 5,081,847	\$ 4,386,146	\$ 97,591,995	\$ -
Contributions - City	-	-	-	-	20,241,417
Contributions - other	-	-	-	-	2,906,337
Total Operating Revenues	88,124,002	5,081,847	4,386,146	97,591,995	23,147,754
OPERATING EXPENSES:					
Personnel services	9,886,349	1,295,226	1,667,275	12,848,850	-
Supplies	611,218	11,024	1,626,974	2,249,216	-
Contractual services	46,137,978	262,178	702,693	47,102,849	8,500
Depreciation and amortization	6,621,065	1,632,941	716,923	8,970,929	-
Claims incurred	-	-	-	-	16,860,184
Insurance premiums	-	-	-	-	2,519,427
Administrative fees	-	-	-	-	1,675,334
Other expenses	-	-	-	-	926,336
Total Operating Expenses	63,256,610	3,201,369	4,713,865	71,171,844	21,989,781
Operating Income (Loss)	24,867,392	1,880,478	(327,719)	26,420,151	1,157,973
NONOPERATING REVENUES (EXPENSES):					
Investment income	4,668,602	572,028	38,506	5,279,136	264,158
Bond issuance costs	(525,550)	-	-	(525,550)	-
Gain or loss on sale of capital assets	165,932	44,965	1,717	212,614	-
Other nonoperating income	-	24,250	50,000	74,250	387,000
Interest expense and fiscal charges	(4,892,335)	(393,366)	(3,354)	(5,289,055)	-
Total Nonoperating Revenues (Expenses)	(583,351)	247,877	86,869	(248,605)	651,158
Income (loss) before contributions and transfers	24,284,041	2,128,355	(240,850)	26,171,546	1,809,131
Capital contributions	24,052,213	7,080,507	-	31,132,720	-
Transfers in	1,380,000	475,200	2,787,177	4,642,377	-
Transfers out	(5,311,784)	(613,986)	(318,150)	(6,243,920)	-
CHANGE IN NET POSITION	44,404,470	9,070,076	2,228,177	55,702,723	1,809,131
NET POSITION - BEGINNING	173,405,192	52,503,770	16,829,114	242,738,076	938,399
TOTAL NET POSITION - ENDING	\$ 217,809,662	\$ 61,573,846	\$ 19,057,291	\$ 298,440,799	\$ 2,747,530
Reconciliation to Government-wide Statement of Activities:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				\$ 136,994	
Change in Net Position of Business-type Activities				\$ 55,839,717	

City of Mesquite, Texas
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2023

	Business-type Activities - Enterprise Funds				Governmental
	Water and Sewer	Drainage Utility District	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users	\$ 85,733,387	\$ 5,105,454	\$ 4,342,804	\$ 95,181,645	\$ -
Receipts from interfund charges for services	-	-	-	-	20,085,106
Other operating receipts	-	-	-	-	702,462
Payments to suppliers and service providers	(44,284,512)	(568,283)	(2,293,590)	(47,146,385)	(21,161,170)
Payments to employees for salaries and benefits	(7,889,404)	(1,079,424)	(1,557,257)	(10,526,085)	2,487,864
Payments to other funds for services provided	(1,494,286)	(134,974)	-	(1,629,260)	-
Payments from operating grants	-	24,250	50,000	74,250	-
	<u>32,065,185</u>	<u>3,347,023</u>	<u>541,957</u>	<u>35,954,165</u>	<u>2,114,262</u>
Net Cash Provided by Operating Activities					
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers to other funds	(5,311,784)	(613,986)	(318,150)	(6,243,920)	-
Transfers from other funds	1,380,000	475,200	2,787,177	4,642,377	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(3,931,784)</u>	<u>(138,786)</u>	<u>2,469,027</u>	<u>(1,601,543)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(18,145,389)	(799,768)	(2,473,111)	(21,418,268)	-
Proceeds from capital debt, including premium	33,097,652	-	-	33,097,652	-
Principal payments on capital debt and leases	(8,554,944)	(385,000)	(68,824)	(9,008,768)	-
Interest payments on capital debt and leases	(6,535,996)	(459,542)	(2,161)	(6,997,699)	-
Proceeds from sale of capital assets	165,931	44,965	1,717	212,613	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>27,254</u>	<u>(1,599,345)</u>	<u>(2,542,379)</u>	<u>(4,114,470)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment gain on cash and cash equivalents	4,641,069	489,578	36,460	5,167,107	261,152
Net Cash Provided by Investing Activities	<u>4,641,069</u>	<u>489,578</u>	<u>36,460</u>	<u>5,167,107</u>	<u>261,152</u>
NET INCREASE IN POOLED CASH AND CASH EQUIVALENTS	32,801,724	2,098,470	505,065	35,405,259	2,375,414
POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	114,693,385	10,371,743	767,658	125,832,786	5,561,696
POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 147,495,109</u>	<u>\$ 12,470,213</u>	<u>\$ 1,272,723</u>	<u>\$ 161,238,045</u>	<u>\$ 7,937,110</u>
CLASSIFIED AS:					
Current assets - non restricted	\$ 68,925,096	\$ 11,064,946	\$ 1,272,723	\$ 81,262,765	\$ 7,937,110
Current assets - restricted	68,411,361	368,523	-	68,779,884	-
Noncurrent assets - restricted	10,158,652	1,036,744	-	11,195,396	-
Total Cash and Cash Equivalents	<u>\$ 147,495,109</u>	<u>\$ 12,470,213</u>	<u>\$ 1,272,723</u>	<u>\$ 161,238,045</u>	<u>\$ 7,937,110</u>

City of Mesquite, Texas
Statement of Cash Flows – Proprietary Funds (Continued)
Year Ended September 30, 2023

	Business-type Activities - Enterprise Funds				Governmental
	Water and Sewer	Drainage Utility District	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS)					
TO NET CASH PROVIDED BY OPERATING					
ACTIVITIES:					
Operating income (loss)	\$ 24,867,392	\$ 1,880,478	\$ (327,719)	\$ 26,420,151	\$ 1,157,973
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	6,621,065	1,632,941	716,923	8,970,929	-
Operating grants	-	24,250	50,000	74,250	-
Other income	-	-	-	-	387,000
Changes in operating assets and liabilities:					
Receivables, net	(2,110,932)	23,607	(47,937)	(2,135,262)	(73,011)
Inventories (supplies)	(123,743)	-	48,493	(75,250)	-
Prepaid expenses and other assets	1,506	-	-	1,506	(5,287)
Deferred outflows of resources - pension	(316,978)	(26,414)	(45,231)	(388,623)	-
Deferred outflows of resources - OPEB	75,239	6,271	12,542	94,052	-
Accounts payable and accrued liabilities	2,629,059	(292,019)	(7,289)	2,329,751	1,606,257
Customer deposits	(279,683)	-	4,595	(275,088)	-
Estimated unpaid claims	-	-	-	-	(802,359)
Unearned revenue	-	-	-	-	(156,311)
Deferred inflows of resources - pension	(4,096,638)	(341,724)	(682,692)	(5,121,054)	-
Deferred inflows of resources - OPEB	(122,850)	(10,238)	(20,476)	(153,564)	-
Compensated absences	24,638	41,779	24,564	90,981	-
Net pension liability	4,930,911	410,909	821,818	6,163,638	-
Total OPEB liability	(33,801)	(2,817)	(5,634)	(42,252)	-
Total Adjustments	7,197,793	1,466,545	869,676	9,534,014	956,289
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 32,065,185	\$ 3,347,023	\$ 541,957	\$ 35,954,165	\$ 2,114,262
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Contributions of capital assets	\$ 24,052,213	\$ 7,080,507	\$ -	\$ 31,132,720	\$ -
Purchase of machinery, equipment, and vehicles on account	\$ 2,522,031	\$ 16,969	\$ -	\$ 2,539,000	\$ -
Addition of lease obligations	\$ 224,003	\$ -	\$ 515,197	\$ 739,200	\$ -

City of Mesquite, Texas
Statement of Fiduciary Net Position – Fiduciary Funds
September 30, 2023

	Private-Purpose Trust Fund	Custodial Funds
ASSETS:		
Pooled cash and investments	\$ 902,831	\$ 1,407,661
Interest receivable	1,174	-
Taxes receivable levied for other governments (net of allowance for uncollectibles)	-	6,145,061
 Total Assets	 \$ 904,005	 \$ 7,552,722
 LIABILITIES:		
Accounts payable	\$ -	\$ 504,131
Due to other governments	-	6,147,980
 Total Liabilities	 \$ -	 \$ 6,652,111
 NET POSITION:		
Restricted for individuals, organizations, and other governments	\$ 904,005	\$ 900,611
 Total Net Position	 \$ 904,005	 \$ 900,611

City of Mesquite, Texas
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended September 30, 2023

	Private- Purpose Trust Fund	Custodial Funds
ADDITIONS		
Investment income	\$ 36,380	\$ -
Property tax collections for other governments	-	159,292,611
Seizures	-	380,570
Miscellaneous	34,126	1,011,159
	70,506	1,011,159
Total Additions	70,506	160,684,340
DEDUCTIONS		
Payments of property tax to other governments	-	159,292,611
Seizures forfeited or returned to defendants	-	303,607
Miscellaneous	16,989	1,011,159
	16,989	1,011,159
Total Deductions	16,989	160,607,377
NET INCREASE IN FIDUCIARY NET POSITION	53,517	76,963
NET POSITION - BEGINNING	850,488	823,648
NET POSITION - ENDING	\$ 904,005	\$ 900,611

MESQUITE

T E X A S

Real. Texas. Flavor.

City of Mesquite, Texas

Notes to Financial Statements

September 30, 2023

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, GASB Statement No. 80, and GASB Statement No. 84, 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 (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 1.00% 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. Unaudited financial statements for the Quality of Life Corporation are available upon request from the City.

Tax Increment Reinvestment Zones (TIRZ)

The City has eleven 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 Financial Statements

September 30, 2023

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 in 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. 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.

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 Financial Statements

September 30, 2023

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 was 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.

Alcott Logistics TIRZ No. 14 – created in 2021 to provide public infrastructure for a proposed industrial 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.

Solterra TIRZ No. 15 – created in 2021 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.

Public Improvement Districts (PIDs)

The City has four 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. The PID issued one special assessment revenue bond during the fiscal year. See further information in *Note 10* of the Notes to the Financial Statements.

Polo Ridge PID – created in April 2018 to support a residential development along the IH-20 corridor in Mesquite. The PID sold bonds in July 2019 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 2019 to support residential development along Rodeo Drive in Mesquite. The PID sold bonds in June 2019 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.

Solterra PID – created in April 2021 to support residential development along Faithon P. Lucas, Sr. Boulevard in Mesquite. The PID issued three special assessment revenue bonds during the fiscal year. See further information in *Note 10* of the Notes to the Financial Statements.

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

Historic Mesquite, Inc.

Historic Mesquite, Inc. provides funding to maintain historical sites within the City. The City does not have a majority position on this board; however, the City does have the ability to influence the financial decisions in that City Council reviews and approves the annual budget of this entity. Management of the City has operational responsibility for the component unit. Historic Mesquite, Inc.'s activities are for the exclusive benefit of the City as Historic Mesquite's primary services relate to managing and maintaining two City owned historical properties. Providing services entirely, or almost entirely, to the primary government is one of the criteria for being presented as a blended component unit. Historic Mesquite, Inc. is reported as part of the Other Special Revenue fund and does not issue separate financial statements.

Mesquite Arts Council

Mesquite Arts Council provides funding for arts and culture to the Mesquite Art Center. The City does not have a majority position on this board; however, the City does have the ability to influence the financial decisions in that City Council reviews and approves the annual budget of this entity. Management of the City has operational responsibility for the component unit. Mesquite Arts Council's activities are for the exclusive benefit of the City as Mesquite Arts Council's primary services relate to managing one City owned facility, the City's Arts Center, as well as operating the City's Art Program. Providing services entirely, or almost entirely, to the primary government is one of the criteria for being presented as a blended component unit. Mesquite Arts Council is reported as part of the Other Special Revenue fund and does not issue separate financial statements.

Keep Mesquite Beautiful, Inc.

Keep Mesquite Beautiful, Inc. provides funding for local beautification projects within the City. The City does not have a majority position on this board; however, the City does have the ability to influence the financial decisions in that City Council reviews and approves the annual budget of this entity. Management of the City has operational responsibility for the component unit. Keep Mesquite Beautiful, Inc.'s activities are for the exclusive benefit of the City as Keep Mesquite Beautiful, Inc.'s primary services relate to facilitating City declared initiatives to help promote littering awareness, recycling and organizing volunteer events to help maintain cleanliness of City owned parks and infrastructure. Providing services entirely, or almost entirely, to the primary government is one of the criteria for being presented as a blended component unit. Keep Mesquite Beautiful, Inc. is reported as part of the Other Special Revenue fund and does not issue separate financial statements.

Mesquite Housing Finance Corporation, the Mesquite Health Facilities Development Corporation, and the Mesquite Industrial Development Corporation

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 15*. These entities did not have any financial activity to report during the fiscal year.

City of Mesquite, Texas

Notes to Financial Statements

September 30, 2023

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. All fiduciary activities are reported only in the fund financial statements. 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. 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 nonmajor 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, Local Finance Capital Project, Bond Finance Capital Project funds, Debt Service, and Other Grants, 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 nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. Budgetary comparison schedules follow these combining statements for those nonmajor funds that adopt annual budgets.

City of Mesquite, Texas

Notes to Financial Statements

September 30, 2023

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 nonmajor 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 three fiduciary funds, including the Tax Collection, Seized Assets, and Cemetery Trust Funds. The fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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, including leases and subscription liabilities, are reported as other financing sources.

The revenues susceptible to accrual are ad valorem taxes, gross receipts taxes, licenses, 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.

City of Mesquite, Texas

Notes to Financial Statements

September 30, 2023

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/amortization on capital and lease 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 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 eleven Tax Increment Reinvestment Zones, four 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 has designated this fund as major.
- The Other Grants fund is a special revenue fund used to account for funds awarded to the City by all federal and state awarding agencies other than those funds accounted for in the Housing Grants fund.

The City of Mesquite reports the following major proprietary funds:

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

City of Mesquite, Texas

Notes to Financial Statements

September 30, 2023

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

- Internal service funds account for risk management services (including group medical insurance and general liability) provided to other departments or agencies of the City on a cost-reimbursement basis.
- The private-purpose trust fund accounts for contributions made to maintain a small cemetery within the City.
- The custodial funds account for monies held for ad valorem taxes collected on behalf of the Mesquite Independent School District and for funds seized from court cases that are held in escrow until judgment.

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 2022-2023 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 2022-2023 the City Council amended the budget in 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 and the following special revenue funds: Housing Grants, Quality of Life Corporation, Hotel/Motel, and Confiscated Drug are legally adopted on a basis consistent with GAAP on the modified accrual basis of accounting. Accordingly, the budgetary comparison statements and schedules present actual expenditures on a basis consistent with the legally adopted budgets as amended. Capital Project funds are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the financial statements. The Other Grants and other special revenue funds do not have appropriated budgets 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 Financial Statements

September 30, 2023

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 net asset value, 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, 2023, the City's General Fund was reimbursed \$1,779,260 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 Financial Statements
September 30, 2023

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, 2023, 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. Customer deposits received by water and wastewater services are, by law, considered to be restricted assets. 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, Lease, and Subscription Assets

Capital, lease, and subscription 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, with the exception of leases and subscriptions which are capitalized if there is a useful life of more than one year. 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

Lease Receivable

The City is a lessor for noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the

City of Mesquite, Texas
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September 30, 2023

lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Lease Liability

The City is a lessee for noncancellable leases. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The City recognizes lease liability with an initial individual value of \$5,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life or lease term, whichever is shorter.

The City monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Subscription Liability

The City recognizes a subscription liability and an intangible right-to-use IT asset (subscription asset) in the financial statements. The City recognizes subscription liability with an initial, individual value of \$5,000 or more. Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

The City monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Unearned Revenue

Governmental funds report a liability, unearned revenue, in connection with resources that have been received, but not yet earned, which consists primarily of grant dollars received in advance of incurring eligible expenditures. Total unearned grant revenue as of September 30, 2023 is \$22,659,783, of which \$22,519,290 relates to ARPA monies received but not yet spent.

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

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, 2023 is accrued based on past claims experience.

Accrued Compensated Absences

City employees earn vacation and sick leave in varying amounts. Vacation leave accrues for employees with less than five years of service at the annual rate of 10 working days. Upon attaining five years of service, 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 firefighters 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' 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.

City of Mesquite, Texas

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September 30, 2023

Postemployment Benefits Other Than Pensions (OPEB)

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

Long-term Debt

In the government-wide financial statements and the fund level proprietary financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized using the effective 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, lease, and subscription assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, other debt, and lease/subscription liability 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.

City of Mesquite, Texas

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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.
- 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. At September 30, 2023, the City had no committed fund balance amounts.
- 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 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.

City of Mesquite, Texas

Notes to Financial Statements

September 30, 2023

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 assets that applies to future periods 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.
- 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 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 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.

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 assets that applies to future periods 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 pension expense beginning with the period in which the difference occurred.
- 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 pension expense beginning with the period in which they incurred.

City of Mesquite, Texas
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- Leases – This is reported under both the full accrual and modified accrual basis of accounting. This is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The City will recognize an inflow of resources from the deferred inflows of resources in a systematic and rational manner over the term of the lease.
- Unavailable revenue – This item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from 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.

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.

Adoption of GASB Statement No. 96, (Subscription – Based Information Technology Arrangements) (GASB 96)

In 2023, the City adopted GASB 96. The Statement provides guidance on the account and financial reporting for subscription-based information technology arrangements for governments and users. The adoption of GASB 96 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements. The adoption of GASB 96 had no impact on the primary government's beginning net position.

New Accounting Pronouncements

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

GASB Statement No. 100, Accounting Changes and Error Corrections (GASB 100)

GASB 100 improves the clarity and requirements for accounting changes and error corrections. The City expects to first apply GASB 100 during the year ending September 30, 2024. The impact of applying the Statement has not been determined.

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GASB Statement No. 101, *Compensated Absences* (GASB 101)

GASB 101 updates the recognition and measurement guidance for compensated absences under a unified model. It defines compensated absences and requires that liabilities be recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled. A liability for compensated absences should be accounted for and reported on a basis consistent with governmental fund accounting principles for financial statements prepared using the current financial resources measurement focus. This statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. GASB 101 is effective for the City's fiscal year ended September 30, 2025. The impact of applying the Statement has not been determined.

