

City of Mesquite, Texas

ANNUAL COMPREHENSIVE FINANCIAL REPORT For Fiscal Year Ended September 30, 2022



Station No. 4

City of Mesquite, Texas

Annual Comprehensive Financial Report

For the Year Ended September 30, 2022

Prepared by the City of Mesquite Accounting Department

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City of Mesquite, Texas
September 30, 2022

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City of Mesquite, Texas
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CITY OFFICIALS

SEPTEMBER 30, 2022

CITY COUNCIL

Daniel Alemán Jr., Mayor

Jeff Casper, District 1

Kenny Green, District 2

Jennifer Vidler, District 3

Tandy Boroughs, District 4

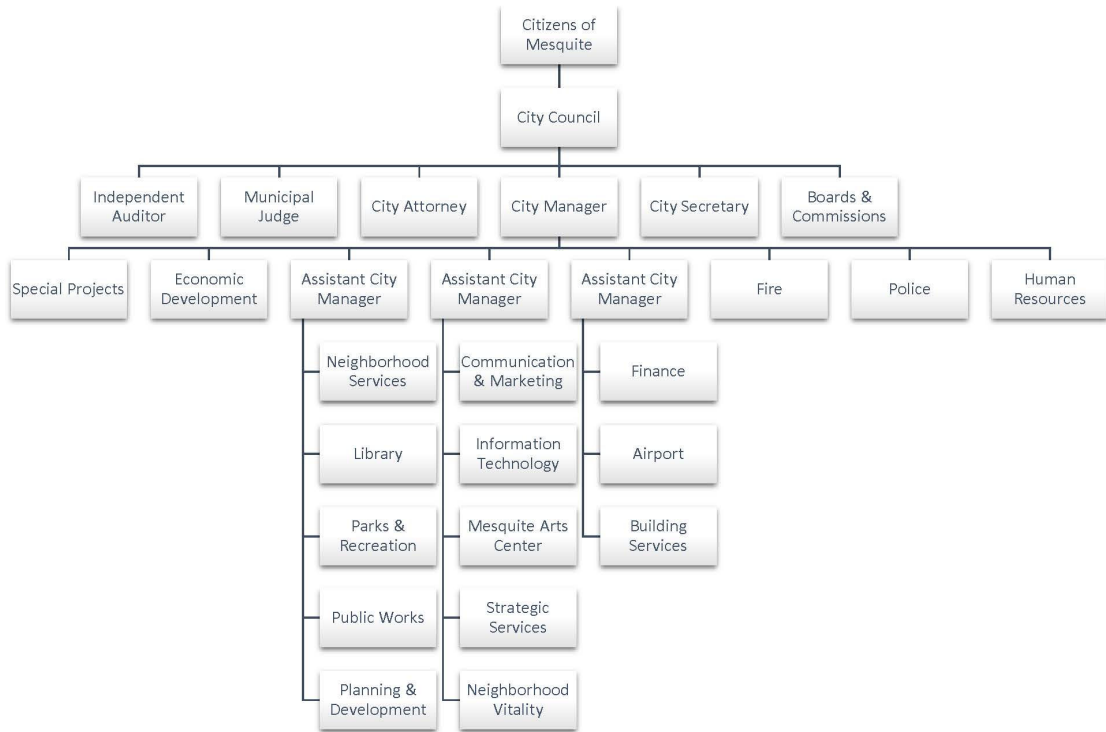
B.W. Smith, District 5

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, 2022





June 30, 2023

Honorable Mayor, City Council, and City Manager,
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, 2022, 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 an unmodified (“clean”) opinion on the City’s financial statements for the year ending September 30, 2022. The independent auditor’s report is located at the beginning of the financial section of this report.

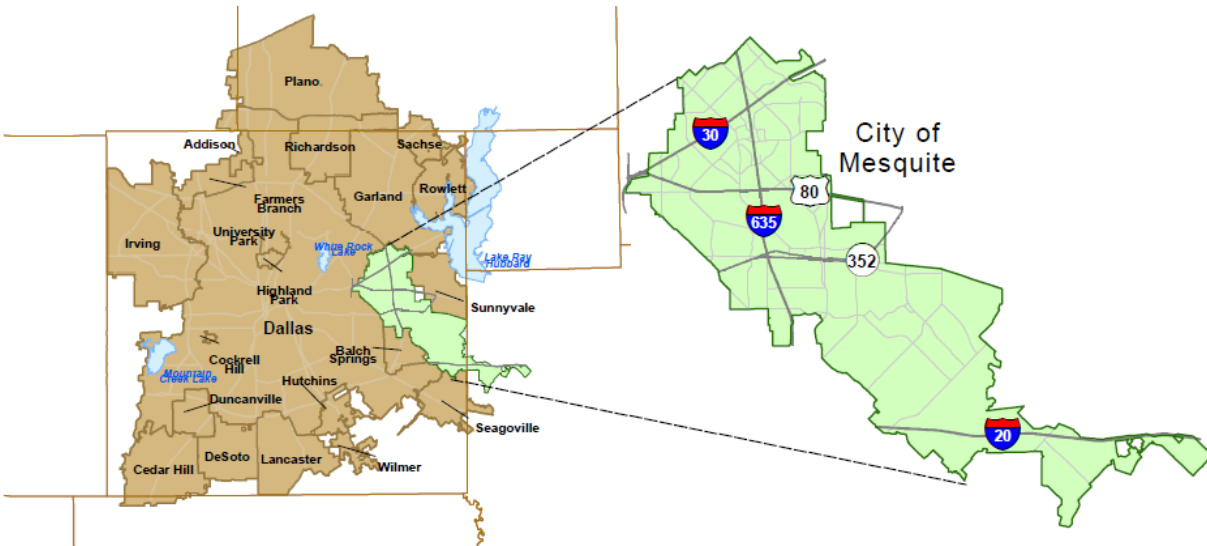
This letter of transmittal is designed to complement Management’s Discussion and Analysis (MD&A) and should be read in conjunction with it. The City’s MD&A can be found immediately following the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial 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 152,000, making it the 20th 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-one component units, which are discussed in Note 1 of the Notes to The Financial Statements. Component units are legally separate entities for which the primary government is financially accountable.

Local Economy

The City of Mesquite is a diverse, dynamic, and rapidly growing city. These levers have enabled a strong continued recovery from the COVID-19 pandemic through 2022. Although every sector of the Mesquite community has been challenged, staff remain committed and the City, community, and partners continue to pull together and stay strong.

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. Solid performance indicators of continued recovery in 2022 for the City of Mesquite include a 13.4% increase to \$12.77 billion in total valuations and \$131.2 million in new construction.

The City continues to benefit from the strength of the Dallas area economy. The Metroplex has ranked high nationally in attracting new business and expansion of existing companies. The area remains a major distribution and financial center for the Southwest, and the growth of high-tech industries, service industries, trade, and corporate headquarters have provided a strong, stable, and diverse regional economy.

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

Consistent growth in all sectors of the commercial, industrial, and retail markets, with a continued surge in new industrial development remains strong in the City. Tremendous residential growth persists as developer's continue site work, finalize subdivisions, start new phases, and make progress in building out Mesquite's neighborhoods into the next decade. Residential growth will also spur continued commercial growth, especially in the southern Mesquite neighborhoods and along IH-20 in the Trinity Pointe area of Mesquite. Solterra, a 3,400-lot master planned community broke ground in 2022 which will bring new residents to the southern Mesquite area. Industrial activity is led by new corporate relocations and facility expansions, along with over sixteen million square feet of new speculative development in design or under construction through 2030, resulting in an estimated \$1 billion in new real property. A highlight of 2022 included the announcement from the Dallas Business Journal that Mesquite ranked 3rd in the metroplex for dollars-worth of deals at \$451 million, just behind Fort Worth and more than Dallas. Highlights of this effort include the groundbreaking of Twenty East at Trinity Pointe (3.2 million square feet of industrial) as Mesquite's first commercial development in Kaufman County, as well as the expansion of Ashley Furniture Industries near Mesquite Metro Airport

Retail activity was led by experiential retail, grocery, and new dining options. New land development in 2022 attracted novel brands to Mesquite that included Rosa's Café, Crumble Cookie, and Black Bear Diner concepts. Town East Mall remains a strong economic driver on a consistent basis with a 20% increase in sales in 2022 over 2021 and is expected to announce the new anchor tenants for the redevelopment of the previous Sears anchor at the intersection of IH-635 and Town East Blvd in 2023.

As a player in the global market, international companies who have already chosen Mesquite include Ashley Furniture Industries, Orora Visual, Iris USA, Pepsi Co, Benjamin Moore Paints and Elements International. In 2022, Vehicle Accessories, Inc. announced their expansion into Mesquite at the new Alcott Logistics Station business park. The Class A Industrial development of Urban District 30, a 950,000 square foot development built during the pandemic, achieved 100% occupancy that added five new companies and three new expansions to Mesquite's portfolio contributing more than \$750,000 of real property to the tax roll.

The Mesquite Arena and Convention Center play a critical role in the local economy. As the "rodeo capital of Texas", the renown Mesquite Championship Rodeo continued a strong recovery through 2022. Diversifying events at this location has contributed to a growing economic impact of tourism as evidenced by the strong recovery of the Hotel Occupancy tax.

The Mesquite Metro Airport experienced its best year in 2022 with record levels for airport operations (107,315 takeoffs and landings), gallons of aviation grade fuel sold (415,309), and total revenues (\$3.15 million). The Texas Department of Aviation published the economic impact of the Airport at \$26 million, up \$3.3 million (14%) from their previous economic impact report. With an estimated 2022 taxable value of \$25.6 million, the Airport continues to invest in infrastructure and services that will capitalize on the growth surge and sustain its ranking as one of the best general aviation airports in Texas.

Major Initiatives

Following direction of the City Council, several initiatives were undertaken during the year to improve the quality of governmental services the citizens of Mesquite have come to expect. These improvements were identified after a systematic review of all 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. The *Trinity Pointe* corridor along IH-20 maintains development interest in multiple residential, commercial, and industrial projects.

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 began in 2022 that will provide water to the southern sector of the City. The City continued its Advanced Meter Infrastructure (AMI) project through 2022 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.

Ingenuity continues in the redevelopment of the historic downtown area. The restoration of one of Mesquite's oldest buildings celebrated its grand opening as an anchor project through a public-private partnership, Alejandro's at Front Street Station – a full-service restaurant with outdoor patio seating. In addition, the City opened the Heritage Plaza building to serve as a Visitors Center and home to the Mesquite Convention and Visitors Bureau, Downtown Mesquite, and the Mesquite Chamber of Commerce after a two-year rehabilitation of the building. Private-sector investors bought two key buildings in 2022 totaling 9,000 square feet and are in the process of renovating the properties for more new businesses. Mesquite received the 2022 Best Economic Game Changer for the Front Street Station project at the annual Texas Downtown Association awards.

Parks and recreation play a key role in the community as evidenced by the Council Strategic Goal for Quality Recreation and Culture. 2022 brought the excitement of the City's first spray pad; its first Parks Master Plan in over 20 years; and the successful completion of its first year of operations at the new Mesquite Softball complex that will have a long-term economic impact to the City.

Long Term Financial Planning

In January 2022, 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 2022 budget. The budgeting for outcomes process allows City staff to better allocate limited resources to the highest priority's 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 10-year capital improvement plan that provides a long-term framework for the development and maintenance of infrastructure to meet current and future needs.

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

Relevant Financial Policies

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

Accounting System and Budgetary Controls. In addition, the City maintains 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, the Other Special Revenue Fund, and the Other Grants 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.

Charges for services, or user fees, are reviewed more frequently now 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 Comprehensive Annual Financial Report for the fiscal year ended September 30, 2021. This was the 43rd consecutive year that the City has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is 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, 2021. This is the 34th 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-three applications from local government entities since the program inception, of which only twelve have received the maximum five Transparency Stars.

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

Respectfully Submitted,

Cindy L. Smith

Cindy L. Smith, CGFM, CPM
Director of Finance

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Certificate of
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for Excellence
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Presented to

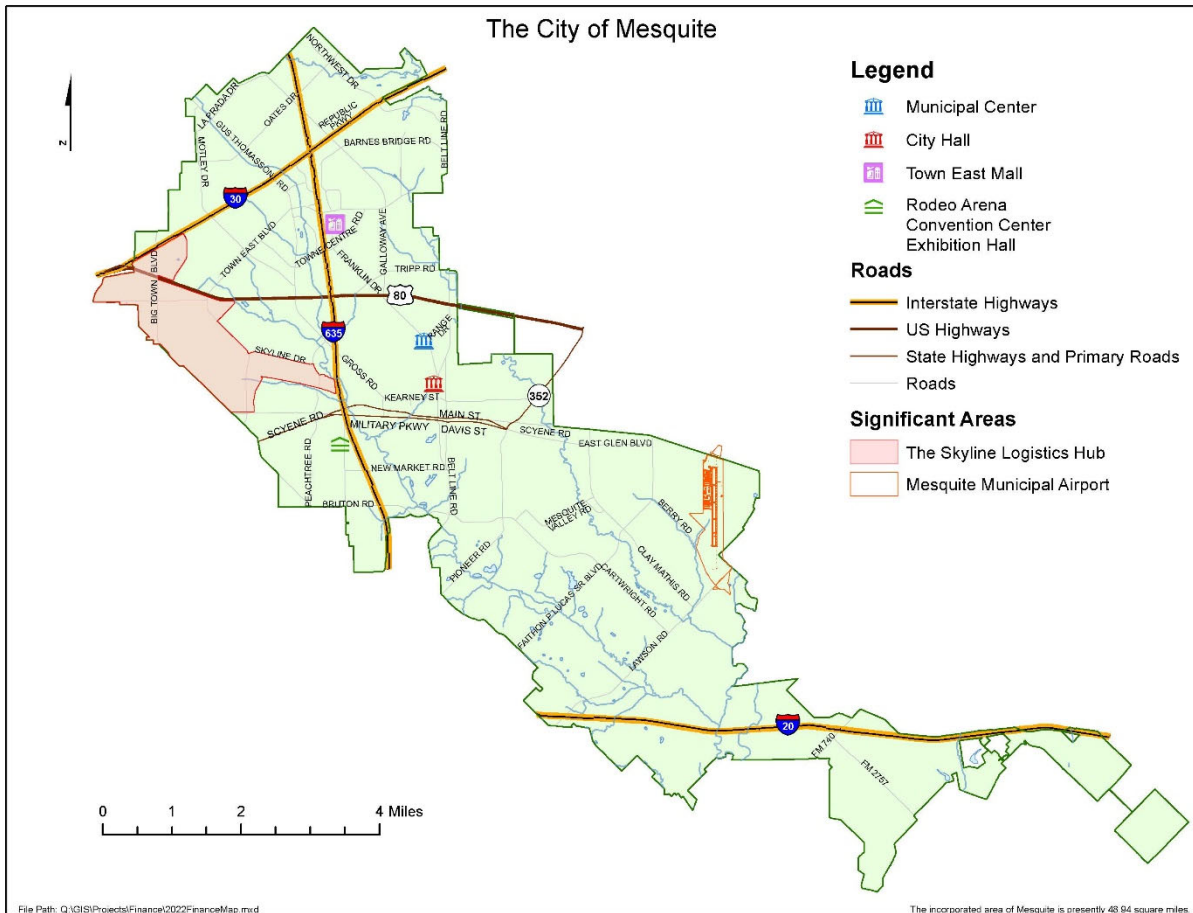
**City of Mesquite
Texas**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2021

Christopher P. Morill

Executive Director/CEO



Independent Auditor's Report

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

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, 2022, 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, 2022, 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases* in fiscal year 2022. Our opinions are not modified with respect to this matter.

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, 2022, 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, 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 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, 2022, 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, 2022.

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, 2021 (not presented herein), and have issued our report thereon dated April 1, 2022, 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, 2021, 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 2021 financial statements. The information was subjected to the audit procedures applied in the audit of the 2021 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, 2021.

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
June 30, 2023**

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City of Mesquite, Texas

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2022

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, 2022. 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 \$369.9 million (net position). Within the total net position, unrestricted is a \$31.0 million deficit.

The City's total net position increased by \$69.7 million from operations during fiscal year 2022. Governmental activities which receive taxes and other non-exchange revenues, increased \$51.4 million and business type activities increased by \$18.3 million.

As of the close of the current fiscal year, the City of Mesquite's governmental funds reported combined ending fund balances of \$167.8 million, an increase of \$56.4 million (including impact on change in accounting principle) 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 \$31.0 million and total fund balance was \$34.1 million. Total unassigned fund balance represents approximately 76 days of working capital, calculated in accordance with City Policy of General Fund Budgeted Revenues. For fiscal year 2022, 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 \$6.1 million, which was primarily the result of expenditures coming in less than budgeted.