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102)

GASB 102 requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. The City expects to first apply GASB 102 during the year ending September 30, 2025. 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, 2023, the carrying amount of the City and its blended component units' demand deposits and certificates of deposit totaled \$13,412,389 and the bank balance was \$11,592,323. Cash on hand for the City was \$19,484. The carrying amount of cash for the Fiduciary funds was \$2,310,492. The carrying amount of cash for the Public Improvement Districts was \$19,731,050. The City had approximately \$548,000 of uninsured deposit balances as of September 30, 2023.

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.

City of Mesquite, Texas
Notes to Financial Statements
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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.
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% at the time funds are disbursed. Repurchase agreement security types will be limited to 20% of the portfolio.

City of Mesquite, Texas
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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.

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.

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

The City's investments at September 30, 2023, are:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Managed Pools:		
TexPool	\$ 8,925,505	0.077
TexPool Prime	134,351,807	0.126
TexSTAR	468,747	0.063
Texas Class	110,181,164	0.197
Money Market:		
Wells Fargo (Morgan Stanley)	11,048,169	0.140
US Agency Securities	110,310,372	0.798
Total	<u>\$ 375,285,764</u>	<u>0.343</u>

Credit Risk

The City's investment policy helps minimize credit risk by requiring the City to limit investments to the safest types of securities, pre-qualify the financial institutions and broker/dealers with which the City will do business, and diversify the investment portfolio so that potential losses on individual securities will be minimized. The City's investments in U.S. Agency securities (FHLB, FFCB, and FHLMC) 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, 2023. 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, 2023.

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, 2023, the City's total investments are in the following: US agency issues (29.39%) consisting of U.S. Treasury Notes (25.18%), FHLB (1.58%), Farm Credit (1.06%), FHLMC (1.06%), and MUNI (0.51%); investment pools (67.66%); and money market funds (2.94%).

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

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

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, 2023:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
U.S. agency securities	\$ 110,310,372	\$ 100,465,581	\$ 9,844,791	\$ -
Total Investments by Fair Value Level	110,310,372	\$ 100,465,581	\$ 9,844,791	\$ -
Investments Measured at Net Asset Value				
Texas Class	110,181,164			
TexStar	468,747			
Money Market Fund	11,048,169			
	121,698,080			
Investments Measured at Amortized Cost				
TexPool	8,925,505			
TexPool Prime	134,351,807			
	143,277,312			
Total Investments	\$ 375,285,764			

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 and a certificate of deposit, as listed above, which are recorded at amortized cost, and excluded from the fair value hierarchy.

City of Mesquite, Texas

Notes to Financial Statements

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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, 2023, no investments here held by the City meeting the Level 3 hierarchy classification.

Investment in State Investment Pools

During the year, the City invested in multiple public fund investment pools, including TexStar, TexPool, TexPool Prime, and Texas CLASS. The fair value of the position of 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, 2022, upon which the 2023 fiscal year levy was based, was \$11,754,303,662. 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, 2023, were \$74,846,794 or 98.3% 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.

City of Mesquite, Texas
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The City Charter does not provide for a debt limit; therefore, no computation of legal debt margin can be made. However, at September 30, 2023, the City had a tax rate of \$0.65814 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.

Note 5: Receivables

Receivables at September 30, 2023 for the government's individual major funds, which have receivables and nonmajor in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Local Finance	Bond Finance	Other Grants	Nonmajor Governmental Funds	Total Governmental Funds
Receivables:						
Accounts	\$ 17,605,954	\$ 35,644	\$ 15,168	\$ -	\$ 177,999	\$ 17,834,765
Ad valorem taxes	3,650,964	-	-	-	-	3,650,964
Other taxes	1,834,692	-	-	-	41,664	1,876,356
Leases	1,070,679	288,623	-	-	-	1,359,302
Note receivable	804,560	832,814	-	-	-	1,637,374
Intergovernmental	7,978,278	-	-	1,420,808	2,845,076	12,244,162
Gross Receivables	32,945,127	1,157,081	15,168	1,420,808	3,064,739	38,602,923
Less: Allowance for Uncollectibles	(11,174,711)	-	-	-	-	(11,174,711)
Net Total Receivables	<u>\$ 21,770,416</u>	<u>\$ 1,157,081</u>	<u>\$ 15,168</u>	<u>\$ 1,420,808</u>	<u>\$ 3,064,739</u>	<u>\$ 27,428,212</u>

	Water and Sewer	Drainage Utility District	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities Internal Service Funds
Receivables:					
Accounts	\$ 16,834,792	\$ 979,940	\$ 116,884	\$ 17,931,616	\$ 182,718
Note receivable*	-	2,542,951	-	\$ 2,542,951	-
Gross Receivables	16,834,792	3,522,891	116,884	20,474,567	182,718
Less: Allowance for Uncollectibles	(1,337,952)	(116,246)	(13,028)	(1,467,226)	-
Net Total Receivables	<u>\$ 15,496,840</u>	<u>\$ 3,406,645</u>	<u>\$ 103,856</u>	<u>\$ 19,007,341</u>	<u>\$ 182,718</u>

* The note receivable relates to funds loaned to an economic developer for the construction of drainage and easement improvements to be repaid by 2027.

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

The governmental funds report unavailable revenues from the following sources:

Source of Revenue	Total
General fund - ambulance accounts receivable	\$ 742,191
General fund - ad valorem taxes receivable	2,362,827
General fund - court fines receivable	1,750,776
General fund - accounts receivable, grass and weed mowing	828,642
Other Grants - intergovernmental receivable	874,252
Local Finance capital projects fund - other receivable	21,000
Nonmajor funds - intergovernmental receivable	154,611
Total Unavailable Revenues for Governmental Funds	\$ 6,734,299

Note 6: Capital, Lease, and Subscription Assets

The following is a summary of the changes in capital, lease, and subscription assets for the fiscal year ended September 30, 2023:

	Beginning Balance as Restated*	Additions	Sales / Disposals	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES:					
Capital Assets, not Being Depreciated:					
Land	\$ 25,649,615	\$ -	(57,407)	\$ 5,300	\$ 25,597,508
Construction in progress	63,845,135	70,560,006	-	(15,050,053)	119,355,088
Total Capital Assets, not Being Depreciated	89,494,750	70,560,006	(57,407)	(15,044,753)	144,952,596
Capital, Lease, and Subscription Assets, Being Depreciated/Amortized:					
Buildings	109,634,643	332,186	-	407,835	110,374,664
Infrastructure	355,090,672	13,575,875	-	14,143,891	382,810,438
Improvements	29,912,050	390,431	-	459,559	30,762,040
Equipment	88,387,663	11,997,849	(1,794,679)	33,468	98,624,301
Lease assets	476,881	44,645	-	-	521,526
Subscription assets	1,424,140	194,394	-	-	1,618,534
Total Capital, Lease, and Subscription Assets, Being Depreciated/Amortized:	584,926,049	26,535,380	(1,794,679)	15,044,753	624,711,503
Less Accumulated Depreciation/Amortization for:					
Buildings	(44,871,919)	(2,682,190)	-	-	(47,554,109)
Infrastructure	(176,315,876)	(5,829,293)	-	-	(182,145,169)
Improvements	(16,850,835)	(1,245,164)	-	-	(18,095,999)
Equipment	(65,911,071)	(6,591,099)	1,601,333	-	(70,900,837)
Lease assets	(134,303)	(158,188)	-	-	(292,491)
Subscription assets	-	(345,261)	-	-	(345,261)
Total Accumulated Depreciation/Amortization	(304,084,004)	(16,851,195)	1,601,333	-	(319,333,866)
Total Capital, Lease, and Subscription Assets, Being Depreciated/Amortized, Net	280,842,045	9,684,185	(193,346)	15,044,753	305,377,637
Governmental Activities Capital, Lease, and Subscription Assets, Net	\$ 370,336,795	\$ 80,244,191	\$ (250,753)	\$ -	\$ 450,330,233

* Restated for the effects of the adoption of GASB 96

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

Construction Commitments

The City has active construction projects as of September 30, 2023. Projects include parks and recreation improvements, building 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:

	<u>Remaining Construction Commitments</u>
GOVERNMENTAL ACTIVITIES:	
Projects funded by general obligation bonds:	
Streets	\$ 185,813
Municipal building	78,452
Public safety	2,584,362
Parks and recreation	137,649
Public works	2,683,566
Projects funded by local finance sources:	
Library	6,181
Municipal building	30,568
Public safety	204,238
Parks and recreation	70,513
Projects funded by general sales tax (4-B portion):	
Parks and recreation	<u>18,611</u>
Total Governmental Activities	<u><u>\$ 5,999,953</u></u>
 BUSINESS-TYPE ACTIVITIES:	
Projects funded by revenue bonds:	
Water and sewer	\$ 45,081
Projects funded by cash funds:	
Golf course	<u>124,808</u>
Total Business-Type Activities	<u><u>\$ 169,889</u></u>

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

Note 7: Interfund Receivables, Payables, and Transfers

Due to/from other funds

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several funds, which the general fund expects to collect in the subsequent year. The composition of interfund balances as of September 30, 2023 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Grants Fund	\$ 105,015
General Fund	Other Special Revenue Fund	18,255
General Fund	Local Finance Fund	2,986
Local Finance Fund	Municipal Airport Fund	50,000
		\$ 176,256

Transfers

Transfers were as follows for the fiscal year ended September 30, 2023:

Fund	Transfers In	Transfers Out
General	\$ 6,424,956	\$ 30,383,151
Local Finance	7,350,000	5,101,933
Bond Finance	42	1,787,360
Debt Service	28,096,530	42
Nonmajor Governmental Funds	706,151	3,703,650
Water and Sewer	1,380,000	5,311,784
Drainage Utility District	475,200	613,986
Nonmajor Enterprise Funds	2,787,177	318,150
	\$ 47,220,056	\$ 47,220,056

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

The transfers were for the following purposes:

<u>Transfer from Fund / Purpose</u>	<u>Transfer to Fund</u>	<u>Amount</u>
General Fund:		
Property tax debt service levy	Debt Service	\$ 22,327,000
Future Capital Projects	Local Finance	7,300,000
Furniture replacement	Local Finance	50,000
Miscellaneous purposes	Other Special Revenue	706,151
		<u>30,383,151</u>
Debt Service Fund:		
Return of excess funds	Bond Finance	42
		<u>42</u>
Local Finance Fund:		
Impact Fees	Debt Service	2,300,000
Impact Fees	Water and Sewer	1,380,000
Future bond issue costs	Debt Service	929,647
Future capital projects	Drainage Utility District	475,200
Return of excess funds	General Fund	17,086
		<u>5,101,933</u>
Bond Finance Fund:		
Future capital projects	Municipal Airport	1,787,177
Debt service	Debt Service	183
		<u>1,787,360</u>
Nonmajor Governmental Funds:		
Hotel/Motel tax :		
General obligation debt service	Debt Service	398,890
		<u>398,890</u>
Other Special Revenue:		
9-1-1 operations subsidy	General	780,000
Traffic enforcement	General	25,000
Child safety fees	General	165,000
		<u>970,000</u>
Mesquite Quality of Life Corporation:		
Debt service	Debt Service	1,334,760
Capital improvements	Municipal Golf Course	1,000,000
		<u>2,334,760</u>
Water and Sewer Enterprise Fund:		
General obligation debt allocation	Debt Service	487,900
Water and sewer franchise fees	General Fund	3,443,548
Payment in lieu of taxes (PILOT)	General Fund	1,380,336
		<u>5,311,784</u>
Drainage Utility District Fund:		
Drainage franchise fees	General Fund	265,752
Payment in lieu of taxes (PILOT)	General Fund	348,234
		<u>613,986</u>
Nonmajor Enterprise Fund:		
Municipal airport	Debt service	318,150
		<u>318,150</u>
	Total	<u>\$ 47,220,056</u>

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

Note 8: Leases

Leases Liability

The City’s confiscated drug fund has an agreement for a police vehicle, the terms of which expire in 2026, the general fund has agreements for equipment, the terms of which expire in various years through 2025, and the other grants fund has an agreement for equipment, the terms of which expire in 2024. During the fiscal year ended September 30, 2023, the City did not recognize any rental expense for variable payments not previously included in the measurement of the lease liability.

The City’s proprietary funds have agreements for vehicles and equipment, the terms of which expire in various years through 2027. During the fiscal year ended September 30, 2023, the City did not recognize any rental expense for variable payments not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of September 30, 2023:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 127,456	\$ 1,255	\$ 128,711
2025	59,076	526	59,602
2026	44,322	127	44,449
Total	<u>\$ 230,854</u>	<u>\$ 1,908</u>	<u>\$ 232,762</u>

Fiscal Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2024	\$ 210,683	\$ 19,289	\$ 229,972
2025	216,550	13,591	230,141
2026	222,049	8,088	230,137
2027	187,171	2,542	189,713
Total	<u>\$ 836,453</u>	<u>\$ 43,510</u>	<u>\$ 879,963</u>

Leases Receivable

The City’s local finance fund leases building space to third parties, the terms of which expire through 2036, and the general fund leases land space and equipment to third parties, the terms of which expire between 2024 and 2044. The City recognized approximately \$71,000 of lease revenue and \$22,000 interest revenue during the current fiscal year related to the leases. As of September 30, 2023, the City’s local finance fund and general fund receivable for lease payments was \$288,195 and \$1,005,405, respectively, and the balance of the deferred inflow of resources was \$266,292 and \$975,144, respectively. The City recognized 256,798 in rental revenue for variable payments during the year.

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

The following is a schedule by year of receipts under the leases as of September 30, 2023:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 57,234	\$ 69,176	\$ 126,410
2025	58,980	67,418	126,398
2026	66,995	65,378	132,373
2027	73,927	63,023	136,950
2028	80,785	60,353	141,138
2029-2033	240,317	274,691	515,008
2034-2038	202,981	226,851	429,832
2039-2043	267,136	145,901	413,037
2044-2047	245,245	31,215	276,460
Total	<u>\$ 1,293,600</u>	<u>\$ 1,004,006</u>	<u>\$ 2,297,606</u>

Regulated Leases

Business-Type Activities

In accordance with GASB 87, the City does not recognize a lease receivable and a deferred inflow of resources for regulated leases in which the City is the lessor. Regulated leases are certain leases that are subject to external laws, regulation, or legal rulings, e.g., the U.S. Department of Transportation and the Federal Aviation Administration, between airports and air carriers and other aeronautical users. The City has regulated leases related to the City’s regional airport. These leases are for use of the land and structures owned by the City. The tenant constructs or improves, owns, and maintains all the improvements on the land. The leases allow access to the land for aeronautical use for private purposes and does not qualify as public use. At the end of the ground lease, the improvements revert to City ownership. The City had 13 leases during the year that had terms exceeding one year. The revenue recognized by the business-type activities for the regulated leases during the fiscal year ended September 30, 2023 was approximately \$850,000, approximately \$783,000 was related to variable lease payments received.

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

The future lease receipts for the City's regulated leases as of September 30, 2023 were as follows:

Fiscal Year Ending September 30,	Future Regulated Lease Receipts
2024	\$ 57,880
2025	57,880
2026	57,880
2027	57,880
2028	48,760
2029-2033	243,800
2034-2038	99,800
2039-2043	56,688
2044-2048	18,646
2049-2053	11,450
Total	\$ 710,664

Note 9: Subscription Liability

The City's general fund has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2028. During the fiscal year ended September 30, 2023, the City did not recognize any subscription expense for variable payments not previously included in the measurement of the subscription liability.

The following is a schedule by year of payments under the subscriptions as of September 30, 2023:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 364,792	\$ 15,368	\$ 380,160
2025	217,598	10,780	228,378
2026	222,303	7,218	229,521
2027	227,144	3,579	230,723
2028	204,049	273	204,322
Total	\$ 1,235,886	\$ 37,218	\$ 1,273,104

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

Note 10: 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. There were no general obligation bonds issued in the current year.
- 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. The City issued \$56,485,000 of tax-exempt Certificates, with a premium of \$3,919,526, in August 2023 for: (i) acquisition and installation of City information technology infrastructure and equipment; (ii) designing, engineering, developing, constructing, improving and repairing, extending and expanding 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, animal shelter facilities, composting facilities, and City fire stations, (iv) acquisition of equipment and vehicles for police, public works, fire, emergency services, 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 Tax-Exempt Certificates.
- Special Assessment bonds are issued to provide funds for improvements within the City's Public Improvement Districts (PIDs). There were four special assessment bonds issued in the current year for \$4,939,000 for the Heartland PID, with a discount of \$30,137, in April 2023 and \$33,425,000, \$7,000,000, and \$3,525,000, with a discount of \$84,261 and \$21,729 on the first and last issuances, for the Solterra PID in July 2023.
- 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. The City issued \$31,045,000 of Waterworks and Sewer System Revenue Bonds, with a premium of \$2,052,652, in August 2023 to: (i) provide funds for improvements, additions, and extension to the system; (ii) fund the additional amount required to be accumulated in the 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 municipal drainage utility system revenue bonds issued in the current year.