The City's debt increased by \$59.3 million during this current fiscal year. The City issued general obligation bonds and certificates of obligation for infrastructure, capital replacement, and municipal building improvements. In addition, the City issued revenue bonded debt for water, sewer, and drainage improvements.

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)
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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.

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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.

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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 \$369.9 million as of September 30, 2022.

The largest portion of the City's net position (93.7%) 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 merged entity at the beginning of fiscal year 2022.

	Governmental Activities		Business-type Activities		Totals	
	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021
Current and other assets	\$ 219,474,756	\$ 153,686,539	\$ 142,324,379	\$ 121,758,836	\$ 361,799,135	\$ 275,445,375
Capital and lease assets, net	368,912,655	354,934,507	291,626,999	262,602,215	660,539,654	617,536,722
Total assets	588,387,411	508,621,046	433,951,378	384,361,051	1,022,338,789	892,982,097
Deferred outflows of resources	20,857,975	16,626,731	2,180,392	2,049,557	23,038,367	18,676,288
Other liabilities	39,910,797	29,563,136	14,494,944	14,063,653	54,405,741	43,626,789
Long-term liabilities	402,291,143	401,055,505	176,723,915	147,287,575	579,015,058	548,343,080
Total liabilities	442,201,940	430,618,641	191,218,859	161,351,228	633,420,799	591,969,869
Deferred inflows of resources	38,993,550	17,994,263	3,052,888	1,465,656	42,046,438	19,459,919
Net investment in capital assets	177,921,974	166,092,744	168,729,099	166,219,419	346,651,073	332,312,163
Restricted	41,738,493	27,214,393	12,198,566	7,381,244	53,937,059	34,595,637
Unrestricted	(91,610,571)	(116,672,264)	60,932,358	49,993,061	(30,678,213)	(66,679,203)
Total net position	\$ 128,049,896	\$ 76,634,873	\$ 241,860,023	\$ 223,593,724	\$ 369,909,919	\$ 300,228,597

An additional portion of the City's net position (14.6%) represents resources that are subject to external restriction on how they may be used. Within the total net position, unrestricted is a \$30.7 million deficit. The deficit is caused primarily by City's liability for its pension plan (\$90.1 million) and other postemployment benefit plan for retiree healthcare (\$31.6 million).

The current and other assets increased in the governmental activities by \$65.8 million and the business-type activities increased by \$20.6 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 \$41.5 million. Bonds payable increased \$59.3 million for new capital projects. The net pension liability decreased \$21.7 million due to strong investment performance. The deposits and liabilities increased by \$14.5 million due to unearned ARPA grant revenue.

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

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Analysis of the City's Operations

Governmental and Business-type activities increased the City's net position by \$69.7 million. Prior year comparative information has not been restated for the change in accounting principle at the beginning of fiscal year 2022. The key elements of this increase and the prior year results are as follows:

	Governmental Activities		Business-type Activities		Totals	
	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021
Revenues:						
<i>Program revenues:</i>						
Charges for services	\$ 42,160,893	\$ 28,575,554	\$ 88,168,735	\$ 79,260,434	\$ 130,329,628	\$ 107,835,988
Operating grants and contributions	25,362,954	27,901,098	67,898	89,264	25,430,852	27,990,362
Capital grants and contributions	3,573,868	6,364,495	3,730,397	5,872,574	7,304,265	12,237,069
Total program revenues	71,097,715	62,841,147	91,967,030	85,222,272	163,064,745	148,063,419
<i>General revenues:</i>						
Ad valorem taxes	71,023,000	64,830,789	-	-	71,023,000	64,830,789
Gross receipts taxes	8,053,578	7,435,585	-	-	8,053,578	7,435,585
Sales taxes	60,137,724	53,316,537	-	-	60,137,724	53,316,537
Grants not restricted to specific programs	610,426	-	-	-	610,426	-
Gain on sale of capital assets	167,493	4,519,955	-	-	167,493	4,519,955
Investment income (loss)	(380,724)	143,236	(259,421)	84,095	(640,145)	227,331
Miscellaneous	1,853,096	2,410,518	30,759	963,004	1,883,855	3,373,522
Total general revenues	141,464,593	132,656,620	(228,662)	1,047,099	141,235,931	133,703,719
Total revenues	212,562,308	195,497,767	91,738,368	86,269,371	304,300,676	281,767,138
Expenses:						
General government	19,655,559	26,234,308	-	-	19,655,559	26,234,308
Fire services	32,371,375	32,328,814	-	-	32,371,375	32,328,814
Police services	42,744,250	41,849,155	-	-	42,744,250	41,849,155
Public works	23,103,175	23,274,769	-	-	23,103,175	23,274,769
Planning and community development	4,542,257	9,542,691	-	-	4,542,257	9,542,691
Housing and community services	22,788,823	21,825,972	-	-	22,788,823	21,825,972
Library services	2,337,933	2,468,788	-	-	2,337,933	2,468,788
Parks and recreation	12,104,171	11,713,438	-	-	12,104,171	11,713,438
Interest on long-term debt	8,109,662	7,817,157	-	-	8,109,662	7,817,157
Water and sewer	-	-	61,273,690	58,935,384	61,273,690	58,935,384
Drainage utility district	-	-	2,986,003	2,734,235	2,986,003	2,734,235
Municipal airport	-	-	1,108,079	2,260,519	1,108,079	2,260,519
Municipal golf	-	-	1,494,377	1,520,386	1,494,377	1,520,386
Total expenses	167,757,205	177,055,092	66,862,149	65,450,524	234,619,354	242,505,616
Increase in net position before transfers	44,805,103	18,442,675	24,876,219	20,818,847	69,681,322	39,261,522
Transfers	6,609,920	4,701,899	(6,609,920)	(4,701,899)	-	-
Change in net position	51,415,023	23,144,574	18,266,299	16,116,948	69,681,322	39,261,522
Net position, beginning	76,634,873	53,490,299	223,593,724	207,476,776	300,228,597	260,967,075
Net Position, ending	\$ 128,049,896	\$ 76,634,873	\$ 241,860,023	\$ 223,593,724	\$ 369,909,919	\$ 300,228,597

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Governmental Activities

Governmental activities increased the City of Mesquite's net position by \$51.4 million.

The City's program revenues from governmental activities increased approximately \$8.3 million (13.1%) as compared to the prior year. Charges for services increased approximately \$13.6 million, operating grants and contributions decreased approximately \$2.6 million, and capital grants and contributions decreased approximately \$2.8 million.

Charges for services increased primarily due to an increase in roadway impact fees, public works inspection fees and waste collections related to economic expansion.

General revenues of the City's governmental activities increased \$8.8 million (6.6%) during the year. General revenue from property taxes increased \$6.2 million due to increased property tax values and new property added to the tax roll. Gross receipts tax revenue increased \$618 thousand due to increased activity in gas, electrical and sanitation franchise fees. Sales tax revenues increased \$6.9 million due to an increase in retail activity and inflation. Investment income decreased \$524 thousand due to lower yields on investments throughout the year. Gain on sale of capital assets decreased by \$4.4 million due primarily to land sales related to economic development agreements made in the prior year.

Expenses for the City's governmental activities experienced a net decrease of \$9.9 million (5.3%) compared with the prior fiscal year. The decrease can be attributed to General Government, \$6.6 million, and Community development \$5.0 million, which were offset by increases to Police services, \$895 thousand, Housing and community services, \$963 thousand, Parks and recreation, \$391 thousand, and Interest on long-term debt, \$293 thousand.

- General Government decreased \$6.6 million due to a decrease in personal and contractual services in both the other grants fund and local finance fund.
- Community development decreased \$5.0 million due to reduced expenditures related to economic development agreements.
- Housing and community services increased \$963 thousand due to expenditures covered by federal housing grant awards.
- Interest on long-term debt increased \$293 thousand primarily due to the addition of fiscal year 2022 bonds.
- Police services increased \$895 thousand due to an increase in salaries.

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Business-type Activities

Business-type activities increased the City of Mesquite's net position by \$18.3 million.

The City's overall revenues for business-type activities increased by \$22.8 million (6.3%) 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 \$8.9 million due to rate increases passed to residents and the addition of new utility accounts. Capital grants and contributions decreased \$2.1 million due to a decrease in developer contributions for the Water Sewer fund and Drainage Utility District fund.

Expenses increased by approximately \$1.4 million (2.2%). The increase is mainly due to an increase in 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 \$167.8 million. Approximately 18.4% of this total amount (31 million) constitutes unassigned fund balance. The remainder of the fund balance is comprised of \$2.7 million for nonspendable, which represents funds already committed for prepaid and inventory items and a note receivable which will be repaid in future years, \$116.3 million for restricted, which represents funds restricted for specific purposes by their providers (such as grantors, bondholders, and higher levels of government), and \$17.9 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 \$56.4 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 \$31.0 million while the total fund balance was at \$34.1 million. The total fund balance increased by \$6.1 million.

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

- Ad valorem taxes increased \$5.8 million due to an increase in assessed property values and growth.
- Sales tax increased over the prior year by \$5.0 million due to an increase in retail activity within the City.
- Gross receipts increased over the prior year by \$618 thousand due to increased electrical, gas and sanitation contract fees.

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- Licenses and permits increased \$1.9 million over the prior year due to significant increases in permit fees associated with the economic expansion.
- Charges for services increased \$2.5 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 decreased \$67 thousand as a result of declining interest rates.

Total expenditures in the General Fund increased \$5.6 million over the prior year as follows:

- Fire services increased \$2.0 million due to increased salary and overtime expenses.
- Police services increased \$2.1 million due increased salary and overtime expenses.
- Public works increased \$1.6 million due to increased motor vehicle parts and fuel costs.

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 \$41.0 million, \$24.4 million of which is restricted for various capital projects and specified spending and \$16.6 million is assigned for other capital projects identified by the City. The fund balance increased \$13.8 million primarily due to timing fluctuations of capital project spending from year to year. Project spending carries over from year to year depending on the scheduled activity.

The Bond Finance capital projects fund is a major fund used to account for capital project expenditures from the proceeds of governmental debt. See the Capital and Lease Asset section for highlights on project spending. Fund balance at year end is \$68.8 million, all of which is restricted for use for the capital projects approved within the various bond issues. The fund balance increased \$29.5 million which is due to timing fluctuations of issuing of bonds (current year) versus capital project spending from year to year.

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The Debt Service fund is a major fund used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance was \$1.5 million at the end of the year, all of which is restricted for debt service. Fund balance increased by \$62 thousand in the current year.

The Other Grants fund is a major fund used to account is a special revenue fund is 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 \$258 thousand at the end of the year, all of which is restricted for various grants programs. Fund balance decreased by \$1.3 million in the current year due to the planned spend down of various funding sources.

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 \$55.2 million and the Drainage Utility District amounted to \$7.5 million. The change in net position was an increase of \$13.9 million, for the Water/Sewer Fund and an increase of \$4.9 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 a decrease of \$505 thousand in personnel expenses.

General Fund Budgetary Highlights

The City revised the original appropriations approved by the City Council for the 2022 fiscal year budget. Overall, these changes resulted in an increase in budgeted revenues and transfers in by \$7.5 million and an increase in expenditures and transfers out of \$2.4 million from the original budget.

The increase in budgeted revenues primarily was to reflect:

- General Sales Tax collections increase of \$5.2 million due to inflation.
- Gross Receipts increase of \$415 thousand for gas gross receipts and bingo taxes.
- Licenses and Permits increase of \$868 thousand from building permits dues to development activity.
- Charges for services increase of \$944 thousand from increased fees approved by City Council on September 20, 2021, and the addition of the Softball Complex operations that includes reservations and concessions.

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The increase in budgeted expenditures were:

- \$1.2 million for economic development incentive payments;
- \$110,000 for Softball Complex operations.
- \$1.1 million for inflationary cost increases of supplies and services like fuel, parts, and utilities.

Budget variances as compared to actuals were more revenues and transfers in of \$4.9 million and \$3.2 million more in expenditures and transfers out. The positive variance in revenues was mainly due to additional Sales Tax of \$2.2 million due to inflation. Other positive variances include \$354 thousand in Ad Valorem Taxes, \$524 thousand in Gross Receipts, \$932 thousand in Licenses and permits, Charges for Services of \$972 thousand and Other Revenues of \$200 thousand. Negative variances versus budgeted revenues include \$218 thousand in Fines and Forfeitures, \$118 thousand in Investment Income, \$20 thousand in Other Revenues, and \$61,440 in Transfers In.

The budget variance of \$3.2 million more in expenditures and transfers out was due to all areas coming in under amended budget mainly due to salary savings from personnel vacancies offset by a \$7 million transfer out to capital projects reserve fund for future capital projects and \$1.1 million transfer to capital projects reserve fund for obligated economic development incentives. Taking into consideration cost allocation reimbursements, General government was under budget by \$1.3 million from personnel vacancies, supplies, and contractual services savings. Fire services was under budget \$403 thousand due uniform supplies and contractual services. Police services was under budget \$918 thousand due to personnel vacancies. Public works was under budget \$710 thousand due to personnel vacancies, contractual services savings, and more work order credits due to increased capital projects activity. Planning and community development was under budget \$133 thousand from personnel vacancies and contractual services related to building inspection, planning, zoning, and demolition services. Library services was under budget \$203 thousand from personnel vacancies, library supplies, and contractual services. Parks and recreation was under budget \$771 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 \$617 thousand as a result of personnel vacancies and contractual services in animal services and environmental code inspection.

Capital and Lease Assets

At the end of fiscal year 2022, the City had over \$660.5 million (net of accumulated depreciation/amortization) invested in capital assets for its governmental and business-type activities in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. The total increase in the City of Mesquite's net investment in capital assets was 7.0% for the current fiscal year.

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

	Governmental Activities		Business-type Activities		Totals	
	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021
Land	\$ 25,649,615	\$ 24,952,158	\$ 13,246,089	\$ 13,542,316	\$ 38,895,704	\$ 38,494,474
Construction in progress	63,845,135	58,635,580	62,952,234	35,659,098	126,797,369	94,294,678
Buildings	64,762,724	67,172,556	6,326,846	6,560,951	71,089,570	73,733,507
Infrastructure	178,774,796	170,337,658	202,995,852	200,901,423	381,770,648	371,239,081
Improvements other than buildings	13,061,215	9,974,934	2,951,611	3,132,196	16,012,826	13,107,130
Equipment	22,476,592	23,861,621	2,873,393	2,806,231	25,349,985	26,667,852
Lease assets	342,578	-	280,974	-	623,552	-
Totals	<u>\$ 368,912,655</u>	<u>\$ 354,934,507</u>	<u>\$ 291,626,999</u>	<u>\$ 262,602,215</u>	<u>\$ 660,539,654</u>	<u>\$ 617,536,722</u>

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

- Over \$29.5 million was expended for governmental type activities for capital projects in 2022 and \$11.6 million was completed and placed into service. Major components of projects placed into service include the following:
 - Over \$9.6 million in infrastructure improvements and additions including Thomasson Square Street, portions of Town East Blvd (80 to Skyline) and Lawson Highway.
 - Over \$400 thousand in improvements to include the Mesquite Garland Trail Connector.
 - Over \$3.3 million in parks improvements to include Dunford, Softball complex, and Clay Mathis Spray Pad.
 - Over \$1 million was expended on equipment replacements including software upgrades for city operations, police and fire vehicles and equipment, public works vehicles and equipment, traffic signal equipment and various other types of equipment.
- The water and sewer system expended \$3.2 million in capital projects that were completed and placed into service.
- The drainage system capital expended \$900 thousand in capital projects that were completed and placed into service.

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

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Debt Administration

At year-end, the City had \$432.9 million in net bonded debt outstanding. Of this total amount, \$235.0 million, 54.3%, is comprised of bonded debt backed by the full faith and credit of the City; \$30.9 million, 7.1%, is comprised of special assessment bonds which are to be paid from special assessments on each property owner in the Heartland Town Center PID, Iron Horse PID, Polo Ridge PID and is secured by special assessments; \$166.3 million, 38.4%, represents revenue bonds secured by specified revenue sources related to the revenue bond projects; and \$623 thousand represents lease obligations.