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

Governmental activities long-term bonded debt at September 30, 2023, includes the following individual issues:

Governmental Activities	Issued Amount	Interest Rate (%)	Maturity Date	Amount Outstanding	Due Within One Year
General Obligation Bonds-					
Series 2012 refunding	\$ 3,765,000	2.00-3.00	2/15/2024	\$ 525,000	\$ 525,000
Series 2013 refunding	7,635,000	2.00-3.00	2/15/2025	1,875,000	1,005,000
Series 2014 refunding	9,080,000	3.00-4.00	2/15/2026	2,655,000	1,050,000
Series 2015 refunding	2,935,000	2.00-4.00	2/15/2025	590,000	290,000
Series 2016 refunding & improvement	40,565,000	1.75-5.00	2/15/2036	25,685,000	2,320,000
Series 2017 refunding	7,600,000	2.50-5.00	2/15/2029	5,815,000	795,000
Series 2018 refunding & improvement	31,475,000	4.00-5.00	2/15/2038	23,075,000	1,175,000
Series 2019 refunding	27,685,000	2.00-3.00	2/15/2031	18,945,000	2,855,000
Series 2020	14,585,000	4.00-5.00	2/15/2040	13,295,000	520,000
Series 2022	15,700,000	4.50-5.00	2/15/2042	15,325,000	510,000
				<u>107,785,000</u>	<u>11,045,000</u>
Certificate of Obligation Bonds-					
Series 2012	7,235,000	2.00-3.375	2/15/2032	3,140,000	305,000
Series 2013	5,450,000	2.00-3.00	2/15/2033	1,435,000	125,000
Series 2014	9,715,000	3.00-4.00	2/15/2034	6,465,000	425,000
Series 2015	14,835,000	2.00-5.00	2/15/2035	8,490,000	900,000
Series 2016	11,815,000	2.00-5.00	2/15/2036	4,805,000	750,000
Series 2017	8,285,000	1.000-3.670	2/15/2037	3,090,000	90,000
Series 2018	16,050,000	4.00-5.00	2/15/2038	12,065,000	735,000
Series 2019	10,065,000	3.00-4.00	2/15/2039	6,110,000	470,000
Series 2020	10,360,000	4.00-5.00	2/15/2040	9,445,000	370,000
Series 2021	14,120,000	2.00-5.00	2/15/2041	9,935,000	905,000
Series 2021-T	1,885,000	0.35-2.72	2/15/2041	1,725,000	80,000
Series 2022A	24,185,000	4.00-5.00	2/15/2042	23,370,000	1,030,000
Series 2022B	5,105,000	4.00-5.00	2/15/2042	4,960,000	170,000
Series 2023	56,485,000	4.00-5.00	2/15/2043	56,485,000	4,790,000
				<u>151,520,000</u>	<u>11,145,000</u>
Special Assessment Bonds-					
Series 2018 - Heartland Phase 1	5,410,000	4.375-5.375	9/1/2048	5,120,000	105,000
Series 2018 - Heartland Phase 2	1,835,000	5.125-5.625	9/1/2048	1,725,000	40,000
Series 2019 - Iron Horse	10,050,000	6.5	9/15/2049	9,730,000	170,000
Series 2019 - Polo Ridge Phase 1	7,040,000	4.25-5.125	9/15/2048	6,650,000	140,000
Series 2019 - Polo Ridge Phases 2-6	7,500,000	5.125-6.125	9/15/2048	7,140,000	130,000
Series 2023 - Solterra A-1	33,425,000	4.750-5.750	9/1/2053	33,425,000	294,000
Series 2023 - Solterra C-1	7,000,000	4.625-5.625	9/1/2053	7,000,000	77,000
Series 2023 - Solterra C-2	3,525,000	4.625-5.670	9/1/2053	3,525,000	-
Series 2023 - Heartland Phase 2	4,939,000	4.625-5.670	9/1/2053	4,939,000	67,000
				<u>79,254,000</u>	<u>1,023,000</u>
Total governmental activities long-term bonded debt				338,559,000	23,213,000
Add: Net premium/discounts on bonds				16,914,132	-
Net governmental activities long-term bonded debt				<u>\$ 355,473,132</u>	<u>\$ 23,213,000</u>

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

Business-type activities long-term bonded debt at September 30, 2023, includes the following individual issues:

Business-type Activities	Issued Amount	Interest Rate (%)	Maturity Date	Amount Outstanding	Due Within One Year
Water and Sewer Revenue Bonds-					
Series 2012 refunding and improvements	\$ 7,945,000	2.00-3.375	3/1/2032	\$ 2,765,000	\$ 545,000
Series 2013 refunding and improvements	7,090,000	2.00-3.25	3/1/2033	3,100,000	340,000
Series 2014 refunding and improvements	11,655,000	3.00-4.00	3/1/2034	5,575,000	1,100,000
Series 2015 refunding and improvements	10,325,000	2.00-5.00	3/1/2035	4,545,000	460,000
Series 2016 refunding and improvements	15,785,000	2.00-5.00	3/1/2036	8,610,000	1,055,000
Series 2017 refunding and improvements	12,555,000	2.00-5.00	3/1/2037	9,260,000	760,000
Series 2018 refunding and improvements	8,920,000	4.00-5.00	3/1/2038	7,010,000	445,000
Series 2019 improvements	15,260,000	3.00-5.00	3/1/2039	13,150,000	605,000
Series 2019A refunding	9,035,000	2.00-3.00	3/1/2031	6,230,000	760,000
Series 2020 improvements	19,430,000	4.00-5.00	3/1/2040	17,745,000	695,000
Series 2021 improvements	26,520,000	2.00-4.00	3/1/2041	24,420,000	1,180,000
Series 2022 improvements	33,785,000	5.00-5.00	3/1/2042	32,920,000	1,245,000
Series 2023	31,045,000	4.00-5.00	3/1/2043	31,045,000	930,000
				<u>166,375,000</u>	<u>10,120,000</u>
Drainage Utility System Revenue Bonds-					
Series 2019 improvements	7,910,000	2.00-4.00	3/1/2039	6,795,000	320,000
Series 2022 improvements	3,715,000	5.00-5.00	3/1/2042	3,640,000	120,000
				<u>10,435,000</u>	<u>440,000</u>
Total business-type activities long-term debt				176,810,000	10,560,000
Add: Net premium/discounts on bonds				<u>12,350,310</u>	<u>-</u>
Net business-type activities long-term debt				<u>\$ 189,160,310</u>	<u>\$ 10,560,000</u>

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

Fiscal Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 23,213,000	\$ 15,153,886	\$ 10,560,000	\$ 7,176,915
2025	20,296,000	14,153,464	10,435,000	6,737,831
2026	19,867,000	13,284,587	10,630,000	6,273,731
2027	18,534,000	12,447,032	10,415,000	5,803,756
2028	18,942,000	11,661,643	10,350,000	5,342,009
2029-2033	71,139,000	46,709,395	50,545,000	20,149,756
2034-2038	74,338,000	28,923,190	47,865,000	9,898,325
2039-2043	56,136,000	15,686,951	26,010,000	2,187,881
2044-2048	20,550,000	8,048,248	-	-
2049-2053	15,544,000	2,610,179	-	-
Total	<u>\$ 338,559,000</u>	<u>\$ 168,678,575</u>	<u>\$ 176,810,000</u>	<u>\$ 63,570,204</u>

City of Mesquite, Texas

Notes to Financial Statements

September 30, 2023

Pledged Revenues

The following is a summary of pledged revenues of the City for the year ended September 30, 2023:

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	\$ 31,011,207	\$ 14,523,397	46.8%	\$ 226,047,904	Until 2043
Drainage Utility System Revenue Bonds	Net revenues of the City's drainage utility system	3,540,676	839,543	23.7%	14,332,300	Until 2042
Special Assessment Bonds	Assessments levied against assessable properties in the Districts	2,917,123	2,367,362	81.2%	150,314,760	Until 2053

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, 2023 was as follows:

	Beginning Balance as Restated*	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Bonds Payable:					
General obligation bonds	\$ 118,710,000	\$ -	\$ 10,925,000	\$ 107,785,000	\$ 11,045,000
Certificates of obligation	101,225,000	56,485,000	6,190,000	151,520,000	11,145,000
Special assessment bonds	30,930,000	48,889,000	565,000	79,254,000	1,023,000
Total bonds payable	<u>250,865,000</u>	<u>105,374,000</u>	<u>17,680,000</u>	<u>338,559,000</u>	<u>23,213,000</u>
Add: net premium or discount	15,042,845	3,919,526	2,048,239	16,914,132	-
Net bonds payable	<u>265,907,845</u>	<u>109,293,526</u>	<u>19,728,239</u>	<u>355,473,132</u>	<u>23,213,000</u>
Lease obligations	343,957	44,645	157,748	230,854	127,456
SBITA obligations	1,424,140	194,394	382,648	1,235,886	364,792
Accrued compensated absences	19,829,969	8,732,304	7,824,952	20,737,321	7,962,017
Estimated claims payable	3,625,152	16,860,184	17,506,231	2,979,105	1,479,850
	<u>\$ 291,131,063</u>	<u>\$ 135,125,053</u>	<u>\$ 45,599,818</u>	<u>\$ 380,656,298</u>	<u>\$ 33,147,115</u>
BUSINESS-TYPE ACTIVITIES:					
Bonds Payable:					
Revenue bonds - water/sewer	\$ 143,855,000	\$ 31,045,000	\$ 8,525,000	\$ 166,375,000	\$ 10,120,000
Revenue bonds - drainage	10,820,000	-	385,000	10,435,000	440,000
Total revenue bonds payable	<u>154,675,000</u>	<u>31,045,000</u>	<u>8,910,000</u>	<u>176,810,000</u>	<u>10,560,000</u>
Add: net premium or discount	11,650,904	2,052,652	1,353,246	12,350,310	-
Net revenue bonds payable	<u>166,325,904</u>	<u>33,097,652</u>	<u>10,263,246</u>	<u>189,160,310</u>	<u>10,560,000</u>
Lease obligations	278,813	739,200	181,560	836,453	210,683
Accrued compensated absences	990,736	1,396,358	1,305,377	1,081,717	255,047
	<u>\$ 167,595,453</u>	<u>\$ 35,233,210</u>	<u>\$ 11,750,183</u>	<u>\$ 191,078,480</u>	<u>\$ 11,025,730</u>

* Restated for the effects of the adoption of GASB 96

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

Note 11: Retirement Plans

Texas Municipal Retirement System (TMRS)

Plan Description

The City participates as one of over 900 plans in the defined benefit cash balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan 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 issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	950
Inactive employees entitled to but not yet receiving benefits	608
Active employees	1,146
	2,704

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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 17.68% and 17.42% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$17,989,932, and were equal to the actuarially required contributions.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2022, 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, 2022 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 are 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
	<u>100.00%</u>	

Discount Rate

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

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Changes in the Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at September 30, 2022	\$ 638,825,557	\$ 548,670,448	\$ 90,155,109
Changes for the year:			
Service cost	14,760,055	-	14,760,055
Interest (on the total pension liability)	42,462,653	-	42,462,653
Difference between expected and actual experience	7,427,828	-	7,427,828
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(34,258,490)	(34,258,490)	-
Administrative expense	-	(346,577)	346,577
Contributions - member	-	6,028,927	(6,028,927)
Contributions - employer	-	16,361,781	(16,361,781)
Net investment income	-	(39,989,027)	39,989,027
Other	-	413,570	(413,570)
Net Changes	<u>30,392,046</u>	<u>(51,789,816)</u>	<u>82,181,862</u>
Balance at September 30, 2023	<u>\$ 669,217,603</u>	<u>\$ 496,880,632</u>	<u>\$ 172,336,971</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%).

	<u>1% Decrease 5.75%</u>	<u>Current Rate Assumption 6.75%</u>	<u>1% Increase 7.75%</u>
Discount rate	\$ 260,141,723	\$ 172,336,971	\$ 99,692,022

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.

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

For the year ended September 30, 2023, the City recognized pension expense of \$26,619,661.

At September 30, 2023, 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	\$ 10,798,201	\$ 648,681
Difference between projected and actual investment earnings on pension plan investments	34,176,454	-
Changes in assumptions	49,468	-
Employer contributions subsequent to the measurement date	<u>14,054,314</u>	<u>-</u>
	<u>\$ 59,078,437</u>	<u>\$ 648,681</u>

\$14,054,314 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2024	\$ 4,574,853
2025	11,716,368
2026	11,973,559
2027	<u>16,110,662</u>
	<u>\$ 44,375,442</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 water and sewer fund, drainage utility district fund, municipal airport fund, and municipal golf course fund.

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Deferred Compensation Plan

The City offers its employees a defined contribution, deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan is administered by Lincoln National Life Insurance Company. Benefit provisions are contained in the plan document and were established and can be amended by the action of City Council. All assets and income are held in trust by Wilmington Trust Company for the exclusive benefit of participants and their beneficiaries; therefore, it is not reported in the financial statements of the City.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City does not contribute to the plan.

Note 12: 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 (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 (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 \$26.23 million for the fiscal year ended September 30, 2023.

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, 2023, was approximately \$12.89 million.

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Note 13: 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 2022 by \$562,907 and in fiscal year 2023 by \$44,864.

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 \$730,223 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 2022 and 2023 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2022	\$ 1,513,234	\$ 13,725,303	\$ 14,380,790	\$ 857,747
2023	\$ 857,747	\$ 15,460,905	\$ 15,588,429	\$ 730,223

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 \$1,000,000 limit on coverage
- \$100,000 retention for each auto catastrophe claim and a \$10,000,000 limit on coverage
- \$50,000 retention for each law enforcement claim and a \$5,000,000 limit on coverage with a \$10,000,000 annual aggregate
- \$50,000 retention for each general liability claim and a \$1,000,000 limit on coverage with a \$2,000,000 annual aggregate
- \$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
- \$5,000 retention for each error and omission claim with an aggregate \$250,000 limit per 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.

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The estimated claims payable of \$2,248,882 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 2022 and 2023 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2022	\$ 3,147,226	\$ 1,739,479	\$ 2,119,300	\$ 2,767,405
2023	\$ 2,767,405	\$ 1,399,279	\$ 1,917,802	\$ 2,248,882

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 14: Other Postemployment Benefits (OPEB)

Plan Description

In addition to the pension benefits described in *Note 11*, 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

Healthcare benefits provided to retired employees and their dependents are 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 aged 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.

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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.

Employees Covered by Benefit Terms

At the September 30, 2022 actuarial valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	341
Inactive employees entitled to but not yet receiving benefits	-
Active employees	1,057
	1,398

Total OPEB Liability

The City's total OPEB liability of \$30,994,233 was measured as of September 30, 2023 and was determined by an actuarial valuation as of September 30, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability measured as of September 30, 2023 determined by an actuarial valuation as of September 30, 2022, 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%, including inflation
Discount rate	4.63%
Prior year discount rate	4.40%
Healthcare cost trend rates - pre-65	6.75% for 2023, decreasing annually, to an ultimate rate of 4.14% for 2078 and later years
Healthcare cost trend rates - post-65	No increases are assumed. All premium increases are assumed to be paid by retirees.
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 4.63% was based on the September 30, 2023, Fidelity General Obligation AA 20-Year Yield. The prior year discount rate was 4.40%, 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-2021 for males or females, as appropriate.

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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-2021 for males or females, as appropriate.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of October 1, 2022	\$ 31,557,573
Changes for the year	
Service cost	533,890
Interest	1,382,919
Differences between expected and actual experience	(135,173)
Changes in assumptions/inputs	(979,162)
Benefit payments	<u>(1,365,814)</u>
Net changes	<u>(563,340)</u>
 Balance at September 30, 2023	 <u>\$ 30,994,233</u>

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.63%) or 1-percentage-point higher (5.63%) than the current discount rate:

1% Decrease (3.63%)	Discount Rate (4.63%)	1% Increase (5.63%)
\$ 33,875,138	\$ 30,994,233	\$ 28,480,301

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

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

1% Decrease	Healthcare Cost Trend	1% Increase
\$ 28,562,268	\$ 30,994,233	\$ 33,781,918

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OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2023, the City recognized OPEB expense of \$8,947. At September 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 308,099	\$ 112,644
Changes in assumptions	-	3,792,085
	\$ 308,099	\$ 3,904,729

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

Year Ended September 30,			
2024		\$ (2,853,741)	
2025		(185,723)	
2026		(185,723)	
2027		(185,723)	
2028		(185,720)	
Total		\$ (3,596,630)	

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 water and sewer fund, drainage utility district fund, municipal airport fund, and municipal golf course fund.

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Note 15: 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	\$ 126,063
4B	237,120
Confiscated - State	90,888
Confiscated - Federal	384,543
Grants	84,357
Grants - Disasters	1,042,503
Citizen Contribution 50/50 Program	94,476
TIRZ 2 Town Centre	301,858
TIRZ 14 Alcott Logistics	23,200
Local Finance	318,325
Bond Finance	41,999,597
Water/Sewer	9,612,169
Drainage Utility District	1,129,082
Airport	380,497
Golf	124,808
Group Medical Insurance	3,000
General Liability	250,459
	\$ 56,202,945

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. No rebate liability was due to the federal government as of the last computation date.

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. 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, 2023, is as follows.

Series	Mesquite Health Facilities Corporation
2014	\$ 29,485,000
2016	21,315,000
Total	\$ 50,800,000

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 (District) and Kingsborough Municipal Utility District Nos. 1, 2, 3, 4, and 5 (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.

Note 16: 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.

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

Description	General Fund	Local Finance	Bond Finance	Debt Service	Other Grants	Nonmajor Governmental Funds	Total Governmental Funds
NONSPENDABLE:							
Prepays	\$ 1,313,374	\$ -	\$ -	\$ -	\$ -	\$ 48,465	\$ 1,361,839
Inventory	1,307,121	-	-	-	-	-	1,307,121
Long-term note receivable	804,560	832,814	-	-	-	-	1,637,374
Total Nonspendable	3,425,055	832,814	-	-	-	48,465	4,306,334
RESTRICTED:							
Debt service	-	-	-	3,653,715	-	-	3,653,715
Housing and community services	-	-	-	-	73,244	2,693,218	2,766,462
Other grant programs	-	-	-	-	702,725	-	702,725
4B sales tax projects	-	-	-	-	-	17,574,410	17,574,410
Promotion of tourism	-	-	-	-	-	2,594,746	2,594,746
Law enforcement	-	-	-	-	-	2,625,361	2,625,361
Capital projects	-	-	89,388,051	-	-	-	89,388,051
Community access projects	-	-	-	-	-	677,854	677,854
Road surface repairs	-	8,117,397	-	-	-	-	8,117,397
Tax Increment Financing Districts	-	6,423,678	-	-	-	-	6,423,678
Public Improvement Districts	-	9,791,000	-	-	-	-	9,791,000
Hike and Bike Trail	-	43,232	-	-	-	-	43,232
Developer's deposits	-	1,676,386	-	-	-	-	1,676,386
Capital replacement	-	700,966	-	-	-	-	700,966
Citizen 50/50 plan and parks improvement	-	-	-	-	-	162,623	162,623
Local finance capital projects	-	421,764	-	-	-	-	421,764
Public safety, notification, & technology improvement	-	-	-	-	-	1,307,972	1,307,972
Total Restricted	-	27,174,423	89,388,051	3,653,715	775,969	27,636,184	148,628,342
ASSIGNED:							
Other general government	126,063	-	-	-	-	-	126,063
Other local finance capital projects	-	20,815,883	-	-	-	-	20,815,883
Other special revenue	-	-	-	-	-	801,041	801,041
Total Assigned	126,063	20,815,883	-	-	-	801,041	21,742,987
UNASSIGNED							
	31,727,007	-	-	-	-	-	31,727,007
Total Fund Balances	\$ 35,278,125	\$ 48,823,120	\$ 89,388,051	\$ 3,653,715	\$ 775,969	\$ 28,485,690	\$ 206,404,670

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2023

Note 17: Tax Abatement Disclosures

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

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

For the fiscal year ended September 30, 2023, the City of Mesquite had twenty economic development agreements that included sales and/or property tax abatement provisions. In total, \$156,770 in sales tax and \$812,937 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 reimburse roadway impact fees for development of a 112,850 square foot self-storage facility, 168 unit age-restricted single family rental community, and offsite infrastructure improvements.
- The City has agreed to convey approximately 3 acres of land for development of a utility substation to meet increased demand for power and ensure continued electrical service reliability in the fast-growing southeastern part of the City, which will promote local economic development and stimulate business and commercial activity in the area.
- The City has agreed to convey approximately 34 acres of land for development of a commercial and/or retail facility requiring a capital investment of \$15 million and measuring at least 15,000 square feet.