City of Mesquite’s Outstanding Debt

	Governmental Activities		Business-type Activities		Totals	
	FY2022	FY2021	FY2022	FY2021	FY2022	FY2021
General obligation bonds	\$ 118,710,000	\$ 112,855,000	\$ -	\$ -	\$ 118,710,000	\$ 112,855,000
Certificates of obligation	101,225,000	79,550,000	-	-	101,225,000	79,550,000
Special assessment bonds	30,930,000	31,465,000	-	-	30,930,000	31,465,000
Revenue bonds	-	-	154,675,000	125,505,000	154,675,000	125,505,000
Premiums on bonds	15,042,845	14,022,079	11,650,904	9,490,914	26,693,749	23,512,993
Lease obligations	343,957	420,597	278,813	265,624	622,770	686,221
Totals	<u>\$ 266,251,802</u>	<u>\$ 238,312,676</u>	<u>\$ 166,604,717</u>	<u>\$ 135,261,538</u>	<u>\$ 432,856,519</u>	<u>\$ 373,574,214</u>

During the fiscal year, the City had four debt issuances in 2022. The first debt issue was for \$15.7 million of general obligation bonds for constructing, improving, extending, expanding, upgrading and developing two-land residential streets, including, utility relocation, landscaping, sidewalks, traffic safety and operational improvements, drainage, the purchase of any necessary right-of-way, and other related costs. The second debt issue was for \$33.8 million of revenue bonds for water and sewer improvements. The third debt issue was for \$3.7 million for drainage improvements. The fourth debt issue was for \$29.3 million of certificate of obligation debt 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.

Standard and Poor’s Rating Services assigned its ‘AA’ long-term rating to the City’s series 2022 combination tax and limited surplus revenue certificates of obligation. Standard and Poor’s assigned its ‘AA’ long-term rating on the City’s series 2022 general obligation debt. Standard and Poor’s Rating Services assigned its ‘AA’ rating and stable outlook to the City’s series 2022 waterworks and sewer system revenue bonds. Standard and Poor’s affirmed its ‘AA’ rating on the City’s existing system revenue debt. Standard and Poor’s Rating Service assigned its ‘AAA’ rating on the City’s 2022 drainage utility system debt.

City of Mesquite, Texas

Management's Discussion and Analysis (Unaudited)

Year Ended September 30, 2022

Moody's Investor Services, Inc. assigned its 'Aa2' long-term rating to the City's series 2022 combination tax and limited surplus revenue certificates of obligation. Moody's assigned its 'Aa2' long-term and rating on the City's series 2022 general obligation debt. Moody's assigned its 'Aa2' rating to the City's series 2022 waterworks and sewer system revenue bonds. Moody's affirmed its 'Aa2' rating on the City's existing system revenue debt. Moody's assigned its 'Aa2' rating on the City's series 2022 drainage utility system revenue debt.

Additional information on the City's long-term bonded debt can be found in *Note 9* of the Notes to the Financial Statements.

Economic Factors and Next Year's Budget and Rates

As with many other cities, the Mesquite's main challenges for fiscal year 2022-23 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 2022-23 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 2022-2023 budget, General Fund revenues and transfers in are projected to increase by 3.4% from the 2021-22 final budget with the majority of this increase coming from property tax. General property tax revenue (Ad valorem tax revenue) is determined by two major factors: the total assessed property value established by the Dallas Central Appraisal District and Kaufman County Appraisal District and the tax rate set by City Council. Certified assessed valuations increased 14.02% over the preceding year. The City's adopted tax rate is set at \$0.65814 per \$100 of assessed valuation and represents a five-cent decrease from the prior year tax rate. Fiscal year 2020-21 and fiscal year 2021-22 were anomalies for sales tax growth. Fiscal year 2020-21 sales tax growth was a recovery from the pandemic and fiscal year 2021-22 sales tax growth was from inflation. Based on historical patterns, sales tax it is expected to increase slightly for 2022-2023. This revenue source comprises 26.9% 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 \$866 thousand increase mainly due to a fee increase in residential solid waste collections of \$1.00 per month per household and anticipated increases in Parks and Recreation activities. The 2022-23 General Fund budget includes an increase of \$253 thousand from cost allocation plan updates.

City of Mesquite, Texas
Management's Discussion and Analysis (Unaudited)
Year Ended September 30, 2022

General Fund expenditures and transfers out are budgeted at a 6.28% increase over the 2021-22 final budget. The 2022-23 budget includes a 3.00% merit increase for all general government employees on their anniversary date and 3.00% merit increase for all sworn public safety position on January 1, 2023 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 additional 2.00% step adjustment for public safety ranked positions. The 2022-23 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 twenty new full-time positions and one part-time position for growth and expansion including two police officers for patrol and school resource officer for Horn High School, ten firefighters for Mesquite Trinity Pointe Public Safety Facility, bilingual communications position, and additional staffing for Economic Development, Municipal Court, Public Safety Dispatch, Solid Waste, Parks Maintenance, and Code Enforcement. Expenditures also include additional funding to operate an additional ambulance for emergency medical services, funding for 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 2022-23. The projected ending fund balance is approximately 70 days of working capital for the unassigned fund balance based on total revenues.

The Water and Sewer Fund budget includes 9.00% water and sewer rate increase for fiscal year 2022-23 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.

MESQUITE

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City of Mesquite, Texas
Statement of Net Position
September 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Pooled cash and investments	\$ 56,253,252	\$ 86,798,520	\$ 143,051,772
Receivables (net of allowance for uncollectibles)	24,947,285	16,872,079	41,819,364
Internal balances	978,053	(978,053)	-
Inventory	1,189,111	434,047	1,623,158
Prepays and other assets	1,126,018	34,631	1,160,649
Accrued interest	266,509	128,889	395,398
Restricted pooled cash and investments	134,714,528	39,034,266	173,748,794
Capital and lease assets-			
Land and construction in progress	89,494,750	76,198,323	165,693,073
Other capital and lease assets (net of accumulated depreciation)	279,417,905	215,428,676	494,846,581
Total Assets	588,387,411	433,951,378	1,022,338,789
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refunding	1,265,478	584,208	1,849,686
Deferred pension contributions	11,494,200	931,963	12,426,163
Difference in expected and actual pension experience	6,555,028	531,490	7,086,518
Difference in expected and actual OPEB experience	1,083,860	87,882	1,171,742
Difference in assumption changes - pension	98,349	7,976	106,325
Difference in assumption changes - OPEB	361,060	29,276	390,336
Change in proportional share - pension	-	7,597	7,597
Total Deferred Outflows of Resources	20,857,975	2,180,392	23,038,367
LIABILITIES:			
Accounts payable	12,461,609	5,388,853	17,850,462
Accrued interest payable	1,244,190	554,069	1,798,259
Retainage payable	790,599	2,619,139	3,409,738
Deposits and other liabilities	1,121,708	5,932,883	7,054,591
Unearned revenue	24,292,691	-	24,292,691
Long-term liabilities:			
Due within one year:			
Bonds payable	17,680,000	8,910,000	26,590,000
Lease liability	135,550	88,620	224,170
Total other postemployment benefit (OPEB) liability	1,058,044	122,794	1,180,838
Accrued compensated absences	7,818,906	194,259	8,013,165
Estimated claims payable	1,780,215	-	1,780,215
Due in more than one year:			
Bonds payable	248,227,845	157,415,904	405,643,749
Lease liability	208,407	190,193	398,600
Total other postemployment benefit (OPEB) liability	28,132,704	2,244,031	30,376,735
Net pension liability	83,393,472	6,761,637	90,155,109
Accrued compensated absences	12,011,063	796,477	12,807,540
Estimated claims payable	1,844,937	-	1,844,937
Total Liabilities	442,201,940	191,218,859	633,420,799
DEFERRED INFLOWS OF RESOURCES:			
Difference in expected and actual pension experience	1,530,491	124,094	1,654,585
Difference in projected and actual earnings on pension assets	30,605,287	2,481,510	33,086,797
Change in proportional share - pension	6,730	867	7,597
Difference in assumptions - OPEB	5,505,818	446,417	5,952,235
Leases	1,345,224	-	1,345,224
Total Deferred Inflows of Resources	38,993,550	3,052,888	42,046,438
NET POSITION:			
Net investment in capital assets	177,921,974	168,729,099	346,651,073
Restricted for:			
Capital projects	12,998,233	-	12,998,233
Local finance projects	18,245,724	-	18,245,724
Housing and community services	2,792,489	-	2,792,489
Other grants and special revenue	6,226,823	-	6,226,823
Debt service	1,475,224	12,198,566	13,673,790
Unrestricted	(91,610,571)	60,932,358	(30,678,213)
Total Net Position	\$ 128,049,896	\$ 241,860,023	\$ 369,909,919

City of Mesquite, Texas
Statement of Activities
Year Ended September 30, 2022

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTION / PROGRAM ACTIVITIES:				
Governmental activities:				
General government	\$ 19,655,559	\$ 1,817,274	\$ 42,958	\$ 142,973
Fire services	32,371,375	2,631,375	15,760	153,912
Police services	42,744,250	5,246,551	2,019,738	-
Public works	23,103,175	25,028,525	1,316,381	3,216,983
Planning and community development	4,542,257	5,457,261	2,300,578	20,000
Housing and community services	22,788,823	206,355	19,561,501	-
Library services	2,337,933	64,365	11,489	-
Parks and recreation	12,104,171	1,709,187	94,549	40,000
Interest on long-term debt	8,109,662	-	-	-
Total governmental activities	167,757,205	42,160,893	25,362,954	3,573,868
Business-type activities:				
Water and sewer	61,273,690	78,324,996	-	1,074,925
Drainage utility district	2,986,003	5,370,679	-	2,655,472
Municipal airport	1,108,079	3,074,703	67,898	-
Municipal golf	1,494,377	1,398,357	-	-
Total business-type activities	66,862,149	88,168,735	67,898	3,730,397
Total function / program activities	\$ 234,619,354	\$ 130,329,628	\$ 25,430,852	\$ 7,304,265
General revenues:				
Ad valorem taxes				
Gross receipts taxes				
Sales taxes				
Grants not restricted to specific program				
Gain on sale of capital assets				
Investment income (loss)				
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, 2022

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (17,652,354)	\$ -	\$ (17,652,354)
(29,570,328)	-	(29,570,328)
(35,477,961)	-	(35,477,961)
6,458,714	-	6,458,714
3,235,582	-	3,235,582
(3,020,967)	-	(3,020,967)
(2,262,079)	-	(2,262,079)
(10,260,435)	-	(10,260,435)
(8,109,662)	-	(8,109,662)
(96,659,490)	-	(96,659,490)
-	18,126,231	18,126,231
-	5,040,148	5,040,148
-	2,034,522	2,034,522
-	(96,020)	(96,020)
-	25,104,881	25,104,881
(96,659,490)	25,104,881	(71,554,609)
71,023,000	-	71,023,000
8,053,578	-	8,053,578
60,137,724	-	60,137,724
610,426	-	610,426
167,493	-	167,493
(380,724)	(259,421)	(640,145)
1,853,096	30,759	1,883,855
6,609,920	(6,609,920)	-
148,074,513	(6,838,582)	141,235,931
51,415,023	18,266,299	69,681,322
76,634,873	223,593,724	300,228,597
\$ 128,049,896	\$ 241,860,023	\$ 369,909,919

City of Mesquite, Texas
Balance Sheet – Governmental Funds
September 30, 2022

	<u>General</u>	<u>Local Finance</u>	<u>Bond Finance</u>
ASSETS:			
Pooled cash and investments	\$ 26,948,260	\$ 42,430,014	\$ 70,601,362
Receivables (net of allowance):			
Accounts receivable	6,482,855	306,413	34,313
Ad valorem taxes	2,231,607	-	-
Other taxes receivable	1,875,581	-	-
Leases	1,043,449	299,957	-
Interest receivable - leases	70,709	445	-
Note receivable	804,560	-	-
Intergovernmental	7,572,422	-	-
Due from other funds	219,243	100,000	-
Inventory	1,189,111	-	-
Prepays and other assets	648,147	-	-
Accrued interest	44,731	29,810	67,884
	<u>44,731</u>	<u>29,810</u>	<u>67,884</u>
 Total Assets	 <u>\$ 49,130,675</u>	 <u>\$ 43,166,639</u>	 <u>\$ 70,703,559</u>
 LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 7,784,041	\$ 1,244,189	\$ 1,304,113
Retainage payable	-	37,524	576,347
Deposits	676,007	289,390	-
Unearned revenue	-	-	-
Due to other funds	-	-	-
	<u>676,007</u>	<u>289,390</u>	<u>-</u>
 Total Liabilities	 <u>8,460,048</u>	 <u>1,571,103</u>	 <u>1,880,460</u>
 DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	5,510,076	306,513	-
Leases	1,057,341	287,883	-
	<u>1,057,341</u>	<u>287,883</u>	<u>-</u>
 Total Deferred Inflows of Resources	 <u>6,567,417</u>	 <u>594,396</u>	 <u>-</u>
 Fund Balances:			
Nonspendable	2,641,818	-	-
Restricted	-	24,413,117	68,823,099
Assigned	510,512	16,588,023	-
Unassigned	30,950,880	-	-
	<u>30,950,880</u>	<u>-</u>	<u>-</u>
 Total Fund Balances	 <u>34,103,210</u>	 <u>41,001,140</u>	 <u>68,823,099</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 49,130,675</u>	 <u>\$ 43,166,639</u>	 <u>\$ 70,703,559</u>

City of Mesquite, Texas
Balance Sheet – Governmental Funds (Continued)
September 30, 2022

<u>Debt Service</u>	<u>Other Grants</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 1,480,387	\$ 23,936,054	\$ 20,010,007	\$ 185,406,084
-	-	176,735	7,000,316
-	-	-	2,231,607
-	-	47,961	1,923,542
-	-	-	1,343,406
-	-	-	71,154
-	-	-	804,560
-	1,443,016	2,552,451	11,567,889
-	-	-	319,243
-	-	-	1,189,111
-	-	85,452	733,599
<u>2,337</u>	<u>24,071</u>	<u>20,739</u>	<u>189,572</u>
<u>\$ 1,482,724</u>	<u>\$ 25,403,141</u>	<u>\$ 22,893,345</u>	<u>\$ 212,780,083</u>
\$ 7,500	\$ 289,425	\$ 516,340	\$ 11,145,608
-	167,160	9,568	790,599
-	-	-	965,397
-	24,292,691	-	24,292,691
-	188,115	31,128	219,243
<u>7,500</u>	<u>24,937,391</u>	<u>557,036</u>	<u>37,413,538</u>
-	207,600	151,740	6,175,929
-	-	-	1,345,224
<u>-</u>	<u>207,600</u>	<u>151,740</u>	<u>7,521,153</u>
-	-	85,452	2,727,270
1,475,224	258,150	21,314,603	116,284,193
-	-	784,514	17,883,049
-	-	-	30,950,880
<u>1,475,224</u>	<u>258,150</u>	<u>22,184,569</u>	<u>167,845,392</u>
<u>\$ 1,482,724</u>	<u>\$ 25,403,141</u>	<u>\$ 22,893,345</u>	<u>\$ 212,780,083</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, 2022

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

Total fund balance per balance sheet	\$ 167,845,392
Capital and lease assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	368,912,655
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.	6,175,929
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.	1,816,452
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.	(1,244,190)
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	\$ (118,710,000)
Certificate of obligation bonds payable	(101,225,000)
Special Assessment Bonds	(30,930,000)
Deferred amount on refunding	1,265,478
Unamortized premiums on bonds	(15,042,845)
Leases	(343,957)
Total other postemployment benefit (OPEB) liability	(29,190,748)
Net pension liability	(83,393,472)
Deferred outflows of resources – pension	18,147,577
Deferred outflows of resources – OPEB	1,444,920
Deferred inflows of resources – pension	(32,142,508)
Deferred inflows of resources – OPEB	(5,505,818)
Accrued compensated absences	(19,829,969)
	<u>(415,456,342)</u>
Net position of governmental activities	<u>\$ 128,049,896</u>

City of Mesquite, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
Year Ended September 30, 2022

	<u>General</u>	<u>Local Finance</u>	<u>Bond Finance</u>
REVENUES:			
Taxes-			
Ad valorem	\$ 68,454,469	\$ 2,413,897	\$ -
Gross receipts	8,053,578	-	-
Sales	43,675,437	-	-
Licenses and permits	5,168,587	-	-
Fines and forfeitures	2,844,058	-	-
Investment income (loss)	6,132	(22,632)	(251,160)
Charges for services	19,523,848	10,539,004	-
Special assessments	-	2,734,290	-
Intergovernmental	-	-	-
Contributions and donations	77,971	12,372	-
Other revenues	1,077,260	2,051,403	-
	<u>148,881,340</u>	<u>17,728,334</u>	<u>(251,160)</u>
Total Revenues			
EXPENDITURES:			
Current-			
General government	15,239,325	1,034,744	404,701
Fire services	34,105,401	5,287	111,286
Police services	42,986,373	8,172	-
Public works	15,600,236	75,043	884,276
Planning and community development	3,197,737	163,747	360
Library services	2,478,955	6,125	-
Parks and recreation	3,375,842	845,527	101,449
Housing and community services	3,569,159	-	69,225
Capital outlay	56,284	5,705,271	16,397,121
Debt service			
Principal	81,288	535,000	-
Interest and fiscal charges	1,757	1,743,389	-
Bond issuance costs	-	-	567,657
	<u>120,692,357</u>	<u>10,122,305</u>	<u>18,536,075</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>28,188,983</u>	<u>7,606,029</u>	<u>(18,787,235)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	6,531,140	10,477,585	-
Transfers out	(28,935,895)	(4,557,915)	-
Leases issued	56,284	-	-
Issuance of debt	-	-	44,990,000
Premium on bonds issued	-	-	3,285,470
Proceeds from sale of general capital assets	242,903	283,796	-
	<u>(22,105,568)</u>	<u>6,203,466</u>	<u>48,275,470</u>
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	6,083,415	13,809,495	29,488,235
FUND BALANCES, BEGINNING OF YEAR	<u>28,019,795</u>	<u>27,191,645</u>	<u>39,334,864</u>
FUND BALANCES, END OF YEAR	<u>\$ 34,103,210</u>	<u>\$ 41,001,140</u>	<u>\$ 68,823,099</u>

City of Mesquite, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds (Continued)
Year Ended September 30, 2022

Debt Service	Other Grants	Total Nonmajor Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 70,868,366
-	-	-	8,053,578
-	-	16,462,287	60,137,724
-	-	790,200	5,958,787
-	-	1,678,861	4,522,919
11,401	(72,891)	(45,805)	(374,955)
-	-	966,464	31,029,316
-	-	-	2,734,290
-	7,491,335	17,733,203	25,224,538
-	5,917	318,928	415,188
-	-	2,556,733	5,685,396
<u>11,401</u>	<u>7,424,361</u>	<u>40,460,871</u>	<u>214,255,147</u>
-	18,789	1,660,705	18,358,264
-	-	27,900	34,249,874
-	529,156	1,408,058	44,931,759
-	663	192,194	16,752,412
-	1,236,147	213,166	4,811,157
-	2,450	5,215	2,492,745
-	40,243	6,513,279	10,876,340
-	1,835,905	17,466,757	22,941,046
-	5,056,632	2,299,778	29,515,086
17,460,000	-	51,636	18,127,924
7,402,858	-	1,829	9,149,833
18,500	-	-	586,157
<u>24,881,358</u>	<u>8,719,985</u>	<u>29,840,517</u>	<u>212,792,597</u>
<u>(24,869,957)</u>	<u>(1,295,624)</u>	<u>10,620,354</u>	<u>1,462,550</u>
24,931,495	-	-	41,940,220
-	-	(2,386,490)	(35,880,300)
-	-	-	56,284
-	-	-	44,990,000
-	-	-	3,285,470
-	-	2,000	528,699
<u>24,931,495</u>	<u>-</u>	<u>(2,384,490)</u>	<u>54,920,373</u>
61,538	(1,295,624)	8,235,864	56,382,923
<u>1,413,686</u>	<u>1,553,774</u>	<u>13,948,705</u>	<u>111,462,469</u>
<u>\$ 1,475,224</u>	<u>\$ 258,150</u>	<u>\$ 22,184,569</u>	<u>\$ 167,845,392</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, 2022

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

Net change in fund balance - total governmental funds		\$ 56,382,923
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.</p>		
Capital outlay expenditures	\$ 29,515,086	
Depreciation and amortization expense	<u>(15,672,097)</u>	13,842,989
<p>The net effect of various transactions involving capital assets (i.e. sales, trade-ins, donations, and transfers to business-type activities) is to decrease net position.</p>		
		(361,206)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment is to recognize contributions of capital assets by developers.</p>		
		75,768
<p>Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount is the net change in deferred inflows of resources.</p>		
		(1,933,917)
<p>The issuance of long-term debt (e.g. bond proceeds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Leases issued	\$ (56,284)	
Principal amount of debt issued	(44,990,000)	
Amortization of bond premium	2,264,704	
Principal amount of debt paid to bondholders and lessors	18,127,924	
Net change in accrued interest payable	(215,382)	
Premium on bonds issued	(3,285,470)	
Net deferred offering charges and related debt issuance items	<u>(419,408)</u>	(28,573,916)
<p>Some expenditures reported in the statement of revenues, expenditures, and changes in fund balances require the use of current financial resources but are not reported as expenses in the statement of activities. This adjustment is to reflect the net change in accrued compensated absences.</p>		
		(790,781)
<p>Current year OPEB expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in total OPEB liability and related deferred outflows and inflows of resources balances.</p>		
		1,072,519
<p>Current year pension expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in net pension liability and related deferred outflows and inflows of resources balances.</p>		
		10,803,628
<p>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.</p>		
		<u>897,016</u>
Change in net position of governmental activities		<u>\$ 51,415,023</u>

City of Mesquite, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget
and Actual – General Fund
Year Ended September 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Adjustments - Budgetary Basis</u>	<u>Actual- Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>				
REVENUES:						
Taxes-						
Ad valorem	\$ 68,100,270	68,100,270	\$ 68,454,469	\$ -	\$ 68,454,469	\$ 354,199
Gross receipts	7,115,000	7,530,000	8,053,578	-	8,053,578	523,578
Sales	36,226,060	41,450,000	43,675,437	-	43,675,437	2,225,437
Licenses and permits	3,367,790	4,236,200	5,168,587	-	5,168,587	932,387
Fines and forfeitures	3,005,000	3,062,000	2,844,058	-	2,844,058	(217,942)
Investment income	124,000	124,000	6,132	-	6,132	(117,868)
Charges for services	17,607,710	18,551,650	19,523,848	-	19,523,848	972,198
Contributions and donations	89,000	98,000	77,971	-	77,971	(20,029)
Other revenues	852,600	877,600	1,077,260	-	1,077,260	199,660
Enterprise funds PILOT/franchise fee	5,184,700	5,184,700	-	5,184,700	5,184,700	-
TOTAL REVENUES	141,672,130	149,214,420	148,881,340	5,184,700	154,066,040	4,851,620
EXPENDITURES:						
General government	18,883,140	19,727,740	15,239,325	1,662,781	\$ 16,902,106	2,825,634
Fire services	33,549,790	34,507,940	34,105,401	-	34,105,401	402,539
Police services	43,732,620	43,904,860	42,986,373	-	42,986,373	918,487
Public works	15,517,860	16,309,780	15,600,236	-	15,600,236	709,544
Planning and community development	3,412,620	3,330,630	3,197,737	-	3,197,737	132,893
Library services	2,759,630	2,682,390	2,478,955	-	2,478,955	203,435
Parks and recreation	4,256,460	4,147,010	3,375,842	-	3,375,842	771,168
Housing and community services	4,297,940	4,185,990	3,569,159	-	3,569,159	616,831
Capital outlay	-	-	56,284	-	56,284	(56,284)
Debt service						
Principal	-	-	81,288	-	81,288	(81,288)
Interest and fiscal charges	-	-	1,757	-	1,757	(1,757)
Cost allocation reimbursements	(3,147,780)	(3,147,780)	-	(1,662,781)	(1,662,781)	(1,484,999)
TOTAL EXPENDITURES	123,262,280	125,648,560	120,692,357	-	120,692,357	4,956,203
EXCESS OF REVENUES OVER EXPENDITURES	18,409,850	23,565,860	28,188,983	5,184,700	33,373,683	9,807,823
OTHER FINANCING SOURCES (USES):						
Transfers in	1,285,000	1,285,000	6,531,140	(5,184,700)	1,346,440	61,440
Transfer out	(20,793,710)	(20,793,710)	(28,935,895)	-	(28,935,895)	(8,142,185)
Leases issued	-	-	56,284	-	56,284	56,284
Proceeds from sale of general capital assets	-	-	242,903	-	242,903	242,903
TOTAL OTHER FINANCING SOURCES (USES)	(19,508,710)	(19,508,710)	(22,105,568)	(5,184,700)	(27,290,268)	(7,781,558)
NET CHANGE IN FUND BALANCE	\$ (1,098,860)	\$ 4,057,150	6,083,415	\$ -	\$ 6,083,415	\$ 2,026,265
FUND BALANCE AT BEGINNING OF YEAR			28,019,795			
FUND BALANCE AT END OF YEAR			\$ 34,103,210			

City of Mesquite, Texas
Statement of Net Position – Proprietary Funds
September 30, 2022

	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	\$ 77,091,340	\$ 8,939,522	\$ 767,658	\$ 86,798,520	\$ 5,561,696
Restricted pooled cash and investments	30,443,393	395,477	-	30,838,870	-
Receivables (net of allowance for uncollectibles)	13,385,908	887,301	55,919	14,329,128	79,707
Inventory	315,656	-	118,391	434,047	-
Prepays and other assets	34,631	-	-	34,631	392,419
Accrued interest	116,884	11,220	785	128,889	5,783
Total current assets	<u>121,387,812</u>	<u>10,233,520</u>	<u>942,753</u>	<u>132,564,085</u>	<u>6,039,605</u>
Noncurrent assets:					
Notes receivable	-	2,542,951	-	2,542,951	-
Revenue bond reserve-					
Restricted pooled cash and investments	7,158,652	1,036,744	-	8,195,396	-
Capital and lease assets-					
Land and construction in progress	64,066,025	3,095,401	9,036,897	76,198,323	-
Other capital assets (net of accumulated depreciation/amortization)	158,050,461	48,445,922	8,932,293	215,428,676	-
Total noncurrent assets	<u>229,275,138</u>	<u>55,121,018</u>	<u>17,969,190</u>	<u>302,365,346</u>	<u>-</u>
Total Assets	<u>350,662,950</u>	<u>65,354,538</u>	<u>18,911,943</u>	<u>434,929,431</u>	<u>6,039,605</u>
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred charges on refunding	584,208	-	-	584,208	-
Deferred pension contributions	745,570	62,131	124,262	931,963	-
Difference in expected and actual experience - OPEB	70,305	5,859	11,718	87,882	-
Difference in projected and actual earnings - pension	425,191	35,433	70,866	531,490	-
Difference in assumption changes - pension	6,380	532	1,064	7,976	-
Difference in assumption changes - OPEB	23,420	1,952	3,904	29,276	-
Change in proportional share - pension	-	-	7,597	7,597	-
Total Deferred Outflows of Resources	<u>1,855,074</u>	<u>105,907</u>	<u>219,411</u>	<u>2,180,392</u>	<u>-</u>

City of Mesquite, Texas
Statement of Net Position – Proprietary Funds (Continued)
September 30, 2022

	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	\$ 3,553,387	\$ 464,642	\$ 106,112	\$ 4,124,141	\$ 1,319,743
Unearned revenue	-	-	-	-	156,311
Estimated claims payable	-	-	-	-	1,780,215
Due to other funds	-	-	100,000	100,000	-
Deposits and other liabilities	5,873,416	1,056	58,411	5,932,883	-
Accrued compensated absences	194,259	-	-	194,259	-
Lease liability	29,944	-	58,676	88,620	-
Total other postemployment benefit liability	98,236	8,186	16,372	122,794	-
Total current liabilities	<u>9,749,242</u>	<u>473,884</u>	<u>339,571</u>	<u>10,562,697</u>	<u>3,256,269</u>
Current liabilities payable from restricted assets:					
Accounts payable	1,264,712	-	-	1,264,712	-
Retainage payable	2,552,613	66,526	-	2,619,139	-
Accrued interest payable	519,411	34,658	-	554,069	-
Bonds payable	8,525,000	385,000	-	8,910,000	-
Total current liabilities payable from restricted assets	<u>12,861,736</u>	<u>486,184</u>	<u>-</u>	<u>13,347,920</u>	<u>-</u>
Total current liabilities	<u>22,610,978</u>	<u>960,068</u>	<u>339,571</u>	<u>23,910,617</u>	<u>3,256,269</u>
Noncurrent liabilities:					
Estimated claims payable	-	-	-	-	1,844,937
Bonds payable	146,302,423	11,113,481	-	157,415,904	-
Lease liability	-	-	190,193	190,193	-
Accrued compensated absences	552,800	78,898	164,779	796,477	-
Net pension liability	5,409,306	450,778	901,553	6,761,637	-
Total other postemployment benefit liability	1,795,219	149,604	299,208	2,244,031	-
Total noncurrent liabilities	<u>154,059,748</u>	<u>11,792,761</u>	<u>1,555,733</u>	<u>167,408,242</u>	<u>1,844,937</u>
Total Liabilities	<u>176,670,726</u>	<u>12,752,829</u>	<u>1,895,304</u>	<u>191,318,859</u>	<u>5,101,206</u>
DEFERRED INFLOWS OF RESOURCES:					
Difference in expected and actual experience - pension	99,275	8,273	16,546	124,094	-
Difference in investment earnings - pension	1,985,208	165,434	330,868	2,481,510	-
Changes in proportional share - pension	489	378	-	867	-
Difference in assumptions - OPEB	357,134	29,761	59,522	446,417	-
Total Deferred Inflows of Resources	<u>2,442,106</u>	<u>203,846</u>	<u>406,936</u>	<u>3,052,888</u>	<u>-</u>
NET POSITION:					
Net investment in capital assets	107,282,282	43,726,496	17,720,321	168,729,099	-
Restricted for debt service	10,875,576	1,322,990	-	12,198,566	-
Unrestricted	<u>55,247,334</u>	<u>7,454,284</u>	<u>(891,207)</u>	<u>61,810,411</u>	<u>938,399</u>
Total Net Position	<u>\$ 173,405,192</u>	<u>\$ 52,503,770</u>	<u>\$ 16,829,114</u>	<u>\$ 242,738,076</u>	<u>\$ 938,399</u>
RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF NET POSITION:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>\$ (878,053)</u>	
Total Net Position for Business Type Activities				<u>\$ 241,860,023</u>	

City of Mesquite, Texas
Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
Year Ended September 30, 2022

	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	\$ 78,324,996	\$ 5,370,679	\$ 4,473,060	\$ 88,168,735	\$ -
Contributions - City	-	-	-	-	17,662,158
Contributions - other	-	-	-	-	2,905,264
Total operating revenues	78,324,996	5,370,679	4,473,060	88,168,735	20,567,422
Operating expenses:					
Personnel services	7,695,641	973,981	1,442,710	10,112,332	257
Supplies	563,981	8,909	1,681,611	2,254,501	-
Contractual services	42,925,901	191,186	728,978	43,846,065	16,452
Depreciation	6,316,298	1,481,580	659,201	8,457,079	-
Lease amortization	56,554	-	44,678	101,232	-
Claims incurred	-	-	-	-	15,464,782
Insurance premiums	-	-	-	-	2,346,556
Administrative fees	-	-	-	-	1,846,752
Other expenses	-	-	-	-	498,455
Total operating expenses	57,558,375	2,655,656	4,557,178	64,771,209	20,173,254
Operating income (loss)	20,766,621	2,715,023	(84,118)	23,397,526	394,168
Nonoperating revenues (expenses):					
Investment income	(232,373)	(24,337)	(2,711)	(259,421)	(5,769)
Bond issuance costs	(404,587)	(124,288)	-	(528,875)	-
Gain or loss on sale of capital assets	43,055	-	1,956,669	1,999,724	-
Other nonoperating income	30,759	-	67,898	98,657	-
Interest expense and fiscal charges	(3,395,166)	(206,059)	(1,947)	(3,603,172)	-
Total nonoperating revenues (expenses)	(3,958,312)	(354,684)	2,019,909	(2,293,087)	(5,769)
Income before contributions and transfers	16,808,309	2,360,339	1,935,791	21,104,439	388,399
Capital contributions	1,074,925	2,655,472	-	3,730,397	-
Transfers in	1,380,000	473,150	50,000	1,903,150	550,000
Transfers out	(5,330,380)	(584,540)	(2,598,150)	(8,513,070)	-
Change in net position	13,932,854	4,904,421	(612,359)	18,224,916	938,399
Net position, beginning	159,472,338	47,599,349	17,441,473	224,513,160	-
Total net position - ending	\$ 173,405,192	\$ 52,503,770	\$ 16,829,114	\$ 242,738,076	\$ 938,399
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				\$ 41,383	
Change in net position of business-type activities				\$ 18,266,299	

City of Mesquite, Texas
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2022