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Required Supplementary Information (Unaudited)

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

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

Other Information:

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

For the 2019 valuation actuarial studies were updated through December 31, 2018.

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>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 12,586,575	\$ 12,997,794	\$ 13,645,453	\$ 14,316,113	\$ 14,760,055
36,211,912	37,502,061	39,075,390	40,422,535	42,462,653
(2,963,966)	572,628	(1,726,074)	8,784,694	7,427,828
-	276,896	-	-	-
<u>(27,084,928)</u>	<u>(26,768,688)</u>	<u>(29,960,583)</u>	<u>(32,784,202)</u>	<u>(34,258,490)</u>
18,749,593	24,580,691	21,034,186	30,739,140	30,392,046
<u>543,721,947</u>	<u>562,471,540</u>	<u>587,052,231</u>	<u>608,086,417</u>	<u>638,825,557</u>
<u>562,471,540</u>	<u>587,052,231</u>	<u>608,086,417</u>	<u>638,825,557</u>	<u>669,217,603</u>
10,072,245	12,712,890	15,701,042	15,101,244	16,361,781
5,222,645	5,390,080	5,559,847	5,846,721	6,028,927
(13,163,050)	64,021,550	35,598,854	64,614,181	(39,989,027)
<u>(27,084,928)</u>	<u>(26,768,688)</u>	<u>(29,960,583)</u>	<u>(32,784,202)</u>	<u>(34,258,490)</u>
<u>(254,593)</u>	<u>(362,128)</u>	<u>(230,619)</u>	<u>(299,297)</u>	<u>(346,577)</u>
<u>(13,301)</u>	<u>(10,878)</u>	<u>(8,998)</u>	<u>2,049</u>	<u>413,570</u>
<u>(25,220,982)</u>	<u>54,982,826</u>	<u>26,659,543</u>	<u>52,480,696</u>	<u>(51,789,816)</u>
<u>439,768,365</u>	<u>414,547,383</u>	<u>469,530,209</u>	<u>496,189,752</u>	<u>548,670,448</u>
<u>414,547,383</u>	<u>469,530,209</u>	<u>496,189,752</u>	<u>548,670,448</u>	<u>496,880,632</u>
<u>\$ 147,924,157</u>	<u>\$ 117,522,022</u>	<u>\$ 111,896,665</u>	<u>\$ 90,155,109</u>	<u>\$ 172,336,971</u>
73.70%	79.98%	81.60%	85.89%	74.25%
\$ 74,609,215	\$ 77,001,149	\$ 79,426,386	\$ 83,524,582	\$ 86,114,671
198.27%	152.62%	140.88%	107.94%	200.12%

City of Mesquite, Texas

Schedule of Employer Contributions

Texas Municipal Retirement System (TMRS)

Fiscal Year Ended September 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 7,094,555	\$ 7,128,122	\$ 8,324,268	\$ 9,712,228	\$ 11,983,043	\$ 13,357,350	\$ 14,936,043	\$ 16,424,780	\$ 17,989,932
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>	<u>16,936,043</u>	<u>16,424,780</u>	<u>17,989,932</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,000,000)</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	\$ 85,188,559	\$ 92,951,624	\$ 102,939,468
Contributions as a percentage of covered payroll	10.67%	10.38%	11.77%	13.18%	15.70%	15.38%	19.88%	17.67%	17.48%

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 23 years
 Asset Valuation Method 10 Year smoothed market; 12% soft corridor
 Inflation 2.50%
 Salary Increases 3.50% to 11.5%, 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 2019 valuation pursuant to an experience study of the period 2014 - 2018
 Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP
 Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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	2021	2022	2023
TOTAL OPEB LIABILITY:						
Service cost	\$ 748,034	\$ 770,475	\$ 909,005	\$ 1,005,581	\$ 879,226	\$ 533,890
Interest (on the Total OPEB Liability)	1,349,945	969,513	896,300	866,914	857,976	1,382,919
Difference between expected and actual experience	(674,886)	(2,617,929)	(5,978,499)	1,666,631	924,298	(135,173)
Change in assumptions	-	4,251,618	4,786,230	1,171,007	(8,928,353)	(979,162)
Benefit payments	(1,906,839)	(928,850)	(2,160,396)	(1,700,850)	(1,050,563)	(1,365,814)
NET CHANGE IN TOTAL OPEB LIABILITY	(483,746)	2,444,827	(1,547,360)	3,009,283	(7,317,416)	(563,340)
TOTAL OPEB LIABILITY - BEGINNING	35,451,985	34,968,239	37,413,066	35,865,706	38,874,989	31,557,573
TOTAL OPEB LIABILITY - ENDING	\$ 34,968,239	\$ 37,413,066	\$ 35,865,706	\$ 38,874,989	\$ 31,557,573	\$ 30,994,233
COVERED EMPLOYEE PAYROLL	\$ 64,280,893	\$ 66,209,320	\$ 67,962,447	\$ 70,001,320	\$ 74,955,604	\$ 77,204,272
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	54.40%	56.51%	52.77%	55.53%	42.10%	40.15%

Notes to Schedule:

Changes of Benefit Terms:
Changes of Assumptions:

None

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%
2021	2.19%
2022	4.40%
2023	4.63%

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
2021 - 2023	PubG.H-2010 (general) and PubS.H-2010 (public safety) Employee and Healthy Retiree Generational with MP-2021

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75.

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 (Unaudited)

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City of Mesquite, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget
and Actual – Debt Service Fund
Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ 8,000	\$ 188,000	\$ 249,383	\$ 61,383
Total Revenues	<u>8,000</u>	<u>188,000</u>	<u>249,383</u>	<u>61,383</u>
EXPENDITURES:				
Debt service				
Principal	18,975,000	18,975,000	17,115,000	1,860,000
Interest and fiscal charges	9,062,460	9,062,460	9,038,880	23,580
Other expenditures	<u>11,000</u>	<u>11,000</u>	<u>13,500</u>	<u>(2,500)</u>
Total Expenditures	<u>28,048,460</u>	<u>28,048,460</u>	<u>26,167,380</u>	<u>1,881,080</u>
Excess of Revenues Over Expenditures	<u>(28,040,460)</u>	<u>(27,860,460)</u>	<u>(25,917,997)</u>	<u>1,942,463</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	28,051,400	28,096,350	28,096,530	180
Transfer out	<u>-</u>	<u>-</u>	<u>(42)</u>	<u>(42)</u>
Total Other Financing Sources (Uses)	<u>28,051,400</u>	<u>28,096,350</u>	<u>28,096,488</u>	<u>138</u>
NET CHANGE IN FUND BALANCE	<u>\$ 10,940</u>	<u>\$ 235,890</u>	2,178,491	<u>\$ 1,942,601</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,475,224</u>	
FUND BALANCE - END OF YEAR			<u>\$ 3,653,715</u>	

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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 nonmajor special revenue 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 Special Revenue Funds - to account for other miscellaneous nonmajor special revenue activities including 9-1-1 emergency service, court technology, recreation user programs, donation accounts, and blended component unit activities related to preserving historic City-owned properties and activities related to City initiatives to preserve the beauty of the City.
- 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).

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City of Mesquite, Texas
Combining Balance Sheet – Nonmajor Governmental Funds
September 30, 2023

	Hotel/Motel Tax	Confiscated Drug	Mesquite Quality of Life Corporation (4B Sales Tax)	Other Special Revenue	Housing Grants	Total Nonmajor Governmental Funds
ASSETS:						
Pooled cash and investments	\$ 2,649,806	\$ 1,525,041	\$ 15,966,205	\$ 3,901,062	\$ 2,688,249	\$ 26,730,363
Receivables (net of allowance for uncollectibles):						
Accounts receivable	-	-	-	23,388	154,611	177,999
Other taxes receivable	-	-	-	41,664	-	41,664
Intergovernmental	22	195,485	2,649,569	-	-	2,845,076
Prepays and other assets	-	9,498	832	-	38,135	48,465
Accrued interest	2,985	3,179	20,936	4,258	3,396	34,754
Total Assets	\$ 2,652,813	\$ 1,733,203	\$ 18,637,542	\$ 3,970,372	\$2,884,391	\$ 29,878,321
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ 58,067	\$ 41,852	\$ 1,022,752	\$ 24,675	\$ 29,686	\$ 1,177,032
Retainage payable	-	-	39,548	3,185	-	42,733
Due to other funds	-	-	-	18,255	-	18,255
Total Liabilities	58,067	41,852	1,062,300	46,115	29,686	1,238,020
Deferred Inflows of Resources						
Unavailable revenue	-	-	-	-	154,611	154,611
Fund Balances:						
Nonspendable	-	9,498	832	-	38,135	48,465
Restricted	2,594,746	1,681,853	17,574,410	3,123,216	2,661,959	27,636,184
Assigned	-	-	-	801,041	-	801,041
Total Fund Balances	2,594,746	1,691,351	17,575,242	3,924,257	2,700,094	28,485,690
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,652,813	\$ 1,733,203	\$ 18,637,542	\$ 3,970,372	\$ 2,884,391	\$ 29,878,321

City of Mesquite, Texas
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended September 30, 2023

	Hotel/Motel Tax	Confiscated Drug	Mesquite Quality of Life Corporation (4B Sales Tax)	Other Special Revenue	Housing Grants	Total Nonmajor Governmental Funds
REVENUES:						
Sales tax	\$ 1,869,818	\$ -	\$ 15,297,927	\$ 179,948	\$ -	\$ 17,347,693
Licenses and permits	-	-	-	512,800	-	512,800
Fines and forfeitures	-	1,062,362	-	266,938	-	1,329,300
Investment income	106,877	108,679	513,061	106,956	114,723	950,296
Charges for services	-	-	-	1,032,583	-	1,032,583
Intergovernmental	-	-	-	-	19,118,051	19,118,051
Contributions and donations	-	-	-	283,165	-	283,165
Other revenues	-	-	-	267,230	38,688	305,918
Total Revenues	1,976,695	1,171,041	15,810,988	2,649,620	19,271,462	40,879,806
EXPENDITURES:						
Current-						
General government	1,348,588	-	417,000	321,323	-	2,086,911
Fire services	-	-	5,449	1,806	-	7,255
Police services	-	886,274	-	251,143	-	1,137,417
Public works	-	-	117,223	88,754	-	205,977
Planning and community development	211,304	-	-	185,114	-	396,418
Library services	-	-	-	4,577	-	4,577
Parks and recreation	-	-	6,217,015	25,300	-	6,242,315
Housing and community services	-	-	-	114,341	19,059,663	19,174,004
Debt Service						
Principal	-	52,028	-	-	-	52,028
Interest and fiscal charges	-	1,279	-	-	-	1,279
Capital outlay	-	76,634	2,143,365	-	53,006	2,273,005
Total Expenditures	1,559,892	1,016,215	8,900,052	992,358	19,112,669	31,581,186
Excess of Revenues Over Expenditures	416,803	154,826	6,910,936	1,657,262	158,793	9,298,620
OTHER FINANCING USES:						
Transfers in	-	-	-	706,151	-	706,151
Transfers out	(398,890)	-	(2,334,760)	(970,000)	-	(3,703,650)
Total Other Financing Uses	(398,890)	-	(2,334,760)	(263,849)	-	(2,997,499)
NET CHANGE IN FUND BALANCES	17,913	154,826	4,576,176	1,393,413	158,793	6,301,121
FUND BALANCES, BEGINNING	2,576,833	1,536,525	12,999,066	2,530,844	2,541,301	22,184,569
FUND BALANCES, ENDING	\$ 2,594,746	\$ 1,691,351	\$ 17,575,242	\$ 3,924,257	\$ 2,700,094	\$ 28,485,690

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, 2023
With Comparative Actual Totals for Year Ended September 30, 2022

	2023				2022 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final			
REVENUES:					
Hotel/Motel Sales Tax	\$ 1,900,000	\$ 1,900,000	\$ 1,869,818	\$ (30,182)	\$ 1,801,616
Investment income (loss)	6,000	75,000	106,877	31,877	(5,937)
Total Revenues	1,906,000	1,975,000	1,976,695	1,695	1,795,679
EXPENDITURES:					
Current					
General government	1,658,710	1,550,070	1,348,588	201,482	1,095,332
Planning and community development	247,290	225,710	211,304	14,406	213,167
Total Expenditures	1,906,000	1,775,780	1,559,892	215,888	1,308,499
EXCESS (DEFICIENCIES) OF REVENUES OVER (UNDER) EXPENDITURES	-	199,220	416,803	217,583	487,180
OTHER FINANCING USES:					
Transfers out	(398,890)	(398,890)	(398,890)	-	(5,400)
Total Other Financing Uses	(398,890)	(398,890)	(398,890)	-	(5,400)
NET CHANGE IN FUND BALANCE	\$ (398,890)	\$ (199,670)	17,913	\$ 217,583	481,780
FUND BALANCE - BEGINNING OF YEAR			2,576,833		2,095,053
FUND BALANCE - END OF YEAR			\$ 2,594,746		\$ 2,576,833

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, 2023
With Comparative Actual Totals for Year Ended September 30, 2022

	2023				2022 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final			
REVENUES:					
Fines and forfeitures	\$ 200,000	\$ 562,000	\$ 1,062,362	\$ 500,362	\$ 1,411,015
Investment income (loss)	7,500	77,000	108,679	31,679	(1,976)
Other revenues	-	26,000	-	(26,000)	-
Total Revenues	207,500	665,000	1,171,041	506,041	1,409,039
EXPENDITURES:					
Police services	531,100	782,010	886,274	(104,264)	1,174,268
Debt Service					
Principal			52,028	(52,028)	51,636
Interest and fiscal charges			1,279	(1,279)	1,829
Capital outlay	-	820,020	76,634	743,386	623,721
Total Expenditures	531,100	1,602,030	1,016,215	585,815	1,851,454
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(323,600)	(937,030)	154,826	1,091,856	(442,415)
OTHER FINANCING USES:					
Sale of capital assets	-	-	-	-	2,000
Total Other Financing Uses	-	-	-	-	2,000
NET CHANGE IN FUND BALANCE	\$ (323,600)	\$ (937,030)	154,826	\$ 1,091,856	(440,415)
FUND BALANCE - BEGINNING OF YEAR			1,536,525		1,976,940
FUND BALANCE - END OF YEAR			\$ 1,691,351		\$ 1,536,525

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, 2023
With Comparative Actual Totals for Year Ended September 30, 2022

	2023				2022 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final			
REVENUES:					
Sales tax	\$ 13,900,000	\$ 14,865,000	\$ 15,297,927	\$ 432,927	\$ 14,455,658
Investment income (loss)	7,500	320,000	513,061	193,061	(27,909)
Intergovernmental	-	-	-	-	-
Contributions and donations	-	-	-	-	-
Other revenues	-	50,000	-	(50,000)	2,475,395
	<u>13,907,500</u>	<u>15,235,000</u>	<u>15,810,988</u>	<u>575,988</u>	<u>16,903,144</u>
EXPENDITURES:					
Current-					
General government	417,000	417,000	417,000	-	378,443
Fire services	-	165,000	5,449	159,551	-
Public works	-	-	117,223	(117,223)	129,906
Parks and recreation	8,401,700	15,403,981	6,217,015	9,186,966	6,508,410
Capital outlay	397,000	2,318,019	2,143,365	174,654	1,676,057
	<u>9,215,700</u>	<u>18,304,000</u>	<u>8,900,052</u>	<u>9,403,948</u>	<u>8,692,816</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,691,800</u>	<u>(3,069,000)</u>	<u>6,910,936</u>	<u>9,979,936</u>	<u>8,210,328</u>
OTHER FINANCING USES:					
Transfers Out	(1,384,760)	(2,334,760)	(2,334,760)	-	(1,376,090)
	<u>(1,384,760)</u>	<u>(2,334,760)</u>	<u>(2,334,760)</u>	<u>-</u>	<u>(1,376,090)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 3,307,040</u>	<u>\$ (5,403,760)</u>	4,576,176	<u>\$ 9,979,936</u>	6,834,238
FUND BALANCE AT BEGINNING OF YEAR			12,999,066		6,164,828
FUND BALANCE AT END OF YEAR			<u>\$ 17,575,242</u>		<u>\$ 12,999,066</u>

City of Mesquite, Texas

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

Year Ended September 30, 2023

With Comparative Actual Totals for Year Ended September 30, 2022

	2023				2022 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final			
REVENUES:					
Investment income (loss)	\$ 5,500	\$ 82,000	\$ 114,723	\$ 32,723	\$ (4,120)
Intergovernmental	16,863,000	20,866,010	19,118,051	(1,747,959)	17,733,203
Other revenues	-	-	38,688	38,688	81,338
Total Revenues	16,868,500	20,948,010	19,271,462	(1,676,548)	17,810,421
EXPENDITURES:					
Housing and community services	16,843,390	20,648,490	19,059,663	1,588,827	17,435,541
Capital Outlay	-	-	53,006	(53,006)	-
Total Expenditures	16,843,390	20,648,490	19,112,669	1,535,821	17,435,541
NET CHANGE IN FUND BALANCE	\$ 25,110	\$ 299,520	158,793	\$ (140,727)	374,880
FUND BALANCE AT BEGINNING OF YEAR			2,541,301		2,166,421
FUND BALANCE AT END OF YEAR			\$ 2,700,094		\$ 2,541,301

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 funds are used to account for any activity for which external users are charged a fee for goods and services.