	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	\$ 76,988,573	\$ 2,750,452	\$ 4,509,619	\$ 84,248,644	\$ -
Receipts from interfund charges for services	-	-	-	-	17,819,607
Other operating receipts	30,759	-	-	30,759	853,379
Payments to suppliers and service providers	(45,564,169)	(163,155)	(2,500,651)	(48,227,975)	(20,872,266)
Payments to employees for salaries and benefits	(7,299,157)	(935,374)	(1,505,420)	(9,739,951)	2,256,204
Payments to other funds for services provided	(1,387,430)	(125,351)	-	(1,512,781)	-
Net Cash Provided by Operating Activities	<u>22,768,576</u>	<u>1,526,572</u>	<u>503,548</u>	<u>24,798,696</u>	<u>56,924</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers to other funds	(5,330,380)	(584,540)	(2,598,150)	(8,513,070)	-
Transfers from other funds	1,380,000	473,150	50,000	1,903,150	550,000
Operating grants	-	-	67,898	67,898	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(3,950,380)</u>	<u>(111,390)</u>	<u>(2,480,252)</u>	<u>(6,542,022)</u>	<u>550,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(31,154,506)	(1,199,067)	(36,962)	(32,390,535)	-
Proceeds from capital debt	37,041,849	4,053,105	-	41,094,954	-
Principal payments on capital debt and leases	(7,864,600)	(525,000)	(43,793)	(8,433,393)	-
Interest payments on capital debt and leases	(4,798,359)	(383,817)	(1,947)	(5,184,123)	-
Proceeds from sale of capital assets	43,055	-	2,280,000	2,323,055	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(6,732,561)</u>	<u>1,945,221</u>	<u>2,197,298</u>	<u>(2,590,042)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment loss on cash and cash equivalents	(332,854)	(34,485)	(3,415)	(370,754)	(11,252)
Net Cash Used for Investing Activities	<u>(332,854)</u>	<u>(34,485)</u>	<u>(3,415)</u>	<u>(370,754)</u>	<u>(11,252)</u>
NET INCREASE IN POOLED CASH AND CASH EQUIVALENTS	11,752,781	3,325,918	217,179	15,295,878	595,672
POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	102,940,604	7,045,825	550,479	110,536,908	4,966,024
POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 114,693,385</u>	<u>\$ 10,371,743</u>	<u>\$ 767,658</u>	<u>\$ 125,832,786</u>	<u>\$ 5,561,696</u>

City of Mesquite, Texas
Statement of Cash Flows – Proprietary Funds (Continued)
Year Ended September 30, 2022

	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)	\$ 20,766,621	\$ 2,715,023	\$ (84,118)	\$ 23,397,526	\$ 394,168
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	6,372,852	1,481,580	659,201	8,513,633	-
Other income	30,759	-	44,678	75,437	-
Changes in operating assets and liabilities:					
Receivables, net	(2,366,744)	(2,620,227)	30,397	(4,956,574)	111,319
Inventories (supplies)	3,327	-	(79,071)	(75,744)	-
Prepaid expenses and other assets	(34,631)	-	-	(34,631)	(112,385)
Deferred outflows of resources - pension	(1,278,257)	(100,663)	(41,477)	(1,420,397)	-
Deferred outflows of resources - OPEB	179,279	14,939	29,878	224,096	-
Accounts payable and accrued liabilities	(2,252,352)	17,170	(70,919)	(2,306,101)	541,681
Customer deposits	1,030,321	-	6,162	1,036,483	-
Estimated unpaid claims	-	-	-	-	(1,035,308)
Unearned revenue	-	-	-	-	157,449
Deferred inflows of resources - pension	1,881,154	150,832	247,699	2,279,685	-
Deferred inflows of resources - OPEB	190,196	15,850	31,700	237,746	-
Compensated absences	(10,411)	(2,640)	20,002	6,951	-
Net pension liability	(1,304,494)	(108,706)	(217,412)	(1,630,612)	-
Total OPEB liability	(439,044)	(36,586)	(73,172)	(548,802)	-
Total adjustments	<u>2,001,955</u>	<u>(1,188,451)</u>	<u>587,666</u>	<u>1,401,170</u>	<u>(337,244)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 22,768,576</u>	<u>\$ 1,526,572</u>	<u>\$ 503,548</u>	<u>\$ 24,798,696</u>	<u>\$ 56,924</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Contributions of capital assets	\$ 1,074,925	\$ 2,655,472	\$ -	\$ 3,730,397	\$ -
Purchase of machinery, equipment, and vehicles on account	\$ 1,175,080	\$ 40,771	\$ -	\$ 1,215,851	\$ -

City of Mesquite, Texas
Statement of Fiduciary Net Position – Fiduciary Funds
September 30, 2022

	Private-Purpose Trust Fund	Custodial Funds
ASSETS:		
Pooled cash and investments	\$ 849,614	\$ 1,348,605
Interest receivable	874	
Taxes receivable levied for other governments (net of allowance for uncollectibles)	-	5,167,136
 Total Assets	 850,488	 6,515,741
 LIABILITIES:		
Accounts payable	-	523,502
Due to other governments	-	5,168,591
 Total Liabilities	 \$ -	 \$ 5,692,093
 NET POSITION:		
Restricted for individuals, organizations, and other governments	850,488	823,648
 Total Net Position	 \$ 850,488	 \$ 823,648

City of Mesquite, Texas
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
Year Ended September 30, 2022

	Private-Purpose Trust Fund	Custodial Funds
ADDITIONS		
Investment income (loss)	\$ (1,491)	\$ -
Property tax collections for other governments	-	143,277,563
Seizures	-	665,466
Miscellaneous	87,350	808,039
	<u>85,859</u>	<u>144,751,068</u>
Total Additions		
DEDUCTIONS		
Payments of property tax to other governments	-	143,277,563
Seizures forfeited or returned to defendants	-	1,107,535
Miscellaneous	337	808,039
	<u>337</u>	<u>145,193,137</u>
Total Deductions		
Net increase (decrease) in fiduciary net position	85,522	(442,069)
Net position, beginning	<u>764,966</u>	<u>1,265,717</u>
Net position, ending	<u>\$ 850,488</u>	<u>\$ 823,648</u>

MESQUITE

T E X A S

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City of Mesquite, Texas
Notes to Financial Statements
September 30, 2022

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 (the "Corporation") 4B Sales Tax Special Revenue Fund is presented as a "blended" fund in the financial statements. The Corporation is administered by a seven-member City Council appointed board of directors which are removable by the City Council at any time without cause. No more than four of the seven directors may be City Council members or City of Mesquite employees. Presently, all members of the Board are residents who are neither City Council members nor City employees. The purpose of the Corporation is to study and fund permissible projects for public safety, transportation or parks and recreation purposes from a one-half of 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. Complete 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, 2022

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, 2022

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.

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 had not sold bonds as of September 30, 2022.

City of Mesquite, Texas
Notes to Financial Statements
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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, which is one of the criteria for being presented as a blended component unit. Historic Mesquite, Inc. is reported as part of the general 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, which is one of the criteria for being presented as a blended component unit. Mesquite Arts Council is reported as part of the general 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, which is one of the criteria for being presented as a blended component unit. Keep Mesquite Beautiful, Inc is reported as part of the general 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 14. Separate financial statements for these entities are not available.

City of Mesquite, Texas

Notes to Financial Statements

September 30, 2022

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 with the exception of some vehicle maintenance charges and management information services provided to user departments. The inter-fund services provided and used are not eliminated in this process of consolidation. Governmental activities, which are partially supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as "net position". Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Mesquite is improving or deteriorating.

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

Fund Financial Statements

Fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All 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, 2022

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 and acquisition under capital leases are reported as other financing sources.

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

City of Mesquite, Texas

Notes to Financial Statements

September 30, 2022

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

The City of Mesquite reports the following major governmental funds:

- The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- The 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, 2022

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

- Internal service funds account for fleet management and 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 2021-2022 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 2021-2022 the City Council amended the budget in August and May. 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 Debt Service, 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, 2022

Encumbrances

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

Pooled Cash and Investments

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

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

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

Interfund Receivables and Payables and Interfund Transactions

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

Indirect and Centralized Expenses

The City allocates to the housing grants fund, water and sewer fund, and drainage utility district fund an indirect cost percentage for "centralized" expenses, which include an administrative overhead initially paid by the General Fund. These costs are determined on an annual basis through a cost allocation plan. During fiscal year ended September 30, 2022, the City's General Fund was reimbursed \$1,662,781 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, 2022

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, 2022, are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for on the consumption basis in governmental funds.

Restricted Assets

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

Capital and Lease Assets

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

The City's capitalization policy requires that assets capitalized have an original cost of \$5,000 or more and a useful life of at least five years. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	25 - 50 years
Infrastructure/improvements	15 - 50 years
Equipment	5 - 20 years

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

City of Mesquite, Texas
Notes to Financial Statements
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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.

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, 2022 is \$24,292,691, of which \$23,744,715 relates to ARPA monies received but not yet spent.

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, 2022 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.

City of Mesquite, Texas

Notes to Financial Statements

September 30, 2022

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.

Postemployment Benefits Other Than Pensions (OPEB)

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

Long-term Debt

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

Net Position

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

City of Mesquite, Texas

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- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

Fund Balance

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net 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 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 pension plan and recorded as a component of pension expense beginning with the period in which the difference occurred.
- Difference in assumption changes – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they incurred.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which the difference occurred.
- Difference in proportional share – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they were incurred.

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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 projected and actual earnings on pension assets – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Difference in proportional share – pension – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they were incurred.
- 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. 87, Leases (GASB 87)

In 2022, the City adopted GASB 87. The Statement establishes a single model for lease accounting based on the principle that leases represent the financing of the right to use an underlying asset. The adoption of GASB 87 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements. The adoption of GASB 87 had no impact on the primary government's beginning net position.

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New Accounting Pronouncements

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

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

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

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

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

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

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

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.

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.

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Deposits

At September 30, 2022, the carrying amount of the City's demand deposits and certificates of deposit totaled \$7,323,270 and the bank balance was \$10,361,718. Cash on hand for the City was \$724,839. The carrying amount of cash for the Fiduciary funds was \$2,198,219. The carrying amount of cash for the Public Improvement Districts was \$6,733,182.

Custodial Credit Risk

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

Investments

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

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

City of Mesquite, Texas
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- 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.
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.

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

Interest Rate Risk

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

The City’s investments at September 30, 2022, are:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Managed Pools:		
TexPool	\$ 9,610,894	0.068
TexPool Prime	77,349,648	0.038
TexSTAR	14,345,476	0.063
Texas Class	60,306,933	0.225
Money Market:		
Wells Fargo (Morgan Stanley)	10,591,375	0.011
US Agency Securities	<u>129,814,949</u>	<u>0.873</u>
Total	<u>\$ 302,019,275</u>	<u>0.410</u>

City of Mesquite, Texas

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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, 2022. 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, 2022.

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, 2022, the City's total investments are in the following: US agency issues (42.98%) consisting of U.S. Treasury Notes (35.79%), FHLB (2.09%), Farm Credit (1.94%), FHLMC (2.54%), and MUNI (0.62%); investment pools (53.51%); and money market funds (3.51%).

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

City of Mesquite, Texas
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Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2022:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
U.S. agency securities	\$ 129,814,949	\$ -	\$ 129,814,949	\$ -
Total investments by fair value level	129,814,949	\$ -	\$ 129,814,949	\$ -
Investments measured at net asset value				
Texas Class	60,306,933			
TexStar	14,345,476			
Money Market Fund	10,591,375			
	<u>85,243,784</u>			
Investments measured at amortized cost				
TexPool	9,610,894			
TexPool Prime	77,349,648			
	<u>86,960,542</u>			
Total investments	<u>\$ 302,019,275</u>			

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

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2022, no investments here held by the City meeting the Level 3 hierarchy classification.

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Investment in State Investment Pools

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

Note 4: Ad Valorem Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraised value less applicable exemptions authorized by the City Council. Appraised values are established by the Dallas Central Appraisal District and the Kaufman Central Appraisal District at 100% of estimated market value. The total assessed value for the tax roll of January 1, 2021, upon which the 2022 fiscal year levy was based, was \$10,298,025,000. 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, 2022, were \$69,893,674 or 98.6% of the current tax levy.

In Texas, countywide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 3.5%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 3.5% above the tax rate of the previous year.

The City Charter does not provide for a debt limit; therefore, no computation of legal debt margin can be made. However, at September 30, 2022, the City had a tax rate of \$0.70858 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.

City of Mesquite, Texas
Notes to Financial Statements
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Note 5: Receivables

Receivables at September 30, 2022 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:

	<u>General</u>	<u>Local Finance</u>	<u>Bond Finance</u>	<u>Other Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receivables:						
Accounts	\$ 17,438,381	\$ 306,413	\$ 34,313	\$ -	\$ 176,735	\$ 17,955,842
Ad valorem taxes	3,306,997	-	-	-	-	3,306,997
Other taxes	1,875,581	-	-	-	47,961	1,923,542
Leases	1,114,158	300,402	-	-	-	1,414,560
Note receivable	804,560	-	-	-	-	804,560
Intergovernmental	<u>7,572,422</u>	<u>-</u>	<u>-</u>	<u>1,443,016</u>	<u>2,552,451</u>	<u>11,567,889</u>
Gross receivables	32,112,099	606,815	34,313	1,443,016	2,777,147	36,973,390
Less: allowance for uncollectibles	<u>(12,030,916)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,030,916)</u>
Net total receivables	<u>\$ 20,081,183</u>	<u>\$ 606,815</u>	<u>\$ 34,313</u>	<u>\$ 1,443,016</u>	<u>\$ 2,777,147</u>	<u>\$ 24,942,474</u>

	<u>Water and Sewer</u>	<u>Drainage Utility District</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
Receivables:					
Accounts	\$ 14,496,822	\$ 989,153	\$ 67,307	\$15,553,282	\$ 79,707
Note receivable*	<u>-</u>	<u>2,542,951</u>	<u>-</u>	<u>\$ 2,542,951</u>	<u>-</u>
Gross receivables	14,496,822	3,532,104	67,307	18,096,233	79,707
Less: allowance for uncollectibles	<u>(1,110,914)</u>	<u>(101,852)</u>	<u>(11,388)</u>	<u>(1,224,154)</u>	<u>-</u>
Net total receivables	<u>\$ 13,385,908</u>	<u>\$ 3,430,252</u>	<u>\$ 55,919</u>	<u>\$16,872,079</u>	<u>\$ 79,707</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
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The governmental funds report unavailable revenues from the following sources:

<u>Source of Revenue</u>	<u>Total</u>
General fund - ambulance accounts receivable	\$ 942,187
General fund - ad valorem taxes receivable	2,056,947
General fund - court fines receivable	1,695,135
General fund - accounts receivable, grass and weed mowing	815,807
Other Grants - intergovernmental receivable	207,600
Local Finance capital projects fund - other receivable	306,513
Nonmajor funds - intergovernmental receivable	<u>151,740</u>
Total unavailable revenues for governmental funds	<u>\$ 6,175,929</u>

Note 6: Capital and Lease Assets

The following is a summary of the changes in capital and lease assets for the fiscal year ended September 30, 2022:

	<u>Beginning Balance as Restated*</u>	<u>Additions</u>	<u>Sales / Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 24,952,158	\$ 1,040,835	(343,378)	\$ -	\$ 25,649,615
Construction in progress	58,635,580	16,861,904	-	(11,652,349)	63,845,135
Total capital assets, not being depreciated	<u>83,587,738</u>	<u>17,902,739</u>	<u>(343,378)</u>	<u>(11,652,349)</u>	<u>89,494,750</u>
Capital and lease assets, being depreciated:					
Buildings	109,386,395	248,248	-	-	109,634,643
Infrastructure	340,995,466	4,812,590	-	9,282,616	355,090,672
Improvements	25,724,810	2,976,604	-	1,210,636	29,912,050
Equipment	84,150,016	3,594,389	(515,839)	1,159,097	88,387,663
Lease assets	420,597	56,284	-	-	476,881
Total capital and lease assets, being depreciated/amortized	<u>560,677,284</u>	<u>11,688,115</u>	<u>(515,839)</u>	<u>11,652,349</u>	<u>583,501,909</u>
Less accumulated depreciation/amortization for:					
Buildings	(42,213,839)	(2,658,080)	-	-	(44,871,919)
Infrastructure	(170,657,808)	(5,658,068)	-	-	(176,315,876)
Improvements	(15,749,876)	(1,100,959)	-	-	(16,850,835)
Equipment	(60,288,395)	(6,120,687)	498,011	-	(65,911,071)
Lease assets	-	(134,303)	-	-	(134,303)
Total accumulated depreciation/amortization	<u>(288,909,918)</u>	<u>(15,672,097)</u>	<u>498,011</u>	<u>-</u>	<u>(304,084,004)</u>
Total capital and lease assets, being depreciated/amortized, net	<u>271,767,366</u>	<u>(3,983,982)</u>	<u>(17,828)</u>	<u>11,652,349</u>	<u>279,417,905</u>
Governmental activities capital and lease assets, net	<u>\$ 355,355,104</u>	<u>\$ 13,918,757</u>	<u>\$ (361,206)</u>	<u>\$ -</u>	<u>\$ 368,912,655</u>