The following are the City's two nonmajor 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 Course 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, 2023

	<u>Municipal Airport</u>	<u>Municipal Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS:			
Current Assets:			
Pooled cash and investments	\$ 154,587	\$ 1,118,136	\$ 1,272,723
Receivables (net of allowance for uncollectibles)	35,544	68,312	103,856
Inventory	63,860	6,038	69,898
Accrued interest	816	2,015	2,831
Total current assets	<u>254,807</u>	<u>1,194,501</u>	<u>1,449,308</u>
Noncurrent Assets:			
Capital and lease assets-			
Land and construction in progress	9,755,019	1,655,712	11,410,731
Other capital assets (net of accumulated depreciation/amortization)	6,917,734	1,846,287	8,764,021
Total noncurrent assets	<u>16,672,753</u>	<u>3,501,999</u>	<u>20,174,752</u>
Total Assets	<u>16,927,560</u>	<u>4,696,500</u>	<u>21,624,060</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred pension contributions	70,272	70,272	140,544
Difference in investment earnings - pension	170,882	170,882	341,764
Difference in expected and actual experience - OPEB	1,540	1,540	3,080
Difference in assumption changes - pension	247	247	494
Difference in projected and actual earnings on pension assets	53,991	53,991	107,982
Total Deferred Outflows of Resources	<u>296,932</u>	<u>296,932</u>	<u>593,864</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	47,714	101,109	148,823
Accrued interest payable	-	1,193	1,193
Due to other funds	50,000	-	50,000
Retainage payable	16,969	-	16,969
Deposits and other liabilities	63,006	-	63,006
Lease liability	34,056	123,368	157,424
Total other postemployment benefit liability	6,862	6,862	13,724
Total current liabilities	<u>218,607</u>	<u>232,532</u>	<u>451,139</u>
Noncurrent Liabilities:			
Lease liability	74,538	380,488	455,026
Accrued compensated absences	29,509	159,834	189,343
Total other postemployment benefit liability	148,111	148,111	296,222
Net pension liability	861,685	861,686	1,723,371
Total noncurrent liabilities	<u>1,113,843</u>	<u>1,550,119</u>	<u>2,663,962</u>
Total Liabilities	<u>1,332,450</u>	<u>1,782,651</u>	<u>3,115,101</u>
DEFERRED INFLOWS OF RESOURCES:			
Difference in expected and actual experience - pension	3,243	3,243	6,486
Difference in expected and actual experience - OPEB	563	563	1,126
Difference in assumptions - OPEB	18,960	18,960	37,920
Total Deferred Inflows of Resources	<u>22,766</u>	<u>22,766</u>	<u>45,532</u>
NET POSITION:			
Net investment in capital assets	16,547,190	2,998,143	19,545,333
Unrestricted	<u>(677,914)</u>	<u>189,872</u>	<u>(488,042)</u>
Total Net Position	<u>\$ 15,869,276</u>	<u>\$ 3,188,015</u>	<u>\$ 19,057,291</u>

City of Mesquite, Texas
Combining Statement of Revenues, Expenses, and Changes in Net Position –
Nonmajor Enterprise Funds
Year Ended September 30, 2023

	<u>Municipal Airport</u>	<u>Municipal Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
OPERATING REVENUES:			
Customer charges	\$ 2,855,285	\$ 1,530,861	\$ 4,386,146
Total Operating Revenues	<u>2,855,285</u>	<u>1,530,861</u>	<u>4,386,146</u>
OPERATING EXPENSES:			
Personnel services	789,262	878,013	1,667,275
Supplies	1,448,437	178,537	1,626,974
Contractual services	347,830	354,863	702,693
Depreciation and amortization	514,782	202,141	716,923
Total Operating Expenses	<u>3,100,311</u>	<u>1,613,554</u>	<u>4,713,865</u>
Operating Loss	<u>(245,026)</u>	<u>(82,693)</u>	<u>(327,719)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	25,006	13,500	38,506
Gain on sale of capital assets	1,717	-	1,717
Other nonoperating income	50,000	-	50,000
Interest expense and fiscal charges	(2,161)	(1,193)	(3,354)
Total Nonoperating Revenues	<u>74,562</u>	<u>12,307</u>	<u>86,869</u>
Loss Before Transfers	(170,464)	(70,386)	(240,850)
Transfers in	1,787,177	1,000,000	2,787,177
Transfers out	(318,150)	-	(318,150)
CHANGE IN NET POSITION	1,298,563	929,614	2,228,177
TOTAL NET POSITION - BEGINNING OF YEAR	<u>14,570,713</u>	<u>2,258,401</u>	<u>16,829,114</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 15,869,276</u>	<u>\$ 3,188,015</u>	<u>\$ 19,057,291</u>

City of Mesquite, Texas
Combining Statement of Cash Flows – Nonmajor Enterprise Funds
Year Ended September 30, 2023

	Municipal Airport	Municipal Golf Course	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 2,848,038	\$ 1,494,766	\$ 4,342,804
Payments to suppliers and service providers	(1,799,979)	(493,611)	(2,293,590)
Payments to employees for salaries and benefits	(740,052)	(817,205)	(1,557,257)
Receipts from operating grants	50,000	-	50,000
Net Cash Provided by Operating Activities	<u>358,007</u>	<u>183,950</u>	<u>541,957</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	(318,150)	-	(318,150)
Transfers from other funds	1,787,177	1,000,000	2,787,177
Net Cash Provided by Noncapital Financing Activities	<u>1,469,027</u>	<u>1,000,000</u>	<u>2,469,027</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(2,209,381)	(263,730)	(2,473,111)
Principal payments on capital debt and leases	(57,483)	(11,341)	(68,824)
Interest payments on capital debt and leases	(2,161)	-	(2,161)
Proceeds from sale of capital assets	1,717	-	1,717
Net Cash (Used for) Capital and Related Financing Activities	<u>(2,267,308)</u>	<u>(275,071)</u>	<u>(2,542,379)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income on cash and cash equivalents	24,776	11,684	36,460
Net Cash Provided by Investing Activities	<u>24,776</u>	<u>11,684</u>	<u>36,460</u>
NET INCREASE (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS	(415,498)	920,563	505,065
POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	570,085	197,573	767,658
POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 154,587	\$ 1,118,136	\$ 1,272,723
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating loss	\$ (245,026)	\$ (82,693)	\$ (327,719)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	514,782	202,141	716,923
Operating grants	50,000	-	50,000
Changes in operating assets and liabilities:			
Receivables, net	(11,842)	(36,095)	(47,937)
Inventories (supplies)	45,514	2,979	48,493
Deferred outflows of resources - pension	(25,943)	(19,288)	(45,231)
Deferred outflows of resources - OPEB	6,271	6,271	12,542
Accounts payable and accrued liabilities	(46,552)	39,263	(7,289)
Customer deposits	4,595	-	4,595
Deferred inflows of resources - pension	(341,346)	(341,346)	(682,692)
Deferred inflows of resources - OPEB	(10,238)	(10,238)	(20,476)
Compensated absences	9,700	14,864	24,564
Net pension liability	410,909	410,909	821,818
Total OPEB liability	(2,817)	(2,817)	(5,634)
Total adjustments	<u>603,033</u>	<u>266,643</u>	<u>869,676</u>
Net Cash Provided by Operating Activities	<u>\$ 358,007</u>	<u>\$ 183,950</u>	<u>\$ 541,957</u>

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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 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 – Internal Service Funds
September 30, 2023
With Comparative Totals for September 30, 2022

	Group Medical Insurance	General Liability	Totals	
			2023	2022
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 3,860,563	\$ 4,076,547	\$ 7,937,110	\$ 5,561,696
Accounts receivable	13,142	169,576	182,718	79,707
Prepays and other assets	124,706	243,000	367,706	392,419
Accrued interest	4,696	4,093	8,789	5,783
Total Assets	4,003,107	4,493,216	8,496,323	6,039,605
LIABILITIES:				
Current Liabilities:				
Accounts payable	2,502,329	267,359	2,769,688	1,319,743
Estimated claims payable	730,223	749,627	1,479,850	1,780,215
Unearned revenue	-	-	-	156,311
Total Current Liabilities	3,232,552	1,016,986	4,249,538	3,256,269
Noncurrent liabilities:				
Estimated claims payable	-	1,499,255	1,499,255	1,844,937
Total Noncurrent Liabilities	-	1,499,255	1,499,255	1,844,937
Total Liabilities	3,232,552	2,516,241	5,748,793	5,101,206
NET POSITION:				
Unrestricted	770,555	1,976,975	2,747,530	938,399
Total Net Position	\$ 770,555	\$ 1,976,975	\$ 2,747,530	\$ 938,399

City of Mesquite, Texas
Combining Statement of Revenues, Expenses, and Changes in Net Position –
Internal Service Funds
Year Ended September 30, 2023
With Comparative Totals for Year Ended September 30, 2022

	Group Medical Insurance	General Liability	Totals	
			2023	2022
OPERATING REVENUES:				
Contributions - City				
Medical insurance	\$ 13,902,824	\$ -	\$ 13,902,824	\$ 12,501,009
Life and dental insurance	1,395,432	-	1,395,432	1,528,959
General liability	-	2,550,391	2,550,391	1,500,000
Workers' compensation	-	2,392,770	2,392,770	2,132,190
Total Contributions - City	<u>15,298,256</u>	<u>4,943,161</u>	<u>20,241,417</u>	<u>17,662,158</u>
Contributions - Other				
Employees - medical insurance	2,501,006	-	2,501,006	2,179,087
Stop loss and other contributions	44,864	-	44,864	562,907
Other revenues	-	360,467	360,467	163,270
Total Contributions - Other	<u>2,545,870</u>	<u>360,467</u>	<u>2,906,337</u>	<u>2,905,264</u>
Total Operating Revenues	<u>17,844,126</u>	<u>5,303,628</u>	<u>23,147,754</u>	<u>20,567,422</u>
OPERATING EXPENSES:				
Claims incurred	15,460,905	1,399,279	16,860,184	15,464,782
Insurance premiums	786,245	1,733,182	2,519,427	2,346,556
Administrative fees	1,092,379	582,955	1,675,334	1,846,752
Other expenses	716,116	218,720	934,836	515,164
Total Operating Expenses	<u>18,055,645</u>	<u>3,934,136</u>	<u>21,989,781</u>	<u>20,173,254</u>
Operating Income (Loss)	<u>(211,519)</u>	<u>1,369,492</u>	<u>1,157,973</u>	<u>394,168</u>
NONOPERATING REVENUES:				
Investment income (loss)	122,724	141,434	264,158	(5,769)
Miscellaneous	-	387,000	387,000	-
Total Nonoperating Revenues	<u>122,724</u>	<u>528,434</u>	<u>651,158</u>	<u>(5,769)</u>
Income (Loss) Before Transfers	<u>(88,795)</u>	<u>1,897,926</u>	<u>1,809,131</u>	<u>388,399</u>
Transfers In	-	-	-	550,000
CHANGE IN NET POSITION	<u>(88,795)</u>	<u>1,897,926</u>	<u>1,809,131</u>	<u>938,399</u>
TOTAL NET POSITION - BEGINNING	<u>859,350</u>	<u>79,049</u>	<u>938,399</u>	<u>-</u>
TOTAL NET POSITION - ENDING	<u>\$ 770,555</u>	<u>\$ 1,976,975</u>	<u>\$ 2,747,530</u>	<u>\$ 938,399</u>

City of Mesquite, Texas
Combining Statement of Cash Flows – Internal Service Funds
Year Ended September 30, 2023
With Comparative Totals for Year Ended September 30, 2022

	Group Medical Insurance	General Liability	Totals	
			2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from interfund charges for services	\$ 15,141,945	\$ 4,943,161	\$ 20,085,106	\$ 17,819,607
Other operating receipts	44,864	657,598	702,462	853,379
Receipts from employees and retirees	2,487,864	-	2,487,864	2,256,204
Payments to suppliers and service providers	<u>(16,610,374)</u>	<u>(4,550,796)</u>	<u>(21,161,170)</u>	<u>(20,872,266)</u>
Net Cash Provided by Operating Activities	<u>1,064,299</u>	<u>1,049,963</u>	<u>2,114,262</u>	<u>56,924</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment gain (loss) on cash and cash equivalents	<u>120,813</u>	<u>140,339</u>	<u>261,152</u>	<u>(11,252)</u>
Net Cash Provided by (Used for) Investing Activities	<u>120,813</u>	<u>140,339</u>	<u>261,152</u>	<u>(11,252)</u>
NET INCREASE IN POOLED CASH AND INVESTMENTS	1,185,112	1,190,302	2,375,414	595,672
POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR	<u>2,675,451</u>	<u>2,886,245</u>	<u>5,561,696</u>	<u>4,966,024</u>
POOLED CASH AND INVESTMENTS AT END OF YEAR	<u>\$ 3,860,563</u>	<u>\$ 4,076,547</u>	<u>\$ 7,937,110</u>	<u>\$ 5,561,696</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (211,519)	\$ 1,369,492	\$ 1,157,973	\$ 394,168
Adjustments to reconcile operating income (loss) to net cash provided by operating activities-				
Other income	-	387,000	387,000	-
Changes in assets and liabilities-				
(Increase) decrease in accounts receivable	(13,142)	(59,869)	(73,011)	111,319
(Increase) decrease in prepaid items	(5,287)	-	(5,287)	(112,385)
Increase (decrease) in accounts payable	1,734,394	(128,137)	1,606,257	541,681
Increase (decrease) in claims payable	(283,836)	(518,523)	(802,359)	(1,035,308)
Increase (decrease) in unearned revenue	<u>(156,311)</u>	<u>-</u>	<u>(156,311)</u>	<u>157,449</u>
Total Adjustments	<u>1,275,818</u>	<u>(319,529)</u>	<u>956,289</u>	<u>(337,244)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,064,299</u>	<u>\$ 1,049,963</u>	<u>\$ 2,114,262</u>	<u>\$ 56,924</u>

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City of Mesquite, Texas

Fiduciary Funds – Custodial Funds

Fiduciary Funds – Custodial Funds

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

The City reports two custodial funds.

- Tax Collection Fund - to account for ad valorem taxes collected on behalf of the Mesquite Independent School District.
- Seized Assets Fund - to account for funds seized from court cases that are held in escrow until judgment.

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City of Mesquite, Texas
Combining Statement of Fiduciary Net Position –
Fiduciary Funds – Custodial Funds
September 30, 2023

	Custodial Funds		
	Tax Collection	Seized Assets	Total
ASSETS:			
Pooled cash and investments	\$ 507,050	\$ 900,611	\$ 1,407,661
Taxes receivable levied for other governments (net of allowance for uncollectibles)	<u>6,145,061</u>	<u>-</u>	<u>6,145,061</u>
Total Assets	<u>\$ 6,652,111</u>	<u>\$ 900,611</u>	<u>\$ 7,552,722</u>
LIABILITIES:			
Accounts payable	\$ 504,131	\$ -	\$ 504,131
Due to other governments	<u>6,147,980</u>	<u>-</u>	<u>6,147,980</u>
Total Liabilities	<u>\$ 6,652,111</u>	<u>\$ -</u>	<u>\$ 6,652,111</u>
NET POSITION:			
Restricted for individuals, organizations, other governments	<u>\$ -</u>	<u>\$ 900,611</u>	<u>\$ 900,611</u>
Total Net Position	<u>\$ -</u>	<u>\$ 900,611</u>	<u>\$ 900,611</u>

City of Mesquite, Texas
Combining Statement of Changes in Fiduciary Net Position –
Fiduciary Funds – Custodial Funds
Year Ended September 30, 2023

	Custodial Funds		
	Tax Collection	Seized Assets	Total
ADDITIONS			
Property tax collections for other governments	\$ 159,292,611	\$ -	\$ 159,292,611
Seizures	-	380,570	380,570
Miscellaneous	1,011,159	-	1,011,159
Total Additions	160,303,770	380,570	160,684,340
DEDUCTIONS			
Payments of property tax to other governments	159,292,611	-	159,292,611
Seizures forfeited or returned to defendants	-	303,607	303,607
Miscellaneous	1,011,159	-	1,011,159
Total Deductions	160,303,770	303,607	160,607,377
NET CHANGE IN FIDUCIARY NET POSITION	-	76,963	76,963
NET POSITION, BEGINNING	-	823,648	823,648
NET POSITION, ENDING	\$ -	\$ 900,611	\$ 900,611

City of Mesquite, Texas

Statistical Section (Unaudited)

This part of the City of Mesquite’s annual comprehensive 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.