* Restated for the effects of the adoption of GASB 87

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2022

	Beginning Balance as Restated*	Additions	Sales / Disposals	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 13,542,316	\$ 27,104	\$ (323,331)	\$ -	\$ 13,246,089
Construction in progress	35,659,098	31,484,866	-	(4,191,730)	62,952,234
Total capital assets, not being depreciated	<u>49,201,414</u>	<u>31,511,970</u>	<u>(323,331)</u>	<u>(4,191,730)</u>	<u>76,198,323</u>
Capital and lease assets, being depreciated:					
Buildings	10,425,139	-	-	-	10,425,139
Infrastructure	334,276,577	5,152,845	-	4,191,730	343,621,152
Improvements	5,043,687	137,046	-	-	5,180,733
Equipment	12,322,778	722,359	-	-	13,045,137
Lease Assets	265,624	116,582	-	-	382,206
Total capital assets, being depreciated/amortized	<u>362,333,805</u>	<u>6,128,832</u>	<u>-</u>	<u>4,191,730</u>	<u>372,654,367</u>
Less accumulated depreciation/amortization for:					
Buildings	(3,864,188)	(234,105)	-	-	(4,098,293)
Infrastructure	(133,375,154)	(7,250,146)	-	-	(140,625,300)
Improvements	(1,911,491)	(317,631)	-	-	(2,229,122)
Equipment	(9,516,547)	(655,197)	-	-	(10,171,744)
Lease Assets	-	(101,232)	-	-	(101,232)
Total accumulated depreciation/amortization	<u>(148,667,380)</u>	<u>(8,558,311)</u>	<u>-</u>	<u>-</u>	<u>(157,225,691)</u>
Total capital and lease assets, being depreciated/amortized, net	<u>213,666,425</u>	<u>(2,429,479)</u>	<u>-</u>	<u>4,191,730</u>	<u>215,428,676</u>
Business-type activities capital and lease assets, net	<u>\$ 262,867,839</u>	<u>\$ 29,082,491</u>	<u>\$ (323,331)</u>	<u>\$ -</u>	<u>\$ 291,626,999</u>

* Restated for the effects of the adoption of GASB 87

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

Governmental activities:	
General government	\$ 2,705,120
Fire services	1,519,313
Police services	2,056,788
Public services	7,428,679
Parks and recreation	1,750,870
Community services	211,327
Total governmental activities	<u>\$ 15,672,097</u>
Business-type activities:	
Water and sewer	\$ 6,372,852
Drainage utility	1,481,580
Municipal airport	505,735
Municipal golf course	198,144
Total business-type activities	<u>\$ 8,558,311</u>

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2022

Construction Commitments

The City has active construction projects as of September 30, 2022. 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:	
Municipal building	\$ 76,952
Airport	134,791
Public safety	2,778,504
Parks and recreation	225,064
Housing and community services	32,943
IT	122,318
Public works	878,785
Projects funded by local finance sources:	
Public safety	3,485
PID	2,123,036
Parks and recreation	114,314
Projects funded by general sales tax (4-B portion):	
Parks and recreation	66,016
Projects funded by grant funds:	
Public safety	<u>74,513</u>
Total governmental activities	<u><u>\$ 6,630,721</u></u>
Business-type activities:	
Projects funded by revenue bonds:	
Water and sewer	<u>\$ 70,549</u>
Total business-type activities	<u><u>\$ 70,549</u></u>

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2022

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, 2022 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Other Grants Fund	\$ 188,115
General Fund	Other Special Revenue Fund	31,128
Local Finance Fund	Municipal Airport Fund	100,000
		\$ 319,243

Transfers

Transfers were as follows for the fiscal year ended September 30, 2022:

Fund	Transfers In	Transfers Out
General	\$ 6,531,140	\$ 28,935,895
Local Finance	10,477,585	4,557,915
Debt Service	24,931,495	-
Nonmajor Governmental Funds	-	2,386,490
Water and Sewer	1,380,000	5,330,380
Drainage Utility District	473,150	584,540
Nonmajor Enterprise Funds	50,000	2,598,150
Internal Service Funds	550,000	-
	\$ 44,393,370	\$ 44,393,370

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2022

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	\$ 20,193,710
Group Medical Insurance	Group Medical Insurance	550,000
Future Capital Projects	Local Finance	8,142,185
Furniture replacement	Local Finance	50,000
		<u>28,935,895</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	63,325
Future capital projects	Drainage Utility District	473,150
Economic incentives	General Fund	229,027
Return of excess funds	General Fund	112,413
		<u>4,557,915</u>
Nonmajor Governmental Funds-		
Hotel/Motel tax -		
Capital projects	Local Finance	5,400
		<u>5,400</u>
Other Special Revenue -		
9-1-1 operations subsidy	General	780,000
Traffic enforcement	General	25,000
Child safety fees	General	200,000
		<u>1,005,000</u>
Mesquite Quality of Life Corporation -		
Debt service	Debt Service	1,326,090
Capital improvements	Municipal Golf Course	50,000
		<u>1,376,090</u>
Water and Sewer Enterprise Fund-		
General obligation debt allocation	Debt Service	730,220
Water and sewer franchise fees	General Fund	3,415,854
Payment in lieu of taxes (PILOT)	General Fund	1,184,306
		<u>5,330,380</u>
Drainage Utility District Fund-		
Drainage franchise fees	General Fund	254,866
Payment in lieu of taxes (PILOT)	General Fund	329,674
		<u>584,540</u>
Nonmajor Enterprise Fund-		
Future Capital Projects	Local Finance	2,280,000
General obligation debt allocation	Debt service	318,150
		<u>2,598,150</u>
	Total	<u>\$ 44,393,370</u>

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2022

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, and the general fund has agreements for equipment, the terms of which expire in various years through 2025. During the fiscal year ended September 30, 2022, 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 2026. During the fiscal year ended September 30, 2022, 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, 2022:

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 135,550	\$ 2,322	\$ 137,872
2024	105,008	1,216	106,224
2025	59,076	526	59,602
2026	44,323	127	44,450
Total	\$ 343,957	\$ 4,191	\$ 348,148

Fiscal Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2023	\$ 88,620	\$ 2,501	\$ 91,121
2024	59,334	1,086	60,420
2025	60,002	1,138	61,140
2026	60,678	462	61,140
2027	10,179	11	10,190
Total	\$ 278,813	\$ 5,198	\$ 284,011

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 2023 and 2044. The City recognized approximately \$58,000 of lease revenue and \$7,000 interest revenue during the current fiscal year related to the leases. As of September 30, 2022, the City’s local finance fund and general fund receivable for lease payments was \$299,957 and \$1,043,449, respectively, and the balance of the deferred inflow of resources was \$287,883 and \$1,057,341, respectively.

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2022

The following is a schedule by year of receipts under the leases as of September 30, 2022:

<u>Fiscal Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 49,806	\$ 70,671	\$ 120,477
2024	57,234	69,176	126,410
2025	58,980	67,418	126,398
2026	69,995	65,378	135,373
2027	73,927	63,023	136,950
2028	277,337	283,003	560,340
2028-2032	210,657	238,532	449,189
2033-2037	236,471	166,179	402,650
2038-2044	308,999	51,296	360,295
Total	<u>\$1,343,406</u>	<u>\$1,074,676</u>	<u>\$2,418,082</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. 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 leases during the fiscal year ended September 30, 2022 was approximately \$859,000, approximately \$786,000 related to variable lease payments received.

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2022

The future lease receipts for the City’s regulated leases as of September 30, 2022 were as follows:

Fiscal Year Ending September 30,	Future Regulated Lease Receipts
2023	\$ 60,889
2024	60,889
2025	60,889
2026	57,880
2027	57,880
2028-2032	243,800
2033-2037	135,800
2038-2042	63,800
2043-2047	33,004
2048-2053	23,410
Total	\$ 798,241

Note 9: 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. The City issued \$15,700,000 of general obligation bonds in May 2022 for (i) constructing, improving, extending, expanding, upgrading and developing two-lane residential streets, including, utility relocation, landscaping, sidewalks, traffic safety and operational improvements, drainage, the purchase of any necessary right-of-way, and other related costs; and (ii) to pay the costs of the issuance of the Bonds.
- Certificate of obligation debt is similar to general obligation bonds in their usage and retirement but do not require voter authorization and are not used for refunding debt. The City issued \$29,290,000 of tax-exempt Certificates in June 2022 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.

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2022

- Special Assessment bonds are issued to provide funds for improvements within the City's Public Improvement Districts (PIDs). There were no special assessment bonds issued in the current year.
- 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 \$33,785,000 of Waterworks and Sewer System Revenue Bonds in May 2022 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. The City issued \$3,715,000 of Drainage Utility District Bonds in May 2022 to (i) provide funds for improvements, additions, and extension to the drainage 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.

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2022

Governmental activities long-term bonded debt at September 30, 2022, 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	\$ 1,040,000	\$ 515,000
Series 2013 refunding	7,635,000	2.00-3.00	2/15/2025	2,840,000	965,000
Series 2014 refunding	9,080,000	3.00-4.00	2/15/2026	3,665,000	1,010,000
Series 2015 refunding	2,935,000	2.00-4.00	2/15/2025	875,000	285,000
Series 2016 refunding & improvement	40,565,000	1.75-5.00	2/15/2036	28,475,000	2,790,000
Series 2017 refunding	7,600,000	2.50-5.00	2/15/2029	6,310,000	495,000
Series 2018 refunding & improvement	31,475,000	4.00-5.00	2/15/2038	24,205,000	1,130,000
Series 2019 refunding	27,685,000	2.00-3.00	2/15/2031	21,810,000	2,865,000
Series 2020	14,585,000	4.00-5.00	2/15/2040	13,790,000	495,000
Series 2022	15,700,000	4.50-5.00	2/15/2042	15,700,000	375,000
				<u>118,710,000</u>	<u>10,925,000</u>
Certificate of Obligation Bonds-					
Series 2012	7,235,000	2.00-3.375	2/15/2032	3,140,000	-
Series 2013	5,450,000	2.00-3.00	2/15/2033	1,970,000	535,000
Series 2014	9,715,000	3.00-4.00	2/15/2034	6,875,000	410,000
Series 2015	14,835,000	2.00-5.00	2/15/2035	9,350,000	860,000
Series 2016	11,815,000	2.00-5.00	2/15/2036	5,525,000	720,000
Series 2017	8,285,000	1.000-3.670	2/15/2037	3,535,000	445,000
Series 2018	16,050,000	4.00-5.00	2/15/2038	12,770,000	705,000
Series 2019	10,065,000	3.00-4.00	2/15/2039	6,365,000	255,000
Series 2020	10,360,000	4.00-5.00	2/15/2040	9,795,000	350,000
Series 2021	14,120,000	2.00-5.00	2/15/2041	10,805,000	870,000
Series 2021-T	1,885,000	0.35-2.72	2/15/2041	1,805,000	80,000
Series 2022A	24,185,000	4.00-5.00	2/15/2042	24,185,000	815,000
Series 2022B	5,105,000	4.00-5.00	2/15/2042	5,105,000	145,000
				<u>101,225,000</u>	<u>6,190,000</u>
Special Assessment Bonds-					
Series 2018 - Heartland Phase 1	5,410,000	4.375-5.375	9/1/2048	5,220,000	100,000
Series 2018 - Heartland Phase 2	1,835,000	5.125-5.625	9/1/2048	1,765,000	40,000
Series 2019 - Iron Horse	10,050,000	6.5	9/15/2049	9,895,000	165,000
Series 2019 - Polo Ridge Phase 1	7,040,000	4.25-5.125	9/15/2048	6,785,000	135,000
Series 2019 - Polo Ridge Phases 2-6	7,500,000	5.125-6.125	9/15/2048	7,265,000	125,000
				<u>30,930,000</u>	<u>565,000</u>
Total governmental activities long-term bonded debt				250,865,000	17,680,000
Add: Net premium/discounts on bonds				<u>15,042,845</u>	<u>-</u>
Net governmental activities long-term bonded debt				<u>\$ 265,907,845</u>	<u>\$ 17,680,000</u>

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2022

Business-type activities long-term bonded debt at September 30, 2022, includes the following individual issues:

<u>Business-type Activities</u>	<u>Issued Amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
Water and Sewer Revenue Bonds-					
Series 2012 refunding and improvements	\$ 7,945,000	2.00-3.375	3/1/2032	\$ 3,290,000	\$ 525,000
Series 2013 refunding and improvements	7,090,000	2.00-3.25	3/1/2033	3,430,000	330,000
Series 2014 refunding and improvements	11,655,000	3.00-4.00	3/1/2034	6,630,000	1,055,000
Series 2015 refunding and improvements	10,325,000	2.00-5.00	3/1/2035	4,990,000	445,000
Series 2016 refunding and improvements	15,785,000	2.00-5.00	3/1/2036	9,630,000	1,020,000
Series 2017 refunding and improvements	12,555,000	2.00-5.00	3/1/2037	9,995,000	735,000
Series 2018 refunding and improvements	8,920,000	4.00-5.00	3/1/2038	7,445,000	435,000
Series 2019 improvements	15,260,000	3.00-5.00	3/1/2039	13,735,000	585,000
Series 2019A refunding	9,035,000	2.00-3.00	3/1/2031	6,970,000	740,000
Series 2020 improvements	19,430,000	4.00-5.00	3/1/2040	18,405,000	660,000
Series 2021 improvements	26,520,000	2.00-4.00	3/1/2041	25,550,000	1,130,000
Series 2022 improvements	33,785,000	5.00-5.00	3/1/2042	33,785,000	865,000
				<u>143,855,000</u>	<u>8,525,000</u>
Drainage Utility System Revenue Bonds-					
Series 2019 improvements	7,910,000	2.00-4.00	3/1/2039	7,105,000	310,000
Series 2022 improvements	3,715,000	5.00-5.00	3/1/2032	3,715,000	75,000
				<u>10,820,000</u>	<u>385,000</u>
Total business-type activities long-term debt				154,675,000	8,910,000
Add: Net premium/discounts on bonds				<u>11,650,904</u>	<u>-</u>
Net business-type activities long-term debt				<u>\$ 166,325,904</u>	<u>\$ 8,910,000</u>

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

<u>Fiscal Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 17,680,000	\$ 10,737,141	\$ 8,910,000	\$ 6,452,940
2024	17,985,000	9,810,872	9,630,000	5,739,619
2025	17,005,000	9,090,142	9,475,000	5,352,331
2026	16,415,000	8,386,473	9,575,000	4,938,606
2027	14,910,000	7,722,223	9,330,000	4,521,631
2028-2032	55,795,000	29,873,601	44,450,000	16,785,603
2033-2037	58,770,000	16,619,940	41,870,000	8,149,963
2038-2042	40,395,000	6,688,649	21,435,000	1,770,775
2043-2047	9,050,000	2,438,531	-	-
2048-2049	2,860,000	208,800	-	-
Total	<u>\$ 250,865,000</u>	<u>\$ 101,576,373</u>	<u>\$ 154,675,000</u>	<u>\$ 53,711,468</u>

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2022

Pledged Revenues

The following is a summary of pledged revenues of the City for the year ended September 30, 2022:

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	\$ 21,607,479	\$ 12,191,384	56.4%	\$ 193,214,625	Until 2042
Drainage Utility System Revenue Bonds	Net revenues of the City's drainage utility system	3,587,726	772,919	21.5%	15,171,843	Until 2039
Special Assessment Bonds	Assessments levied against assessable properties in the Districts	2,734,290	2,278,389	83.3%	40,099,506	Until 2049

Compensated Absences

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

Changes in Long-term Liabilities

Long-term liabilities activity for the year ended September 30, 2022 was as follows:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 112,855,000	\$ 15,700,000	\$ 9,845,000	\$ 118,710,000	\$ 10,925,000
Certificates of obligation	79,550,000	29,290,000	7,615,000	101,225,000	6,190,000
Special assessment bonds	31,465,000	-	535,000	30,930,000	565,000
Total bonds payable	223,870,000	44,990,000	17,995,000	250,865,000	17,680,000
Add: net premium or discount	14,022,079	3,285,470	2,264,704	15,042,845	-
Net bonds payable	237,892,079	48,275,470	20,259,704	265,907,845	17,680,000
Lease obligations	420,597	56,284	132,924	343,957	135,550
Accrued compensated absences	19,039,188	9,180,469	8,389,688	19,829,969	7,818,906
Estimated claims payable	4,660,460	15,464,782	16,500,090	3,625,152	1,780,215
	<u>\$ 262,012,324</u>	<u>\$ 72,977,005</u>	<u>\$ 45,282,406</u>	<u>\$ 289,706,923</u>	<u>\$ 27,414,671</u>
Business-type activities:					
Bonds payable:					
Revenue bonds - water/sewer	\$ 117,875,000	\$ 33,785,000	\$ 7,805,000	\$ 143,855,000	\$ 8,525,000
Revenue bonds - drainage	7,630,000	3,715,000	525,000	10,820,000	385,000
Total revenue bonds payable	125,505,000	37,500,000	8,330,000	154,675,000	8,910,000
Add: net premium or discount	9,490,914	3,594,954	1,434,964	11,650,904	-
Net revenue bonds payable	134,995,914	41,094,954	9,764,964	166,325,904	8,910,000
Lease obligations	265,624	116,582	103,393	278,813	88,620
Accrued compensated absences	983,785	669,813	662,862	990,736	194,259
	<u>\$ 136,245,323</u>	<u>\$ 41,881,349</u>	<u>\$ 10,531,219</u>	<u>\$ 167,595,453</u>	<u>\$ 9,192,879</u>

* Restated for the effects of the adoption of GASB 87

City of Mesquite, Texas
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Note 10: 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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	920
Inactive employees entitled to but not yet receiving benefits	545
Active employees	1,124
	2,589

City of Mesquite, Texas
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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 17.64% and 17.68% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$16,424,780, and were \$0 in excess to the required contributions.