Contents	Pages
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>	106
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>	116
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>	127
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>	132
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>	134

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

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

Fiscal Year	2014	2015 (1)	2016	2017
GOVERNMENTAL ACTIVITIES:				
Net Investment in capital assets	\$ 129,187	\$ 122,230	\$ 119,854	\$ 119,708
Restricted	7,467	8,329	9,199	23,620
Unrestricted	<u>18,704</u>	<u>(56,876)</u>	<u>(65,812)</u>	<u>(90,141)</u>
Total Governmental Activities Net Position	<u>\$ 155,358</u>	<u>\$ 73,683</u>	<u>\$ 63,241</u>	<u>\$ 53,187</u>
BUSINESS-TYPE ACTIVITIES:				
Net Investment in capital assets	\$ 129,832	\$ 130,785	\$ 131,551	\$ 139,837
Restricted	3,064	2,690	3,387	3,507
Unrestricted	<u>13,494</u>	<u>13,008</u>	<u>18,647</u>	<u>23,386</u>
Total Business-type Activities Net Position	<u>\$ 146,390</u>	<u>\$ 146,483</u>	<u>\$ 153,585</u>	<u>\$ 166,730</u>
PRIMARY GOVERNMENT:				
Net Investment in capital assets	\$ 259,019	\$ 253,015	\$ 251,405	\$ 259,545
Restricted	10,531	11,019	12,586	27,127
Unrestricted	<u>32,198</u>	<u>(43,868)</u>	<u>(47,165)</u>	<u>(66,755)</u>
Total Primary Government Net Position	<u>\$ 301,748</u>	<u>\$ 220,166</u>	<u>\$ 216,826</u>	<u>\$ 219,917</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

2018 (2)	2019	2020	2021	2022	2023
\$ 131,473	\$ 144,527	\$ 160,736	\$ 166,093	\$ 177,922	\$ 188,826
27,208	27,940	23,493	27,214	41,738	50,548
<u>(128,928)</u>	<u>(137,491)</u>	<u>(130,091)</u>	<u>(116,672)</u>	<u>(91,611)</u>	<u>(88,068)</u>
<u>\$ 29,753</u>	<u>\$ 34,976</u>	<u>\$ 54,138</u>	<u>\$ 76,635</u>	<u>\$ 128,049</u>	<u>\$ 151,306</u>
\$ 148,215	\$ 151,897	\$ 158,038	\$ 166,219	\$ 168,729	\$ 201,459
3,210	3,798	5,579	7,381	12,199	15,199
<u>25,970</u>	<u>30,146</u>	<u>40,890</u>	<u>49,993</u>	<u>60,932</u>	<u>81,042</u>
<u>\$ 177,395</u>	<u>\$ 185,841</u>	<u>\$ 204,507</u>	<u>\$ 223,593</u>	<u>\$ 241,860</u>	<u>\$ 297,700</u>
\$ 279,688	\$ 296,424	\$ 318,774	\$ 332,312	\$ 346,651	\$ 390,285
30,418	31,738	29,072	34,595	53,937	65,747
<u>(102,958)</u>	<u>(107,345)</u>	<u>(89,201)</u>	<u>(66,679)</u>	<u>(30,679)</u>	<u>(7,026)</u>
<u>\$ 207,148</u>	<u>\$ 220,817</u>	<u>\$ 258,645</u>	<u>\$ 300,228</u>	<u>\$ 369,909</u>	<u>\$ 449,006</u>

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

<u>Fiscal Year</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
EXPENSES:				
Governmental Activities:				
General government	\$ 24,919	\$ 29,905	\$ 35,751	\$ 38,015
Fire services	26,105	26,679	27,167	28,820
Police services	32,112	32,829	35,089	36,382
Field services	9,312	9,839	-	-
Public works	8,769	10,253	19,722	20,007
Planning and community development	3,551	3,513	2,991	3,294
Housing and community services	14,487	15,005	15,425	15,981
Library services	2,015	2,074	2,064	2,168
Parks and recreation	11,004	12,732	12,252	9,805
Interest on long-term debt	3,498	3,745	5,093	6,081
Total Governmental Activities	<u>135,772</u>	<u>146,574</u>	<u>155,554</u>	<u>160,553</u>
Business-type Activities:				
Water and sewer	42,614	45,496	49,822	51,545
Drainage utility	1,412	1,618	1,876	1,829
Municipal airport	2,235	1,981	1,900	1,997
Golf course (2)	-	-	-	943
Total Business-type Activities	<u>46,261</u>	<u>49,095</u>	<u>53,598</u>	<u>56,314</u>
Total Primary Government	<u>\$ 182,033</u>	<u>\$ 195,669</u>	<u>\$ 209,152</u>	<u>\$ 216,867</u>
PROGRAM REVENUES				
Governmental Activities:				
Charges for services				
Field Services	\$ 7,527	\$ 7,795	\$ -	\$ -
General government	6,436	7,586	7,921	7,158
Fire services	-	-	-	-
Police services	-	-	-	-
Public works	-	-	-	-
Planning and community development	5,490	5,148	6,603	7,759
Housing and community services	-	-	-	-
Library services	-	-	-	-
Parks and recreation	-	-	-	-
Other charges for services	13,316	10,312	19,412	18,668
Operating grants and contributions	13,954	13,825	14,052	14,995
Capital grants and contributions	112	409	603	1,125
Total Governmental Activities	<u>46,835</u>	<u>45,075</u>	<u>48,591</u>	<u>49,705</u>
Business-type Activities:				
Charges for services:				
Water and sewer	46,795	53,559	59,677	63,465
Drainage utility	2,798	3,366	3,795	3,965
Municipal airport	1,681	1,602	1,548	1,644
Golf course (2)	-	-	-	1,037
Operating grants and contributions (1)	-	-	23	67
Capital grants and contributions	969	603	674	1,025
Total Business-type Activities	<u>52,243</u>	<u>59,130</u>	<u>65,717</u>	<u>71,203</u>
Total Primary Government	<u>\$ 99,078</u>	<u>\$ 104,205</u>	<u>\$ 114,308</u>	<u>\$ 120,908</u>

Schedule 2

	2018	2019	2020	2021	2022	2023
\$	31,854	\$ 30,100	\$ 14,755	\$ 26,234	\$ 19,656	\$ 26,237
	28,918	30,502	32,319	32,329	32,371	41,143
	36,952	40,496	43,434	41,849	42,744	53,248
	-	-	-	-	-	-
	20,675	23,490	22,681	23,275	23,103	29,057
	3,532	3,301	3,817	9,543	4,542	10,669
	16,942	17,962	19,934	21,826	22,789	24,827
	2,264	2,157	2,358	2,469	2,338	3,157
	10,481	11,400	11,938	11,713	12,104	13,338
	5,711	8,892	7,222	7,817	8,110	14,195
	<u>157,329</u>	<u>168,300</u>	<u>158,458</u>	<u>177,055</u>	<u>167,757</u>	<u>215,871</u>
	55,859	62,786	64,605	58,935	61,274	68,537
	2,196	2,832	3,457	2,734	2,986	3,595
	2,018	2,018	2,054	2,261	1,108	3,102
	1,582	1,529	1,520	1,520	1,494	1,615
	<u>61,655</u>	<u>69,165</u>	<u>71,636</u>	<u>65,450</u>	<u>66,862</u>	<u>76,849</u>
\$	<u>218,984</u>	<u>237,465</u>	<u>230,094</u>	<u>242,505</u>	<u>234,619</u>	<u>292,720</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	4,985	7,103	2,498	1,762	1,817	3,623
	-	-	2,387	3,065	2,631	2,848
	-	-	2,823	4,184	5,247	4,406
	-	-	14,387	14,801	25,029	19,995
	8,146	3,056	2,487	2,839	5,457	3,336
	-	-	251	320	206	162
	-	-	29	64	64	88
	-	-	756	1,541	1,709	1,779
	18,400	25,070	-	-	-	-
	15,899	16,414	26,236	27,901	25,363	26,842
	4,322	5,755	7,749	6,364	3,574	14,027
	<u>51,752</u>	<u>57,398</u>	<u>59,603</u>	<u>62,841</u>	<u>71,097</u>	<u>77,106</u>
	67,609	69,274	73,739	70,873	78,325	88,124
	3,966	4,055	4,778	4,865	5,371	5,082
	1,809	1,665	1,964	2,287	3,075	2,855
	1,089	1,025	1,009	1,235	1,398	1,531
	283	53	50	89	68	74
	3,830	982	7,676	5,873	3,730	31,133
	<u>78,586</u>	<u>77,054</u>	<u>89,216</u>	<u>85,222</u>	<u>91,967</u>	<u>128,799</u>
\$	<u>130,338</u>	<u>134,452</u>	<u>148,819</u>	<u>148,063</u>	<u>163,064</u>	<u>205,905</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	2014	2015	2016	2017
NET (EXPENSES)/PROGRAM REVENUES				
Governmental activities	\$ (88,937)	\$ (101,499)	\$ (106,963)	\$ (110,848)
Business-type activities	5,982	10,035	12,119	14,889
Total Primary Government Net Expenses	\$ (82,955)	\$ (91,464)	\$ (94,844)	\$ (95,959)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental Activities:				
Ad valorem taxes	\$ 35,172	\$ 36,710	\$ 38,328	\$ 44,479
Gross receipts taxes	8,633	8,081	7,806	7,698
Sales taxes	41,180	42,848	44,761	45,476
Grants not restricted to specific programs	-	-	-	-
Investment income (loss)	67	151	392	741
Gain (loss) on sale of capital assets	85	(33)	-	257
Miscellaneous	-	-	-	-
Transfers	3,706	4,866	5,235	2,143
Total Governmental Activities	88,843	92,623	96,522	100,794
Business-type Activities:				
Investment income	33	71	179	339
Gain on sale of capital assets	36	54	38	60
Miscellaneous	-	-	-	-
Transfers	(3,706)	(4,866)	(5,235)	(2,143)
Total Business-type Activities	(3,637)	(4,741)	(5,018)	(1,744)
Total Primary Government	\$ 85,206	\$ 87,882	\$ 91,504	\$ 99,050
Change in Net Position				
Governmental activities	\$ (94)	\$ (8,876)	\$ (10,441)	\$ (10,054)
Business-type activities	2,345	5,294	7,101	13,145
Total Primary Government	\$ 2,251	\$ (3,582)	\$ (3,340)	\$ 3,091

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

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ (105,577)	\$ (110,901)	\$ (98,855)	\$ (114,214)	\$ (96,660)	\$ (138,765)
16,931	7,890	17,580	19,772	25,105	51,950
<u>\$ (88,646)</u>	<u>\$ (103,011)</u>	<u>\$ (81,275)</u>	<u>\$ (94,442)</u>	<u>\$ (71,555)</u>	<u>\$ (86,815)</u>
\$ 49,921	\$ 57,413	\$ 62,495	\$ 64,831	\$ 71,023	\$ 76,638
7,988	7,810	7,186	7,435	8,054	8,104
45,700	46,869	47,192	53,317	60,138	63,582
-	-	-	-	610	1,655
1,330	2,687	1,288	143	(381)	8,982
268	549	-	4,520	168	1,165
-	-	-	2,411	1,853	292
4,537	797	(145)	4,702	6,610	1,602
<u>109,744</u>	<u>116,125</u>	<u>118,016</u>	<u>137,359</u>	<u>148,075</u>	<u>162,020</u>
799	1,344	942	84	(260)	5,280
124	14	-	-	-	212
-	-	-	963	31	-
(4,537)	(797)	145	(4,702)	(6,610)	(1,602)
<u>(3,614)</u>	<u>561</u>	<u>1,087</u>	<u>(3,655)</u>	<u>(6,839)</u>	<u>3,890</u>
<u>\$ 106,130</u>	<u>\$ 116,686</u>	<u>\$ 119,103</u>	<u>\$ 133,704</u>	<u>\$ 141,236</u>	<u>\$ 165,910</u>
\$ 4,167	\$ 5,224	\$ 19,161	\$ 23,145	\$ 51,415	\$ 23,255
13,317	8,451	18,667	16,117	18,266	55,840
<u>\$ 17,484</u>	<u>\$ 13,675</u>	<u>\$ 37,828</u>	<u>\$ 39,262</u>	<u>\$ 69,681</u>	<u>\$ 79,095</u>

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

Fiscal Year	2014	2015	2016	2017
GENERAL FUND:				
Nonspendable	\$ 775	\$ 764	\$ 1,183	\$ 1,813
Assigned	300	41	90	105
Unassigned	<u>16,076</u>	<u>15,897</u>	<u>17,003</u>	<u>18,312</u>
 Total General Fund	 <u>\$ 17,151</u>	 <u>\$ 16,702</u>	 <u>\$ 18,276</u>	 <u>\$ 20,230</u>
 ALL OTHER GOVERNEMENTAL FUNDS:				
Nonspendable for:				
Prepays	\$ -	\$ -	\$ -	\$ -
Cemetery trust principal	-	-	101	101
Note receivable	-	-	-	-
Restricted for:				
Debt Retirement	483	471	85	599
Purpose of grantors, trustees, and donors	1,865	2,192	2,418	2,691
4B Sales Tax projects	6,321	7,078	8,025	6,087
Promotion of Tourism	-	440	753	1,238
Law Enforcement	5,593	4,750	4,127	3,139
Capital Projects	11,659	21,253	44,978	25,433
Community Access Projects	564	738	658	745
Road Surface Repairs	159	130	219	521
Tax Increment Financing Districts	6,373	7,599	9,778	12,126
Public Improvement Districts	-	-	-	-
Hike and Bike Trail	680	454	457	460
Developer's Deposits	1,576	1,682	1,621	1,594
Capital Replacement	39	157	321	505
Other Purposes	557	574	557	608
Assigned to:				
Promotion of Tourism	253	-	-	-
Other Capital Projects	1,815	1,136	1,176	1,524
Other Purposes	287	251	1,124	469
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total All Other Governmental Funds	 <u>\$ 38,224</u>	 <u>\$ 48,905</u>	 <u>\$ 76,398</u>	 <u>\$ 57,840</u>

Schedule 3

2018	2019	2020	2021	2022	2023
\$ 1,919	\$ 1,926	\$ 1,923	\$ 1,987	\$ 2,642	\$ 3,425
98	56	226	119	511	126
<u>18,896</u>	<u>20,713</u>	<u>25,159</u>	<u>25,914</u>	<u>30,950</u>	<u>31,727</u>
<u>\$ 20,913</u>	<u>\$ 22,695</u>	<u>\$ 27,308</u>	<u>\$ 28,020</u>	<u>\$ 34,103</u>	<u>\$ 35,278</u>
\$ 146	\$ 27	\$ 5	\$ -	\$ 85	\$ 48
101	101	101	-	-	-
-	-	-	-	-	833
46	4	821	1,414	1,475	3,654
2,610	3,086	2,443	3,751	2,821	3,469
2,506	2,903	2,586	6,165	12,998	17,574
1,719	-	2,385	2,095	2,541	2,595
2,043	1,388	2,024	2,011	1,552	2,625
49,456	37,188	46,601	39,335	68,823	89,388
623	620	646	641	693	678
239	220	635	1,019	7,734	8,118
14,441	12,314	6,012	4,087	7,648	6,424
7,203	27,385	18,014	8,737	6,474	9,791
40	-	41	42	41	43
1,647	1,694	1,547	1,595	1,588	1,676
700	585	397	452	533	701
585	2,490	585	558	1,363	1,893
-	-	-	-	-	-
1,384	1,208	6,952	10,865	16,588	20,816
1,308	539	583	676	785	801
-	-	(77)	-	-	-
<u>\$ 86,797</u>	<u>\$ 91,752</u>	<u>\$ 92,301</u>	<u>\$ 83,443</u>	<u>\$ 133,742</u>	<u>\$ 171,127</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)

<u>Fiscal Year</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
REVENUES:				
Taxes	\$ 85,011	\$ 87,368	\$ 90,911	\$ 97,633
Licenses and permits	1,146	1,728	2,236	2,399
Fines and forfeitures	4,126	3,226	3,586	3,772
Investment income	65	147	388	733
Charges for services	17,683	19,701	20,926	21,302
Special Assessments	-	-	-	-
Intergovernmental	13,566	13,353	14,299	15,204
Contributions and donations	374	788	313	346
Other revenues	2,656	1,338	2,421	1,537
	<u>124,627</u>	<u>127,649</u>	<u>135,080</u>	<u>142,926</u>
EXPENDITURES:				
General government	15,387	16,285	15,330	15,316
Fire services	24,600	24,811	25,631	27,573
Police services	30,980	31,267	33,267	36,907
Field services (1)	10,121	10,191	-	-
Public works	3,203	3,244	13,158	14,189
Planning and community development	3,389	3,458	2,874	3,173
Housing services	11,540	11,585	-	-
Library services	1,931	2,022	1,917	2,055
Parks and recreation	9,425	10,717	10,437	8,126
Community services	3,226	2,347	-	-
Housing and community services	-	-	15,268	16,001
Capital outlay	8,317	9,984	16,879	33,453
Debt service - principal	6,747	7,897	9,019	11,185
Debt service - interest	4,763	4,795	4,628	6,278
Debt service - bond issuance costs	49	206	586	279
	<u>133,678</u>	<u>138,809</u>	<u>148,994</u>	<u>174,535</u>
DEFICIENCY OF REVENUES				
UNDER EXPENDITURES	<u>(9,051)</u>	<u>(11,160)</u>	<u>(13,914)</u>	<u>(31,610)</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	17,038	17,686	21,099	24,375
Transfers out	(11,912)	(12,285)	(15,823)	(18,383)
Leases issued	-	-	-	-
Subscriptions issued	-	-	-	-
Bond proceeds	9,715	14,835	35,085	8,285
Proceeds of refunding bonds	9,080	2,935	17,295	7,600
Premium on debt	963	1,265	5,232	1,477
Payment to refunded bond agent	(10,038)	(3,044)	(19,907)	(8,607)
Sale of general capital assets	-	-	-	257
	<u>14,846</u>	<u>21,392</u>	<u>42,981</u>	<u>15,004</u>
Net Change in Fund Balances	<u>\$ 5,795</u>	<u>\$ 10,232</u>	<u>\$ 29,067</u>	<u>\$ (16,606)</u>
Debt service as a percentage of noncapital expenditures	9.30%	9.81%	10.33%	12.38%

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

Schedule 4

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 103,468	\$ 112,214	\$ 116,797	\$ 125,478	\$ 139,060	\$ 148,018
2,281	2,598	3,037	3,252	5,959	4,500
3,295	4,087	4,416	3,970	4,523	4,459
1,304	2,645	1,266	141	(375)	8,743
16,672	18,605	19,736	21,270	31,029	26,220
-	-	-	2,552	2,734	2,917
19,936	18,279	27,217	26,895	25,225	24,267
1,703	1,658	1,326	803	415	399
1,730	4,139	3,232	2,952	5,685	2,740
<u>150,389</u>	<u>164,225</u>	<u>177,027</u>	<u>187,313</u>	<u>214,255</u>	<u>222,263</u>
16,737	14,463	10,568	25,226	18,358	22,669
28,082	29,529	30,725	32,542	34,250	37,701
37,060	38,551	40,842	41,906	44,932	48,737
-	-	-	-	-	-
14,316	15,592	15,715	16,580	16,752	20,490
3,535	3,318	3,762	9,672	4,811	10,294
-	-	-	-	-	-
2,083	2,056	2,340	2,539	2,493	2,951
8,662	9,753	10,221	10,194	10,876	11,380
-	-	-	-	-	-
16,711	17,770	19,639	21,756	22,941	24,429
36,255	39,229	41,525	36,304	29,515	83,776
13,383	14,080	14,970	13,665	18,128	18,220
6,340	8,162	8,324	9,271	9,150	10,864
489	2,112	685	257	586	4,742
<u>183,653</u>	<u>194,615</u>	<u>199,316</u>	<u>219,912</u>	<u>212,792</u>	<u>296,253</u>
<u>(33,263)</u>	<u>(30,391)</u>	<u>(22,289)</u>	<u>(32,599)</u>	<u>1,463</u>	<u>(73,990)</u>
26,728	23,501	30,261	33,184	41,940	42,578
(22,692)	(22,704)	(31,405)	(31,343)	(35,880)	(40,976)
-	-	-	-	56	44
-	-	-	-	-	194
53,810	34,655	24,945	16,005	44,990	105,374
960	-	27,685	-	-	-
5,136	565	5,373	1,355	3,285	3,920
(1,039)	-	(29,665)	-	-	-
-	1,111	256	5,900	529	1,415
<u>62,903</u>	<u>37,128</u>	<u>27,450</u>	<u>25,101</u>	<u>54,920</u>	<u>112,549</u>
<u>\$ 29,640</u>	<u>\$ 6,737</u>	<u>\$ 5,161</u>	<u>\$ (7,498)</u>	<u>\$ 56,383</u>	<u>\$ 38,559</u>
13.38%	14.31%	14.76%	12.49%	14.88%	13.69%

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>
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
2021	125,478	64,726	51,478	280	1,559
% Total	100.0	51.6	41.0	0.2	1.2
2022	139,059	70,868	58,028	308	1,802
% Total	100.0	51.0	41.7	0.2	1.3
2023	148,019	76,332	61,372	341	1,870
% Total	100.0	51.6	41.5	0.2	1.3

Schedule 5

Gross Receipts Taxes						
Electrical	Gas	Telephone	Cable TV	Sanitation	Other	
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	
3,859	1,370	-	778	1,374	54	
3.1	1.1	-	0.6	1.1	0.0	
4,065	1,606	-	750	1,577	55	
2.9	1.2	-	0.5	1.1	0.0	
4,013	1,620	-	672	1,745	54	
2.7	1.1	-	0.5	1.2	0.0	

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Merchandise Stores	\$ 235,681	\$ 256,248	\$ 282,485
Eating and Drinking Establishments	240,528	259,762	273,022
Clothing and Apparel Stores	193,470	196,123	198,003
Building Materials, Garden Equipment, and Supplies	126,543	133,744	155,725
Home Furnishings and Appliances	114,419	134,511	152,402
Automotive Dealers, Service, and Supplies	60,449	64,477	68,707
Food and Grocery Stores (2)	53,765	54,923	56,981
Gas Stations	41,399	45,480	48,377
Other Retail Stores	158,885	168,257	181,988
All Other Outlets	<u>789,761</u>	<u>764,131</u>	<u>746,715</u>
Total Taxable Sales (1)	<u>\$2,014,900</u>	<u>\$2,077,656</u>	<u>\$2,164,405</u>
City Direct Sales Tax Rate	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.

Schedule 6

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 284,451	\$ 298,272	\$ 280,841	\$ 261,938	\$ 284,172	\$ 332,495	\$ 317,286
281,283	286,661	290,527	278,764	323,796	369,260	376,632
212,609	190,250	206,658	186,787	253,369	253,387	247,089
149,725	127,790	149,031	152,098	167,056	199,594	193,839
138,242	158,791	132,850	134,323	181,259	187,555	184,289
67,741	64,476	86,346	89,447	99,215	79,116	81,683
59,041	67,033	42,939	95,888	83,020	120,906	93,068
49,944	51,453	56,808	50,335	52,878	69,209	67,571
185,967	191,585	189,601	219,692	294,652	326,119	377,745
<u>775,586</u>	<u>818,658</u>	<u>822,433</u>	<u>787,669</u>	<u>777,640</u>	<u>1,005,398</u>	<u>1,096,986</u>
<u>\$2,204,589</u>	<u>\$2,254,969</u>	<u>\$2,258,034</u>	<u>\$2,256,941</u>	<u>\$2,517,057</u>	<u>\$2,943,039</u>	<u>\$3,036,188</u>
2.0%	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

	2023		2014	
	Number of Filers	Tax Liability	Number of Filers	Tax Liability
Retail Trade	3,447	\$ 38,784,042	1,491	\$ 22,845,599
Services	2,617	6,140,919	1,770	5,354,497
Transportation and Utilities	122	3,938,666	100	2,996,216
Wholesale Trade	1,613	4,484,728	1,037	863,908
Manufacturing	1,443	3,837,711	744	1,355,319
Construction	850	2,476,444	682	1,062,501
Finance, Insurance, and Real Estate	367	1,013,926	327	696,861
Agricultural	13	4,432	3	2,772
Mining	6	1,017	12	22,875
Public Administration	10	41,871	11	1,116,217
Total	<u>10,488</u>	<u>\$ 60,723,756</u>	<u>6,177</u>	<u>\$ 36,316,765</u>

Source: Texas Comptroller of Public Accounts

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

Schedule 8

Fiscal Year	City of Mesquite				State of Texas	Total Sales Tax Rate
	Economic Development - 4B	Property Tax Relief	Regular Rate	Total COM		
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%
2021	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2022	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2023	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	
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
2021	6,942,391	2,622,980	250,263	140,857	1,030,762	10,987,253
2022	7,988,907	3,202,630	292,943	181,473	1,108,444	12,774,397
2023	9,549,637	3,463,643	332,135	154,239	1,339,458	14,839,112

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 \$836,126. 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. (\$10,918,177 + \$836,126= \$11,754,303).
- (4) Tax rate is per \$100 assessed valuation.

Schedule 9

<u>Less: Exemptions, Abatements, and TIFs (2)</u>						
<u>Exemptions Granted</u>	<u>Tax Abatements</u>	<u>Tax Incentive Financing Districts (TIF)</u>	<u>Total Exemptions</u>	<u>Total Taxable Valuation (3)</u>	<u>Tax Rate (4)</u>	
\$ 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	
2,147,512	-	353,849	2,501,361	8,485,892	0.70862	
2,476,372	-	390,078	2,866,450	9,907,947	0.70858	
3,084,809	-	836,126	3,920,935	10,918,177	0.65814	

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)				Total Direct & Overlapping Rates	
	General	Debt Service	Total	Dallas County	Dallas County Hospital District	Dallas Community College District	Dallas County School Equalization		Mesquite Independent School District
2014	0.45953	0.18047	0.64000	0.24310	0.27600	0.12470	0.01000	1.41000	2.70380
2015	0.46220	0.17780	0.64000	0.24310	0.28600	0.12478	0.01000	1.41000	2.71388
2016	0.43637	0.20363	0.64000	0.24310	0.28600	0.12365	0.01000	1.41000	2.71275
2017	0.45542	0.23158	0.68700	0.24310	0.27940	0.12293	0.00927	1.46000	2.80170
2018	0.44972	0.23728	0.68700	0.24310	0.27940	0.12424	0.01000	1.46000	2.80374
2019	0.48792	0.24608	0.73400	0.24310	0.27940	0.12400	0.01000	1.52000	2.91050
2020	0.50390	0.23010	0.73400	0.24310	0.26950	0.12400	0.01000	1.45000	2.83060
2021	0.49764	0.21099	0.70862	0.22790	0.25500	0.12350	0.01000	1.31200	2.63700
2022	0.50128	0.20730	0.70858	0.22794	0.25500	0.12350	0.01000	1.31200	2.63703
2023	0.45410	0.20404	0.65814	0.21795	0.23580	0.11590	0.01000	1.28000	2.52235

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	2023			Per 2014 ACFR		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Town East Mall	\$ 131,740,990	1	1.21%	\$ 142,029,140	\$ 1	2.60%
Ashley Furniture Ind	132,091,600	2	1.21%			
H5 TIC 1 MVR Borrower	78,585,000	3	0.72%			
Market East Associates LLC	71,500,000	4	0.65%			
Mesquite Owner LLC	68,055,730	5	0.62%			
DG Mesquite Airport	67,745,060	6	0.62%			
101 Bottling Group LLC (Pepsi Cola)	68,595,530	7	0.63%	34,876,174	4	0.64%
Oncor Electric Delivery	58,761,650	8	0.54%	50,941,200	2	0.93%
Frontage Apartments	53,580,000	9	0.49%	-		
IRIS USA Inc	52,738,610	10	0.48%	27,302,968	6	0.50%
Barons Investors				35,000,000	3	0.64%
DDR MDT Marketplace				29,463,350	5	0.54%
Alliance WE LP				26,293,840	7	0.48%
Advenir @ Mission Ranch				25,880,000	8	0.47%
CURCI Mesquite Prop LP				25,123,880	9	0.46%
Sun Life Assur Co of Can				<u>24,359,160</u>	10	0.45%
Total	<u>783,394,170</u>		7.18%	<u>421,269,712</u>		7.71%
Total Taxable Assessed Valuation	<u>\$ 10,918,177,000</u>			<u>\$ 5,464,313,662</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
		Amount (1)	Percent of Levy		Amount	Percent of Levy	
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	217,340	36,023,127	99.29	259,311
2016	37,960,913	37,517,675	98.83	186,695	37,704,370	99.32	256,543
2017	43,954,143	43,411,278	98.76	256,839	43,668,117	99.35	286,026
2018	48,024,985	47,447,876	98.80	236,133	47,684,009	99.29	340,976
2019	55,708,582	54,944,161	98.63	303,773	55,247,934	99.17	460,648
2020	60,103,187	59,289,630	98.65	509,235	59,798,865	99.49	304,322
2021	62,336,159	61,682,155	98.95	449,481	62,131,636	99.67	204,523
2022	68,496,653	67,479,777	98.52	169,263	67,649,040	98.76	847,613
2023	72,816,166	71,543,792	98.25	-	71,543,792	98.25	1,272,374

Note: Collections do not include penalty and interest on delinquent taxes.
(1) Collection amount excludes amounts related to local finance assessments

City of Mesquite, Texas

Ratios of Outstanding Debt by Type Last Ten Fiscal Years (Unaudited)

Schedule 13

Governmental Activities									
Fiscal Year	General Obligation Bonds	Certificates of Obligations	Special Assessment Bonds	Net Premium/ (Discount) on Bonds (2)	Public Property Finance Contractual Obligations	Notes Payable	Lease Obligations	SBITA Obligations	Total
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
2021	112,855,000	79,550,000	31,465,000	14,022,079	-	-	-	-	237,892,079
2022	118,710,000	101,225,000	30,930,000	15,042,845	-	-	343,957	-	266,251,802
2023	107,785,000	151,520,000	79,254,000	16,914,132	-	-	230,854	1,235,886	356,939,872

Business-Type Activities									
Fiscal Year	Water/ Sewer Revenue Bonds	Drainage Utility District Revenue Bonds	Net Premium/ (Discount) on Bonds (2)	Lease Obligations	SBITA Obligations	Total	Total Primary Government	Percentage of Effective Buying Income (1)	Per Capita (1)
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
2021	117,875,000	7,630,000	9,490,914	-	-	134,995,914	372,887,993	10.37%	2,484.13
2022	143,695,000	10,820,000	11,650,904	278,813	-	166,444,717	432,696,519	13.38%	2,846.31
2023	166,375,000	10,435,000	12,350,310	836,453	-	189,996,763	546,936,635	17.00%	3,550.55

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

Fiscal Year	Population (1)	Taxable Assessed Value (in 000s) (2)	General Bonded Debt	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt	Percentage of Taxable Value of Property	Net General Bonded Debt Per Capita
2014	142,210	\$ 5,464,314	\$ 124,297,487	\$ 483,072	\$ 123,814,415	2.27%	870.64
2015	142,230	5,735,841	134,943,580	470,685	134,472,895	2.34%	945.46
2016	142,950	5,962,562	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	197,948,171	45,694	197,902,477	2.79%	1,380.55
2019	145,030	7,832,341	192,759,912	4,167	192,755,745	2.46%	1,329.07
2020	145,410	8,373,445	204,308,527	821,500	203,487,027	2.43%	1,399.40
2021	150,108	8,485,892	206,427,079	1,413,685	205,013,394	2.42%	1,365.77
2022	152,020	9,907,947	234,977,845	1,475,223	233,502,622	2.36%	1,536.00
2023	154,043	10,918,177	276,219,132	3,653,715	272,565,417	2.50%	1,769.41

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, 2023
(Unaudited)

Schedule 15

Taxing Jurisdiction	Total Outstanding Debt (1)	Estimated Percent Applicable (2)	Direct and Estimated Overlapping Debt
Direct:			
City of Mesquite	\$ 356,939,872	100.00%	\$ 356,939,872
Overlapping:			
Dallas County	217,675,000	3.20%	6,965,600
Dallas County Community College District	375,515,000	3.20%	12,016,480
Dallas County Hospital District	543,495,000	3.20%	17,391,840
Kaufman County	180,050,000	0.21%	378,105
Crandall Independent School District	240,550,000	0.19%	457,045
Mesquite Independent School District	12,530,871,024	4.68%	586,429,671
Dallas Independent School District	3,794,285,000	0.16%	6,070,856
Forney Independent School District	1,134,401,925	0.41%	4,651,048
Garland Independent School District	490,885,000	0.03%	147,266
Total overlapping	19,507,727,949		634,507,911
Total direct and estimated overlapping bonded debt	\$ 19,864,667,821		\$ 991,447,783
Ratio, direct and estimated overlapping debt to fiscal 2023 taxable assessed valuation (3)			9.08%
Per capita direct and estimated overlapping bonded debt (4)			\$ 6,436

Notes:

- (1) Including bonds payable, notes payable, leases and SBITAs. 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 2023 taxable assessed valuation (Net of TIF \$10,918,177,010)
- (4) Based on 2023 population of 154,043.

City of Mesquite, Texas
Debt Margin Information
September 30, 2023
(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, 2023, is \$0.65814 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)
WATER AND SEWER BONDS							
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
2021	71,914,724	54,222,142	17,692,582	153,137,668	20	7,656,883	2.3
2022	78,324,996	57,447,375	20,877,621	193,214,625	20	9,660,731	1.5
2023	92,958,536	61,947,329	31,011,207	226,047,906	20	11,302,395	2.7

DRAINAGE UTILITY DISTRICT BONDS

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
2021	4,870,622	1,629,262	3,241,360	10,013,519	18	556,307	5.8
2022	5,370,679	2,655,656	2,715,023	15,171,843	20	758,592	3.6
2023	5,723,090	2,182,414	3,540,676	14,332,300	19	754,332	4.7

Year Ended September	Special Assessment Collections	Total Debt Payments Required (3)	Years Remaining	Average Annual Debt Payment	Coverage
-------------------------	--------------------------------------	--	--------------------	-----------------------------------	----------

SPECIAL ASSESSMENT BONDS

2019 (6)	\$ 865,155	\$ 66,460,128	30	\$ 2,215,338	0.4
2020	406,175	64,573,276	29	2,226,665	0.2
2021	2,552,381	62,442,732	28	2,230,098	1.1
2022	2,661,987	60,164,944	27	2,228,331	1.2
2023	2,917,123	57,797,583	26	2,222,984	1.3

Notes:

- (1) Includes operating and nonoperating revenues.
- (2) Includes operating and non-operating expenses exclusive of depreciation, amortization, interest expense, and bond issuance costs.
- (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.
- (6) 2018 was the year of issuance. Accordingly, no principal payments were scheduled. Further, there was not any special assessment debt outstanding in the previous years that was secured by pledged revenue.

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

Schedule 18

Fiscal Year	Population (1)	Total Retail Sales (in thousands of dollars) (2)	Effective Buying Income (EBI) (in thousands of dollars) (2)	Median Household EBI (2)	Number of Households (2)	School Enrollment (3)	Unemployment Rate (4)
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%
2021	150,108	N/A	3,595,191	68,229	52,693	38,359	4.8%
2022	152,020	N/A	3,234,279	62,624	51,646	38,367	4.7%
2023	154,043	N/A	3,216,352	63,993	50,261	38,228	4.0%

- 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>2023 Range</u>	<u>2014 Range</u>
Mesquite Independent School District	1,000 +	1,000 +
Town East Mall	1,000 +	
United Parcel Service Inc	1,000 +	1,000 +
Canadian Solar	1,000 +	
City of Mesquite	1,000 +	1,000 +
Pepsi Beverages Co	500-999	500-999
Dallas Regional Medical Center (Formerly Mesquite Community Hospital)	500-999	500-999
Eastfield College	500-999	500-999
Walmart Supercenter	500-999	500-999
Ashley Furniture	500-999	
Texas Dept of Transportation-Dallas District		500-999
Honeywell		100-499
Intergracolor LTD	_____	_____100-499
Total Estimated City Employment	<u>80,210</u>	<u>71,025</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)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
By Functions				
General government	117.25	118.50	124.86	131.61
Fire services	206.00	207.00	207.00	212.00
Police services	314.50	314.50	324.50	327.50
Field services	129.00	129.00	129.00	131.00
Public works	23.00	22.00	22.00	23.00
Planning and Community development	36.40	36.40	42.95	45.05
Housing services	21.10	20.60	20.55	19.45
Library services	32.08	31.71	31.72	32.72
Parks and recreation	123.54	117.47	121.09	120.09
Community services	27.85	27.35	18.35	18.35
Water and Sewer	109.07	109.07	109.07	112.07
Drainage utility district	7.00	7.00	7.00	7.00
Municipal airport	7.90	7.90	7.90	7.90
	<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>	<u>1,187.74</u>
Total employees by function	<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>	<u>1,187.74</u>
By Departments				
Administration	31.00	33.50	38.00	42.25
City Secretary	3.00	3.00	4.00	4.00
City Attorney	8.00	8.00	8.00	9.00
Economic Development	-	-	-	-
Communication and Marketing	-	-	-	-
Human Resources	15.00	14.00	13.00	14.50
Budget and Research	1.00	1.00	-	-
Finance	58.25	58.00	60.86	60.86
Information Technology	16.00	16.00	16.00	16.00
Fire service	206.00	207.00	207.00	212.00
Police Service	314.50	314.50	324.50	327.50
Public Works	253.07	252.07	252.07	258.07
Housing and community service	48.95	47.95	38.90	37.80
Planning and Community development	36.40	36.40	42.95	45.05
Parks/ Recreation/Building service	123.54	117.47	121.09	120.09
Library service	32.08	31.71	31.72	32.72
Airport service	7.90	7.90	7.90	7.90
	<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>	<u>1,187.74</u>
Total employees by department	<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>	<u>1,187.74</u>
By Fund				
General	1,007.62	1,000.43	1,017.72	1,036.32
Grants	21.10	20.60	20.30	19.45
Water and Sewer	109.07	110.07	110.57	113.57
Drainage Utility District	7.00	7.00	7.00	7.00
Municipal Airport	7.90	7.90	7.90	7.90
Golf Course (1)	-	-	-	16.72
Hotel/Motel	2.00	2.50	2.50	3.50
	<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>	<u>1,204.46</u>
Total employees by fund	<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>	<u>1,204.46</u>

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

Notes:

(1) Golf Course fund created in 2017.