Net Pension Liability

The City's net pension liability was measured as of December 31, 2021, 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, 2021 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%	7.55%
Core Fixed Income	6.00%	2.00%
Non-Core Fixed Income	20.00%	5.68%
Other Public and Private Mark	12.00%	7.22%
Real Estate	12.00%	6.85%
Hedge Funds	5.00%	5.35%
Private Equity	10.00%	10.00%
	<u>100.00%</u>	

Discount Rate

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

City of Mesquite, Texas
Notes to Financial Statements
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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, 2021	\$ 608,086,417	\$ 496,189,752	\$ 111,896,665
Changes for the year:			
Service cost	14,316,113	-	14,316,113
Interest (on the total pension liability)	40,422,535	-	40,422,535
Difference between expected and actual experience	8,784,694	-	8,784,694
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(32,784,202)	(32,784,202)	-
Administrative expense	-	(299,297)	299,297
Contributions - member	-	5,846,721	(5,846,721)
Contributions - employer	-	15,101,244	(15,101,244)
Net investment income (loss)	-	64,614,181	(64,614,181)
Other	-	2,049	(2,049)
Net Changes	<u>30,739,140</u>	<u>52,480,696</u>	<u>(21,741,556)</u>
Balance at September 30, 2022	<u>\$ 638,825,557</u>	<u>\$ 548,670,448</u>	<u>\$ 90,155,109</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	\$ 174,509,349	\$ 90,155,109	\$ 20,377,127

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.

City of Mesquite, Texas
Notes to Financial Statements
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Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2022, the City recognized pension expense of \$4,843,968.

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 7,086,518	\$ 1,654,585
Difference between projected and actual investment earnings on pension plan investments	-	33,086,797
Changes in assumptions	106,325	-
Change in proportional share	7,597	7,597
Employer contributions subsequent to the measurement date	12,426,163	-
	\$ 19,626,603	\$ 34,748,979

\$12,426,163 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2023	\$ (4,557,234)
2024	(12,510,509)
2025	(5,368,994)
2026	(5,111,802)
	\$ (27,548,539)

Allocation of Pension Items

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

City of Mesquite, Texas
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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 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 11: Regional Systems for Water Supply and Wastewater Treatment

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

Water Supply

On August 1, 1988, the City entered into a contract with the District whereby the District agreed to provide water supply for the benefit of the City. The provisions of this contract are similar in concept, essence, and intent to the provisions of the contract originally entered into on December 12, 1953. In return for this service, the City agreed to pay the District at a rate per 1,000-gallon basis, subject to minimum annual payments which approximated \$24.68 million for the fiscal year ended September 30, 2022.

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, 2022, was approximately \$11.62 million.

City of Mesquite, Texas
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Note 12: 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 2021 by \$1,058,365 and in fiscal year 2022 by \$562,907.

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 \$857,747 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 2021 and 2022 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2021	\$ 1,105,714	\$ 13,890,021	\$ 13,482,501	\$ 1,513,234
2022	1,513,234	13,725,303	14,380,790	857,747

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.

City of Mesquite, Texas
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General Liability Insurance

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

- \$10,000 retention for each real and personal property claim and a scheduled limit on coverage
- \$10,000 retention for each mobile equipment claim and a scheduled limit on coverage
- \$10,000 retention for each auto physical damage claim and a scheduled limit on coverage
- \$100,000 retention for each auto catastrophe claim and a \$7,700,000 limit on coverage
- \$50,000 retention for each law enforcement claim and a \$5,000,000 limit on coverage
- \$50,000 retention for each general liability claim and a \$1,000,000 limit on coverage
- \$2,500 retention for each airport hangar-keeper claim and a \$1,000,000 limit on coverage
- \$50,000 retention for each auto liability claim and a \$1,000,000 limit on coverage
- \$100,000 retention for each error and omission claim and a \$5,000,000 limit on coverage with a \$10,000,000 annual aggregate
- \$300,000 retention for each worker's compensation claim
- \$25,000 retention for each crime coverage claim with a \$500,000 limit on coverage
- \$10,000 retention for each storage tank pollution claim with a \$1,000,000 limit on coverage with a \$2,000,000 annual aggregate

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

The estimated claims payable of \$2,767,405 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 2021 and 2022 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2021	\$ 2,719,773	\$ 2,544,049	\$ 2,116,596	\$ 3,147,226
2022	3,147,226	1,739,479	2,119,300	2,767,405

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

Note 13: Other Postemployment Benefits (OPEB)

Plan Description

In addition to the pension benefits described in Note 10, 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.

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

City of Mesquite, Texas
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Employees covered by benefit terms

At September 30, 2022, 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 \$31,557,573 was measured as of September 30, 2022 and was determined by an actuarial valuation as of September 30, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Salary increases	3.0%, average, including inflation
Discount rate	4.40%
Prior year discount rate	2.19%
Healthcare cost trend rates - pre-65	6.75% for 2022, decreasing annually, to an ultimate rate of 4.14% for 2077 and later years
Healthcare cost trend rates - post-65	No increases are assumed
Retirees' share of benefit-related costs	Future contributions for pre-65 retirees are assumed to increase at the same rate as medical trend.

The discount rate of 4.40% was based on the September 30, 2022 Fidelity General Obligation AA 20-Year Yield. The prior year discount rate was 2.19%, 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.

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.

City of Mesquite, Texas
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Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of 10/01/21	\$ 38,874,989
Changes for the year	
Service cost	879,226
Interest	857,976
Differences between expected and actual experience	924,298
Changes in assumptions/inputs	(8,928,353)
Benefit payments	(1,050,563)
Net changes	(7,317,416)
Balance at 9/30/22	\$ 31,557,573

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 (3.40%) or 1-percentage-point higher (5.40%) than the current discount rate:

1% Decrease (3.40%)	Discount Rate (4.40%)	1% Increase (5.40%)
\$ 34,604,651	\$ 31,557,573	\$ 28,913,414

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
\$ 28,833,369	\$ 31,557,573	\$ 34,711,618

City of Mesquite, Texas
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September 30, 2022

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

For the year ended September 30, 2022, the City recognized a reduction of OPEB expense of \$108,916. At September 30, 2022, 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	\$ 1,171,742	\$ -
Changes in assumptions	390,336	5,952,235
	\$ 1,562,078	\$ 5,952,235

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

Year ended September 30,		
	2023	\$ (1,722,139)
	2024	(2,668,018)
	Total	\$ (4,390,157)

Allocation of OPEB Items

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

City of Mesquite, Texas
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Note 14: 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	\$ 510,512
4B	899,818
Hotel Occupancy Tax	63
Confiscated - State	20,545
Confiscated - Federal	524,298
Confiscated - US Treasury	43,069
Grants	683,561
Grants - Disasters	1,031,367
Citizen Contribution 50/50 Program	102,622
TIRZ 2 Town Centre	243,701
TIRZ 14 Alcott Logistics	23,200
Local Finance	837,250
Bond Finance	12,201,815
Water/Sewer	5,468,565
Drainage Utility District	310,434
Airport	176,851
Group Medical Insurance	59
General Liability	151,854
	\$ 23,229,584

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
Notes to Financial Statements
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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. Rebateable arbitrage is computed as of each installment computation date. The last computation date for the City was performed for financial information as of October 20, 2022. No rebate liability was due to the federal government. Information for the next computation period is due in October of 2027. Management does not anticipate there will be a material liability once the computation is completed.

Grant Audit

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

Conduit Debt Obligations

From time to time, various legally separate component units of the City have issued bonded debt obligations to provide financial assistance to private-sector entities. The bonds were issued to acquire and construct medical and health facilities (Mesquite Health Facilities Corporation). The bonds are secured by the property financed and are payable solely from payments received on the underlying debt obligations. Upon repayment of the bonds, ownership of the acquired capital assets transfers to the private-sector entity served by the bond issuance. Even though some of the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit debt by component unit at September 30, 2022, 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 (the “District”) and Kingsborough Municipal Utility District Nos. 1, 2, 3, 4, and 5 (the MUDs) to provide sewer service within the City’s extraterritorial jurisdiction. As a member city of the District, the City’s involvement was required to develop capacity for a wastewater service requirement of 13.1 million gallons per day to service the area. The District has agreed to construct and operate a project known as the Lower East Fork Sewer Interceptor System and obtained financing on August 24, 2006 in the amount of \$19,190,000. The City’s share of the debt service payments on the project is \$105,584 per month over 20 years and is being passed through to the MUDs. The City is not liable for this debt. As additional security for the payments due the City, the MUDs agreed to establish, levy, and collect an ad valorem tax on all taxable property within the MUDs.

Note 15: 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	\$ 648,147	\$ -	\$ -	\$ -	\$ -	\$ 85,452	\$ 733,599
Inventory	1,189,111	-	-	-	-	-	1,189,111
Long-term note receivable	804,560	-	-	-	-	-	804,560
Total Nonspendable	2,641,818	-	-	-	-	85,452	2,727,270
RESTRICTED							
Debt service	-	-	-	1,475,224	-	-	1,475,224
Housing and community services	-	-	-	-	77,769	2,562,980	2,640,749
Other grant programs	-	-	-	-	180,381	-	180,381
4B sales tax projects	-	-	-	-	-	12,998,233	12,998,233
Promotion of tourism	-	-	-	-	-	2,540,625	2,540,625
Law enforcement	-	-	-	-	-	1,552,191	1,552,191
Capital projects	-	-	68,823,099	-	-	-	68,823,099
Community access projects	-	-	-	-	-	692,776	692,776
Road surface repairs	-	7,733,905	-	-	-	-	7,733,905
Tax Increment Financing Districts	-	7,648,330	-	-	-	-	7,648,330
Public Improvement Districts	-	6,473,906	-	-	-	-	6,473,906
Hike and Bike Trail	-	41,486	-	-	-	-	41,486
Developer's deposits	-	1,588,154	-	-	-	-	1,588,154
Capital replacement	-	532,523	-	-	-	-	532,523
Citizen 50/50 plan and parks improvement	-	-	-	-	-	179,461	179,461
Local finance capital projects	-	394,813	-	-	-	-	394,813
Public safety, notification, & technology improvement	-	-	-	-	-	788,337	788,337
Total Restricted	-	24,413,117	68,823,099	1,475,224	258,150	21,314,603	116,284,193
ASSIGNED							
Other general government	510,512	-	-	-	-	-	510,512
Other local finance capital projects	-	16,567,459	-	-	-	-	16,567,459
Public safety capital projects	-	20,564	-	-	-	-	20,564
Other special revenue	-	-	-	-	-	784,514	784,514
Total Assigned	510,512	16,588,023	-	-	-	784,514	17,883,049
UNASSIGNED							
	30,950,880	-	-	-	-	-	30,950,880
TOTAL FUND BALANCES	\$ 34,103,210	\$ 41,001,140	\$ 68,823,099	\$ 1,475,224	\$ 258,150	\$ 22,184,569	\$ 167,845,392

City of Mesquite, Texas
Notes to Financial Statements
September 30, 2022

Note 16: 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, 2022, the City of Mesquite had fourteen economic development agreements that included sales and/or property tax abatement provisions. In total, \$109,860 in sales tax and \$398,763 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 a project consisting of various commercial buildings totaling at least 350,000 square feet and related drainage and easement improvements totaling at least \$20 million.
- The City has agreed to reimburse the costs of the purchase of land for development for a project consisting of three industrial buildings totaling at least 1,300,000 square feet with an additional two buildings of at least 330,000 square feet each and one additional building of at least 640,000 square feet.
- The City has agreed to reimburse roadway impact fees for a project consisting of various commercial space buildings totaling at least 3,000,000 square feet.

Note 17: Subsequent Events

In April 2023, the City issued \$4,939,000 Special Assessment Revenue Bonds, Series 2023. The purpose of the Special Assessment Revenue Bonds, Series 2023 are for the funding of a portion of the Delinquency and Prepayment Reserve Account.

Subsequent events have been evaluated through June 30, 2023, which is the date the financial statements were issued.

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

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
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
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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,000,000)</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
Contributions as a percentage of covered payroll	10.67%	10.38%	11.77%	13.18%	15.70%	15.38%	19.88%	17.67%

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

24 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
Total OPEB liability:					
Service cost	\$ 748,034	\$ 770,475	\$ 909,005	\$ 1,005,581	\$ 879,226
Interest (on the Total OPEB Liability)	1,349,945	969,513	896,300	866,914	857,976
Difference between expected and actual experience	(674,886)	(2,617,929)	(5,978,499)	1,666,631	924,298
Change in assumptions	-	4,251,618	4,786,230	1,171,007	(8,928,353)
Benefit payments	(1,906,839)	(928,850)	(2,160,396)	(1,700,850)	(1,050,563)
Net change in total OPEB liability	(483,746)	2,444,827	(1,547,360)	3,009,283	(7,317,416)
Total OPEB liability - beginning	35,451,985	34,968,239	37,413,066	35,865,706	38,874,989
Total OPEB liability - ending	<u>\$ 34,968,239</u>	<u>\$ 37,413,066</u>	<u>\$ 35,865,706</u>	<u>\$ 38,874,989</u>	<u>\$ 31,557,573</u>
Covered employee payroll	\$ 64,280,893	\$ 66,209,320	\$ 67,962,447	\$ 70,001,320	\$ 74,955,604
Total OPEB liability as a percentage of covered-employee payroll	54.40%	56.51%	52.77%	55.53%	42.10%

Notes to Schedule:

Changes of Benefit Terms:

None

Changes of Assumptions:

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

2018	3.83%
2019	2.75%
2020	2.41%
2021	2.19%
2022	4.40%

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 - 2022	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

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, and donation accounts.
- 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, 2022

	<u>Hotel/Motel Tax</u>	<u>Confiscated Drug</u>	<u>Mesquite Quality of Life Corporation (4B Sales Tax)</u>	<u>Other Special Revenue</u>	<u>Housing Grants</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS:						
Pooled cash and investments	\$ 2,611,791	\$ 1,658,919	\$ 10,723,528	\$ 2,467,574	\$ 2,548,195	\$ 20,010,007
Receivables (net of allowance for uncollectibles):						
Accounts receivable	-	-	-	24,995	151,740	176,735
Other taxes receivable	-	-	-	47,961	-	47,961
Intergovernmental	-	28,310	2,524,141	-	-	2,552,451
Prepays	36,208	15,657	833	23,173	9,581	85,452
Accrued interest	2,728	2,896	9,983	2,595	2,537	20,739
	<u>2,650,727</u>	<u>1,705,782</u>	<u>13,258,485</u>	<u>2,566,298</u>	<u>2,712,053</u>	<u>22,893,345</u>
Total Assets	\$ 2,650,727	\$ 1,705,782	\$ 13,258,485	\$ 2,566,298	\$ 2,712,053	\$ 22,893,345
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ 73,894	\$ 169,257	\$ 254,012	\$ 165	\$ 19,012	\$ 516,340
Retainage payable	-	-	5,407	4,161	-	9,568
Due to other funds	-	-	-	31,128	-	31,128
	<u>73,894</u>	<u>169,257</u>	<u>259,419</u>	<u>35,454</u>	<u>19,012</u>	<u>557,036</u>
Total Liabilities	73,894	169,257	259,419	35,454	19,012	557,036
Deferred Inflows of Resources						
Unavailable revenue	-	-	-	-	151,740	151,740
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,740</u>	<u>151,740</u>
Deferred Inflows of Resources	-	-	-	-	151,740	151,740
Fund Balances:						
Nonspendable	36,208	15,657	833	23,173	9,581	85,452
Restricted	2,540,625	1,520,868	12,998,233	1,723,157	2,531,720	21,314,603
Assigned	-	-	-	784,514	-	784,514
	<u>2,576,833</u>	<u>1,536,525</u>	<u>12,999,066</u>	<u>2,530,844</u>	<u>2,541,301</u>	<u>22,184,569</u>
Total Fund Balances	2,576,833	1,536,525	12,999,066	2,530,844	2,541,301	22,184,569
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,650,727	\$ 1,705,782	\$ 13,258,485	\$ 2,566,298	\$ 2,712,053	\$ 22,893,345