Schedule 20

2018	2019	2020	2021	2022	2023
135.39	139.24	141.83	141.83	147.49	163.99
214.00	217.00	213.00	227.00	236.00	251.00
331.50	333.50	337.50	347.50	351.50	355.50
130.00	134.00	139.00	142.00	141.50	168.00
23.00	24.00	24.00	21.00	24.00	20.00
48.25	52.25	52.25	55.25	57.25	64.25
18.50	18.50	17.50	17.50	19.00	19.50
32.72	32.72	32.72	32.72	32.72	32.72
122.09	131.79	131.79	149.79	149.02	144.02
17.35	18.35	21.00	22.00	22.50	22.50
117.57	112.57	111.57	123.57	126.07	113.57
7.00	10.00	11.00	12.00	13.00	20.00
7.90	9.48	9.48	9.48	11.40	11.80
<u>1,205.27</u>	<u>1,233.40</u>	<u>1,242.64</u>	<u>1,301.64</u>	<u>1,331.45</u>	<u>1,386.85</u>
42.25	42.50	43.00	42.00	47.26	32.00
4.00	4.00	5.00	5.00	5.00	5.00
9.00	9.60	9.60	9.60	9.00	10.00
-	-	-	-	-	9.26
-	-	-	-	-	6.00
14.50	14.50	14.50	15.50	15.00	15.00
-	-	-	-	-	-
63.14	63.14	63.23	63.23	67.23	68.23
16.50	17.50	17.50	18.50	18.50	18.50
214.00	217.00	213.00	227.00	236.00	251.00
331.50	333.50	337.50	347.50	351.50	355.50
263.57	268.57	274.57	286.57	290.07	321.57
35.85	36.85	38.50	39.50	41.50	42.00
48.25	52.25	52.25	55.25	57.25	64.25
122.09	131.79	131.79	149.79	149.02	144.02
32.72	32.72	32.72	32.72	32.72	32.72
7.90	9.48	9.48	9.48	11.40	11.80
<u>1,205.27</u>	<u>1,233.40</u>	<u>1,242.64</u>	<u>1,301.64</u>	<u>1,331.45</u>	<u>1,386.85</u>
1,032.58	1,064.13	1,073.37	1,119.37	1,141.00	1,194.00
18.50	18.50	17.50	17.50	19.00	19.00
119.07	111.57	111.57	123.57	126.07	127.07
7.00	10.00	11.00	12.00	13.00	14.00
7.90	9.48	9.48	9.48	11.40	11.80
16.72	16.72	16.72	16.72	16.72	16.72
3.50	3.00	3.00	3.00	4.26	4.26
<u>1,205.27</u>	<u>1,233.40</u>	<u>1,242.64</u>	<u>1,301.64</u>	<u>1,331.45</u>	<u>1,386.85</u>

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Functions				
Fire services				
Number of calls answered	16,823	17,693	18,539	18,691
Inspections	3,077	2,493	1,250	1,812
Police services				
Reported index crimes	6,237	6,346	6,323	5,923
Criminal arrests	4,737	4,679	4,749	4,996
Traffic citations	33,970	24,965	18,116	26,912
Field services				
Residential solid waste customers	37,540	37,540	37,500	37,600
Annual tons recycled	37,804	37,850	37,850	40,296
Work hours per mile of streets and alleys	84.10	82.25	298.10	289.06
Public works				
Traffic studies conducted	302	330	355	648
Engineering Information requests ⁽¹⁾	41,377	107,853	371,971	486,417
Housing services				
Number of HUD allocated unit months	16,848	16,848	16,848	16,848
Community development				
Residential building permits	1,344	1,580	2,229	2,181
Commercial building permits	299	626	633	720
Environmental code violations	15,685	15,881	14,132	25,701
Food inspections conducted	1,917	1,909	2,072	2,128
Library services				
Library visits per capita	2.24	2.32	2.06	1.89
Registered borrowers per capita	0.31	0.31	0.22	0.23
Parks and recreation				
Work hours per acre of park land	60.13	59.23	59.41	60.24
Athletic program participants	2,945	3,100	3,515	3,523
Aquatic program participants	76,301	85,000	78,586	78,247
Tennis program participants	8,691	8,500	9,327	8,500
Recreation centers programs offered	1,100	1,000	1,037	1,135
Community services				
Number of health clinic clients ⁽²⁾	2,624	2,430	2,187	2,307
Number of volunteer hours	65,733	68,868	80,843	74,945
Arts center events	588	1,206	1,180	1,330
Arts center participants	70,925	138,225	167,850	174,300
Animals processed by animal shelter	6,648	6,592	6,070	5,567
Water and Sewer				
Number of gallons of water pumped (000s)	5,516,359	5,855,090	5,973,641	5,346,643
Water main breaks	286	276	395	105
Miles of sewer mains cleaned	116	82	118	126

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

⁽¹⁾ The metric used to track engineering information requests was re-evaluated in FY21 and as a result, the previous metric (Public Works website inquiries) has been discontinued. Starting in FY21, a metric more closely tied to Public Works functions (number of Engineering Records Requests filed and completed) has been put into practice.

⁽²⁾ The health clinic closed in 2020.

Schedule 21

2018	2019	2020	2021	2022	2023
18,558	18,726	18,609	22,156	22,409	22,146
3,068	2,809	2,080	2,562	1,848	1,615
5,798	5,698	5,391	6,944	7,244	7,904
6,147	6,510	4,638	4,122	5,426	6,429
31,188	37,111	28,122	20,656	19,367	18,712
37,600	38,000	38,000	39,263	60,918	59,799
40,084	40,193	40,200	53,421	52,874	51,785
249.07	63.24	88.19	86.73	88.19	82.48
554	831	990	1,120	1,120	822
937,595	971,341	1,002,266	1,290	1,968	2,064
16,848	16,848	17,382	17,928	18,120	16,258
2,744	3,387	3,495	4,035	3,084	2,941
890	470	189	550	486	528
20,472	19,469	16,399	26,077	24,286	21,574
2,198	2,232	1,869	2,414	2,423	2,614
1.83	1.77	0.92	0.79	0.89	1.00
0.21	0.20	0.05	0.15	0.12	0.13
36.04	40.46	42.01	36.30	36.30	83.00
3,182	3,093	1,371	5,132	2,934	2,240
73,516	74,318	389	29,436	33,937	41,701
6,500	2,780	5,650	1,238	384	232
900	1,672	1,035	1,115	1,699	2,983
2,713	3,731	215	0	0	0
83,075	61,021	29,111	51,427	74,845	141,433
1,050	640	216	276	398	504
143,660	80,840	22,830	55,780	61,750	87,350
6,001	6,543	4,984	6,205	4,667	3,565
5,787,400	6,066,383	5,909,548	6,101,734	6,912,736	7,456,234
243	172	206	132	159	218
155	150	126	125	103	140

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Functions			
Police services			
Police vehicles	262	221	226
Field services			
Miles of streets	440	440	440
Miles of alleys	220	220	220
Number of vehicles in City fleet	760	734	660
Parks and recreation			
Parks acreage	1,450	1,650	1,650
Number of parks	69	70	70
Water and Sewer			
Water system miles	567	568	568
Water system connections	54,964	55,135	55,174
Sewer system miles	493	494	494
Sewer system connections	53,714	53,764	53,803

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

Schedule 22

2017	2018	2019	2020	2021	2022	2023
217	220	235	248	189	238	230
440	440	440	440	440	528	528
220	220	220	220	220	217	217
702	675	722	742	857	941	931
1,700	1,700	1,700	1,700	1,700	1,803	1,803
70	70	70	70	70	70	70
585	485	602	613	630	673	689
54,608	52,688	55,725	55,980	57,225	57,967	58,122
483	498	485	483	491	494	514
52,604	52,688	55,725	55,980	57,225	57,967	58,122

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City of Mesquite, Texas

Single Audit Reports

September 30, 2023



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City of Mesquite, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Department of Housing and Urban Development				
Direct Programs				
<i>CDBG – Entitlement Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218		\$ 133,402	\$ 1,109,952
COVID-19 – Community Development Block Grants/Entitlement Grants	14.218		-	86,996
<i>Total CDBG – Entitlement Grants Cluster</i>			<u>133,402</u>	<u>1,196,948</u>
<i>Housing Voucher Cluster</i>				
Section 8 Housing Choice Vouchers	14.871		-	18,193,440
COVID-19 – Section 8 Emergency Housing Choice Vouchers	14.871		-	580,803
Mainstream Voucher Program (MV)	14.879		-	338,427
<i>Total Housing Voucher Cluster</i>			<u>-</u>	<u>19,112,670</u>
Total Department of Housing and Urban Development			<u>133,402</u>	<u>20,309,618</u>
Department of Justice				
Direct Program				
Equitable Sharing Program	16.922		-	354,318
Total Department of Justice			<u>-</u>	<u>354,318</u>
Department of Transportation				
Direct Program				
<i>Federal Transit Cluster</i>				
Federal Transit – Formula Grants	20.507		-	6,500
COVID-19 – Federal Transit – Formula Grants	20.507		-	860,511
Pass through from				
Texas Department of Transportation				
<i>Federal Transit Cluster</i>				
Federal Transit – Formula Grants	20.507	None noted	-	149,500
<i>Total Federal Transit Cluster</i>			<u>-</u>	<u>1,016,511</u>
Passed through from				
Texas Department of Transportation				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	2022-Mesquite-S-1-YG	-	3,081
<i>Total Highway Safety Cluster</i>			<u>-</u>	<u>3,081</u>
Total Department of Transportation			<u>-</u>	<u>1,019,592</u>
Department of the Treasury				
Direct Programs				
Equitable Sharing	21.016		-	42,772
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		-	1,255,425
Total Department of the Treasury			<u>-</u>	<u>1,298,197</u>
Department of Health and Human Services				
Passed through from				
Dallas Area Agency on Aging				
<i>Aging Cluster</i>				
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	539-11-0013-00001	-	54,573
<i>Total Aging Cluster</i>			<u>-</u>	<u>54,573</u>
Direct Program				
COVID-19 – Provider Relief Fund	93.498		-	478,776
Total Department of Health and Human Services			<u>-</u>	<u>533,349</u>
Department of Homeland Security				
Passed through from				
Texas Office of the Governor				
Homeland Security Grants Division				
Homeland Security Grant Program	97.067	EMW-2020-SS-00054, EMW-2021-SS-00062, EMW-2022-SS-00021, 2023-SH-ST-0000	-	101,185
Total Department of Homeland Security			<u>-</u>	<u>101,185</u>
Total Federal Awards Expended			<u>\$ 133,402</u>	<u>\$ 23,616,259</u>

The accompanying notes are an integral part of this Schedule.

City of Mesquite, Texas
Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Mesquite, Texas (City) under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is 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). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Federal Loan Programs

The City had no federal loan programs during the year ended September 30, 2023.



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 30, 2024.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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.

FORVIS,LLP

**Dallas, Texas
April 30, 2024**

Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the City of Mesquite, Texas' (City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on CDBG – Entitlement Grants Cluster and COVID-19 Provider Relief Fund

In our opinion, except for the noncompliance described in the "Basis for Qualified and Unmodified Opinions" section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the CDBG – Entitlement Grants Cluster and COVID-19 Provider Relief Fund for the year ended September 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on CDBG – Entitlement Grants Cluster and COVID-19 Provider Relief Fund

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Assistance Listing No. 14.218 CDBG – Entitlement Grants Cluster, as described in finding number 2023-001 for Reporting, and requirements regarding Assistance Listing No. 93.498 COVID-19 Provider Relief Fund, as described in finding number 2023-002 for Activities Allowed or Unallowed, Allowable Costs, and Reporting.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to these programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an other instance of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-003. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The City is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The City's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The City is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The City's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated April 30, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the Uniform Guidance, 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Forvis Mazars, LLP

**Dallas, Texas
July 3, 2024**

City of Mesquite, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified
 Qualified
 Adverse
 Disclaimer
2. Internal control over financial reporting:

Significant deficiency(ies) identified? Yes None reported

Material weakness(es) identified? Yes No
3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal awards programs:

Significant deficiency(ies) identified? Yes None reported

Material weakness(es) identified? Yes No
5. Type of auditor’s report issued on compliance for major federal programs:

Unmodified
 Qualified
 Adverse
 Disclaimer

1) Housing Voucher Cluster 2) COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	1) CDBG – Entitlement Grants Cluster 2) COVID-19 – Provider Relief Fund
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6. Any audit findings disclosed that are 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, 2023

7. Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
	<i>CDBG – Entitlement Grants Cluster</i>
14.218	Community Development Block Grants/Entitlement Grants
14.218	COVID-19 – Community Development Block Grants/Entitlement Grants
	<i>Housing Voucher Cluster</i>
14.871	Section 8 Housing Choice Vouchers
14.871	COVID-19 – Section 8 Emergency Housing Choice Vouchers
14.879	Mainstream Voucher Program (MV)
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
93.498	COVID-19 – Provider Relief Fund

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

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

City of Mesquite, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2023

Section II – Financial Statement Findings

Reference Number	Finding
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No matters are reportable.

City of Mesquite, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2023

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2023-001	<p style="text-align: center;">Program: CDBG – Entitlement Grants Cluster Assistance Listing Number: 14.218 Compliance Requirement: Reporting Federal Agency: Department of Housing and Urban Development</p> <p>Criteria or Specific Requirement – Under the requirements of the <i>Federal Funding Accountability and Transparency Act</i> (Pub. L. No. 109-282), as amended by Section 6202 of Pub. L. No. 110-252, hereafter referred to as the “Transparency Act” that are codified in 2 CFR Part 170, recipients (<i>i.e.</i>, direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). In addition, CDBG Reporting requirements are established under 24 CFR Part 570.</p> <p>Condition – The City did not report the subaward information for the fiscal year ended September 30, 2023. In addition, the City had material errors reported on the annual CDBG Financial Summary Report (PR26) and one PR29 – CDBG Cash on Hand Quarterly Report.</p> <p>Questioned Costs – None</p> <p>Context – The City’s only subaward more than \$30,000 was selected for testing under the program. The City did not report the subaward information. In addition, 2 of the other 5 reports selected for testing had material errors on amounts reported. The sample was not intended to be, and was not, a statistically valid sample.</p> <p>Effect – The City did not report the subaward information as required by the Uniform Guidance. In addition, required reports for federal awards had material errors.</p> <p>Cause – The City did not have adequate controls or procedures in place to identify the applicable reporting requirements and ensure the required reports for federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with the Uniform Guidance.</p> <p>Identification as a Repeat Finding – N/A</p> <p>Recommendation – Management should implement policies and procedures to ensure required reports are completed accurately and filed by their respective due dates in accordance with the grant agreements and Uniform Guidance.</p> <p>View of Responsible Officials and Planned Corrective Actions – We agree with the finding. See separate report for planned corrective actions.</p>

City of Mesquite, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2023

Reference Number	Finding
2023-002	<p style="text-align: center;">Program: COVID-19 – Provider Relief Fund Assistance Listing Number: 93.498 Compliance Requirement: Activities Allowed or Unallowed and Allowable Costs and Reporting Federal Agency: Department of Health and Human Services</p> <p>Criteria or Specific Requirement – Activities Allowed/Unallowed and Cost Principles (Pub. L. No. 116-136, 134 Stat. 563 and Pub. L. No. 116-139, 134 Stat. 622 and 623) and Reporting (45 CFR 75.342). Federal awards are only to be expended for allowable activities. In addition, the City is required to prepare and submit the period five provider relief fund report to the U.S. Department of Health and Human Services. This report is to be prepared using accurate financial information and submitted by the deadline established.</p> <p>Condition – The City reported COVID-19-related expenditures, including supplies, within the HHS Provider Relief Fund (PRF) portal that did not have sufficient supporting documentation showing expenditures were related to the prevention, preparation or response to COVID-19. In addition, the City reported fringe benefit amounts based on budgeted allocations and not actual expenditures.</p> <p>Questioned Costs – \$163,700. Questioned costs were determined by the amount of allocated supplies and fringe benefit costs included within the federal awards expended.</p> <p>Context – Management made certain estimates related to allowable program costs that did not have adequate underlying supporting documentation to determine proper allocation of claimed program expenditures.</p> <p>Effect – The City submitted expenses under the PRF program based on allocations and not actual expenditures. As a result, the City did not have support that they were reasonably related to the prevention, preparation or response to COVID-19.</p> <p>Cause – Internal controls were not in place to ensure federal awards were expended only for allowable activities.</p> <p>Identification as a Repeat Finding – N/A</p> <p>Recommendation – Policies and procedures over federal grant expenditure and reporting should be modified to ensure that allowable costs are supported by expenditures and reports that include indirect costs have sufficient supporting documentation that is retained in accordance with grant requirements.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the finding. See separate report for planned corrective actions.</p>

City of Mesquite, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2023

Reference Number	Finding
2023-003	<p>Program: COVID-19 – Coronavirus State and Local Fiscal Recovery Funds Assistance Listing Number: 21.027 Compliance Requirement: Procurement and Suspension and Debarment Federal Agency: Department of the Treasury</p> <p>Criteria or Specific Requirement – When a non-federal entity enters into a covered transaction with a vendor, the non-federal entity must verify that the vendor, as defined in 2 CFR Section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction.</p> <p>Condition – The City did not verify that a vendor was not suspended, debarred, or otherwise excluded from a covered transaction.</p> <p>Questioned Costs – None</p> <p>Context – The City did not verify that a vendor was not suspended, debarred, or otherwise excluded for one of the two covered transactions selected for testing. The sample was not intended to be, and was not, a statistically valid sample.</p> <p>Effect – The City did not verify that a vendor was not suspended, debarred, or otherwise excluded for a covered transaction as required.</p> <p>Cause – Internal controls over procurement were not in place to ensure the City verifies that vendors were not suspended, debarred, or otherwise excluded for a covered transaction.</p> <p>Identification as a Repeat Finding – N/A</p> <p>Recommendation – Policies and procedures should be modified to ensure the City verifies that vendors are not suspended, debarred, or otherwise excluded for a covered transaction.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the finding. See separate report for planned corrective actions.</p>

**City of Mesquite, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2023**

Reference Number	Summary of Finding	Status
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No matters are reportable.

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