City of Mesquite, Texas
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended September 30, 2022

	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	\$ 1,801,616	\$ -	\$ 14,455,658	\$ 205,013	\$ -	\$ 16,462,287
Licenses and permits	-	-	-	790,200	-	790,200
Fines and forfeitures	-	1,411,015	-	267,846	-	1,678,861
Investment income (loss)	(5,937)	(1,976)	(27,909)	(5,863)	(4,120)	(45,805)
Charges for services	-	-	-	966,464	-	966,464
Intergovernmental	-	-	-	-	17,733,203	17,733,203
Contributions and donations	-	-	-	318,928	-	318,928
Other revenues	-	-	2,475,395	-	81,338	2,556,733
Total Revenues	1,795,679	1,409,039	16,903,144	2,542,588	17,810,421	40,460,871
EXPENDITURES:						
Current-						
General government	1,095,333	-	378,443	186,929	-	1,660,705
Fire services	-	-	-	27,900	-	27,900
Police services	-	1,174,268	-	233,790	-	1,408,058
Public works	-	-	129,906	62,288	-	192,194
Planning and community development	213,166	-	-	-	-	213,166
Library services	-	-	-	5,215	-	5,215
Parks and recreation	-	-	6,508,410	4,869	-	6,513,279
Housing and community services	-	-	-	31,216	17,435,541	17,466,757
Debt Service						
Principal	-	51,636	-	-	-	51,636
Interest and fiscal charges	-	1,829	-	-	-	1,829
Capital outlay	-	623,721	1,676,057	-	-	2,299,778
Total Expenditures	1,308,499	1,851,454	8,692,816	552,207	17,435,541	29,840,517
EXCESS OF REVENUES OVER EXPENDITURES	487,180	(442,415)	8,210,328	1,990,381	374,880	10,620,354
OTHER FINANCING USES:						
Sale of capital assets	-	2,000	-	-	-	2,000
Transfers out	(5,400)	-	(1,376,090)	(1,005,000)	-	(2,386,490)
Total Other Financing Uses	(5,400)	2,000	(1,376,090)	(1,005,000)	-	(2,384,490)
NET CHANGE IN FUND BALANCES	481,780	(440,415)	6,834,238	985,381	374,880	8,235,864
FUND BALANCES, BEGINNING	2,095,053	1,976,940	6,164,828	1,545,463	2,166,421	13,948,705
FUND BALANCES, ENDING	\$ 2,576,833	\$ 1,536,525	\$ 12,999,066	\$ 2,530,844	\$ 2,541,301	\$ 22,184,569

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, 2022
With Comparative Actual Totals for Year Ended September 30, 2021

	2022				2021 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final			
REVENUES:					
Hotel/Motel Sales Tax	\$ 1,450,000	\$ 1,800,000	\$ 1,801,616	\$ 1,616	\$ 1,559,463
Investment income (loss)	6,000	6,000	(5,937)	(11,937)	2,292
TOTAL REVENUES	<u>1,456,000</u>	<u>1,806,000</u>	<u>1,795,679</u>	<u>(10,321)</u>	<u>1,561,755</u>
EXPENDITURES:					
Current					
General government	1,262,290	1,570,150	1,095,333	474,817	1,085,019
Planning and community development	193,710	235,860	213,166	22,694	189,640
TOTAL EXPENDITURES	<u>1,456,000</u>	<u>1,806,010</u>	<u>1,308,499</u>	<u>497,511</u>	<u>1,274,659</u>
EXCESS (DEFICIENCIES) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(10)</u>	<u>487,180</u>	<u>(507,832)</u>	<u>287,096</u>
OTHER FINANCING USES:					
Transfers out	-	(5,400)	(5,400)	-	(577,600)
TOTAL OTHER FINANCING USES	<u>-</u>	<u>(5,400)</u>	<u>(5,400)</u>	<u>-</u>	<u>(577,600)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (5,410)</u>	481,780	<u>\$ (507,832)</u>	(290,504)
FUND BALANCE AT BEGINNING OF YEAR			<u>2,095,053</u>		<u>2,385,557</u>
FUND BALANCE AT END OF YEAR			<u>\$ 2,576,833</u>		<u>\$ 2,095,053</u>

City of Mesquite, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget
and Actual – Confiscated Drug Special Revenue Fund
Year Ended September 30, 2022
With Comparative Actual Totals for Year Ended September 30, 2021

	2022				2021 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final			
REVENUES:					
Fines and forfeitures	\$ 200,000	\$ 585,000	\$ 1,411,015	\$ 826,015	\$ 786,945
Investment income (loss)	7,500	7,500	(1,976)	(9,476)	2,976
Other revenues	-	14,100	-	(14,100)	-
TOTAL REVENUES	<u>207,500</u>	<u>606,600</u>	<u>1,409,039</u>	<u>802,439</u>	<u>789,921</u>
EXPENDITURES:					
Police services	630,900	707,400	1,174,268	(466,868)	630,511
Debt Service					
Principal			51,636	(51,636)	-
Interest and fiscal charges			1,829	(1,829)	-
Capital outlay	-	1,324,269	623,721	700,548	42,457
TOTAL EXPENDITURES	<u>630,900</u>	<u>2,031,669</u>	<u>1,851,454</u>	<u>180,215</u>	<u>672,968</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(423,400)</u>	<u>(1,425,069)</u>	<u>(442,415)</u>	<u>982,654</u>	<u>116,953</u>
OTHER FINANCING USES					
Sale of capital assets	-	-	2,000	2,000	-
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (423,400)</u>	<u>\$ (1,425,069)</u>	<u>\$ (440,415)</u>	<u>\$ 984,654</u>	<u>\$ 116,953</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>1,976,940</u>		<u>1,859,987</u>
FUND BALANCE AT END OF YEAR			<u>\$ 1,536,525</u>		<u>\$ 1,976,940</u>

City of Mesquite, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget
and Actual – Mesquite Quality of Life Corporation (4B Sales Tax)
Special Revenue Fund
Year Ended September 30, 2022
With Comparative Actual Totals for Year Ended September 30, 2021

	2022				2021 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final			
REVENUES:					
Sales tax	\$ 11,857,600	\$ 11,857,600	\$ 14,455,658	\$ 2,598,058	\$ 12,814,008
Investment income (loss)	5,000	5,000	(27,909)	(32,909)	2,974
Intergovernmental	-	2,292,422	-	(2,292,422)	59,063
Contributions and donations	-	50,000	-	(50,000)	77,290
Other revenues	-	143,000	2,475,395	2,332,395	-
TOTAL REVENUES	11,862,600	14,348,022	16,903,144	2,555,122	12,953,335
EXPENDITURES:					
Current-					
General government	300,000	300,000	378,443	(78,443)	300,000
Fire services	-	-	-	-	50,856
Public works	-	-	129,906	(129,906)	47,969
Parks and recreation	7,485,950	11,015,350	6,508,410	4,506,940	6,785,621
Capital outlay	372,000	2,271,298	1,676,057	595,241	813,935
TOTAL EXPENDITURES	8,157,950	13,586,648	8,692,816	4,893,832	7,998,381
EXCESS OF REVENUES OVER EXPENDITURES	3,704,650	761,374	8,210,328	7,448,954	4,954,954
OTHER FINANCING USES:					
Transfers Out	(1,376,090)	(1,376,090)	(1,376,090)	-	(1,375,910)
TOTAL OTHER FINANCING USES	(1,376,090)	(1,376,090)	(1,376,090)	-	(1,375,910)
NET CHANGE IN FUND BALANCE	\$ 2,328,560	\$ (614,716)	6,834,238	\$ 7,448,954	3,579,044
FUND BALANCE AT BEGINNING OF YEAR			6,164,828		2,585,784
FUND BALANCE AT END OF YEAR			<u>\$ 12,999,066</u>		<u>\$ 6,164,828</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, 2022
With Comparative Actual Totals for Year Ended September 30, 2021

	2022				2021 Actual Amounts
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final			
REVENUES:					
Investment income (loss)	\$ 5,500	\$ 5,500	\$ (4,120)	\$ (9,620)	\$ 704
Intergovernmental	16,203,000	16,863,000	17,733,203	870,203	16,071,266
Other revenues	-	-	81,338	81,338	213,814
TOTAL REVENUES	16,208,500	16,868,500	17,810,421	941,921	16,285,784
EXPENDITURES:					
Housing and community services	16,297,630	16,786,230	17,435,541	(649,311)	15,984,608
TOTAL EXPENDITURES	16,297,630	16,786,230	17,435,541	(649,311)	15,984,608
NET CHANGE IN FUND BALANCE	\$ (89,130)	\$ 82,270	374,880	\$ 292,610	301,176
FUND BALANCE AT BEGINNING OF YEAR			2,166,421		1,865,245
FUND BALANCE AT END OF YEAR			<u>\$ 2,541,301</u>		<u>\$ 2,166,421</u>

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.

City of Mesquite, Texas
Combining Statement of Net Position – Nonmajor Enterprise Funds
September 30, 2022

	<u>Municipal Airport</u>	<u>Municipal Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
ASSETS:			
Current assets:			
Pooled cash and investments	\$ 570,085	\$ 197,573	\$ 767,658
Receivables (net of allowance for uncollectibles)	23,702	32,217	55,919
Inventory	109,374	9,017	118,391
Accrued interest	586	199	785
Total current assets	<u>703,747</u>	<u>239,006</u>	<u>942,753</u>
Noncurrent assets:			
Capital and lease assets-			
Land and construction in progress	7,628,465	1,408,432	9,036,897
Other capital assets (net of accumulated depreciation/amortization)	7,415,512	1,516,781	8,932,293
Total noncurrent assets	<u>15,043,977</u>	<u>2,925,213</u>	<u>17,969,190</u>
 Total Assets	 <u>15,747,724</u>	 <u>3,164,219</u>	 <u>18,911,943</u>
 DEFERRED OUTFLOWS OF RESOURCES:			
Deferred pension contributions	62,131	62,131	124,262
Difference in expected and actual experience - OPEB	5,859	5,859	11,718
Difference in assumption changes - pension	532	532	1,064
Difference in assumption changes - OPEB	1,952	1,952	3,904
Difference in projected and actual earnings on pension assets	35,433	35,433	70,866
Change in proportional share - pension	471	7,126	7,597
Total deferred outflows of resources	<u>106,378</u>	<u>113,033</u>	<u>219,411</u>
 LIABILITIES:			
Current liabilities:			
Accounts payable	44,266	61,846	106,112
Due to other funds	100,000	-	100,000
Deposits and other liabilities	58,411	-	58,411
Lease liability	58,676	-	58,676
Total other postemployment benefit liability	8,186	8,186	16,372
Total current liabilities	<u>269,539</u>	<u>70,032</u>	<u>339,571</u>
Noncurrent liabilities:			
Lease liability	190,193	-	190,193
Accrued compensated absences	19,809	144,970	164,779
Total other postemployment benefit liability	149,604	149,604	299,208
Net pension liability	450,776	450,777	901,553
Total noncurrent liabilities	<u>810,382</u>	<u>745,351</u>	<u>1,555,733</u>
 Total Liabilities	 <u>1,079,921</u>	 <u>815,383</u>	 <u>1,895,304</u>
 DEFERRED INFLOWS OF RESOURCES:			
Difference in expected and actual experience - pension	8,273	8,273	16,546
Difference in investment earnings - pension	165,434	165,434	330,868
Difference in assumptions - OPEB	29,761	29,761	59,522
Total deferred inflows of resources	<u>203,468</u>	<u>203,468</u>	<u>406,936</u>
 NET POSITION:			
Net investment in capital assets	14,795,108	2,925,213	17,720,321
Unrestricted	<u>(224,395)</u>	<u>(666,812)</u>	<u>(891,207)</u>
 Total Net Position	 <u>\$ 14,570,713</u>	 <u>\$ 2,258,401</u>	 <u>\$ 16,829,114</u>

City of Mesquite, Texas
Combining Statement of Revenues, Expenses, and Changes in Net Position –
Nonmajor Enterprise Funds
Year Ended September 30, 2022

	<u>Municipal Airport</u>	<u>Municipal Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
Operating revenues:			
Customer charges	\$ 3,074,703	\$ 1,398,357	\$ 4,473,060
Total operating revenues	<u>3,074,703</u>	<u>1,398,357</u>	<u>4,473,060</u>
Operating expenses:			
Personnel services	658,243	784,467	1,442,710
Supplies	1,529,360	152,251	1,681,611
Contractual services	369,463	359,515	728,978
Depreciation	461,057	198,144	659,201
Lease amortization	44,678	-	44,678
Total operating expenses	<u>3,062,801</u>	<u>1,494,377</u>	<u>4,557,178</u>
Operating income (loss)	<u>11,902</u>	<u>(96,020)</u>	<u>(84,118)</u>
Nonoperating revenues:			
Investment income	(2,032)	(679)	(2,711)
Gain on sale of capital assets	1,956,669	-	1,956,669
Other nonoperating income	67,898	-	67,898
Interest expense and fiscal charges	(1,947)	-	(1,947)
Total nonoperating revenues	<u>2,020,588</u>	<u>(679)</u>	<u>2,019,909</u>
Income (loss) before transfers	2,032,490	(96,699)	1,935,791
Transfers in	-	50,000	50,000
Transfers out	<u>(2,598,150)</u>	<u>-</u>	<u>(2,598,150)</u>
Change in net position	(565,660)	(46,699)	(612,359)
Total net position - beginning of year	<u>15,136,373</u>	<u>2,305,100</u>	<u>17,441,473</u>
Total net position - ending	<u>\$ 14,570,713</u>	<u>\$ 2,258,401</u>	<u>\$ 16,829,114</u>

City of Mesquite, Texas
Combining Statement of Cash Flows – Nonmajor Enterprise Funds
Year Ended September 30, 2022

	<u>Municipal Airport</u>	<u>Municipal Golf Course</u>	<u>Total Nonmajor Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 3,114,890	\$ 1,394,729	\$ 4,509,619
Payments to suppliers and service providers	(1,999,550)	(501,101)	(2,500,651)
Payments to employees for salaries and benefits	(731,338)	(774,082)	(1,505,420)
Net cash provided by operating activities	<u>384,002</u>	<u>119,546</u>	<u>503,548</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers to other funds	(2,598,150)	-	(2,598,150)
Transfers from other funds	-	50,000	50,000
Operating grants	67,898	-	67,898
Net cash provided by (used for) noncapital financing activities	<u>(2,530,252)</u>	<u>50,000</u>	<u>(2,480,252)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	-	(36,962)	(36,962)
Proceeds from capital debt	-	-	-
Principal payments on capital debt and leases	(43,793)	-	(43,793)
Interest payments on capital debt and leases	(1,947)	-	(1,947)
Repayment of note receivable	-	-	-
Proceeds from sale of capital assets	2,280,000	-	2,280,000
Net cash provided by (used for) capital and related financing activities	<u>2,234,260</u>	<u>(36,962)</u>	<u>2,197,298</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment loss on cash and cash equivalents	(2,547)	(868)	(3,415)
Net cash used for investing activities	<u>(2,547)</u>	<u>(868)</u>	<u>(3,415)</u>
NET INCREASE IN POOLED CASH AND CASH EQUIVALENTS	85,463	131,716	217,179
POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>484,622</u>	<u>65,857</u>	<u>550,479</u>
POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 570,085</u>	<u>\$ 197,573</u>	<u>\$ 767,658</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 11,902	\$ (96,020)	\$ (84,118)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	461,057	198,144	659,201
Lease amortization	44,678	-	44,678
Changes in operating assets and liabilities:			
Receivables, net	34,025	(3,628)	30,397
Inventories (supplies)	(77,055)	(2,016)	(79,071)
Deferred outflows of resources - pension	(34,215)	(7,262)	(41,477)
Deferred outflows of resources - OPEB	14,939	14,939	29,878
Accounts payable and accrued liabilities	(42,478)	(28,441)	(70,919)
Customer deposits	6,162	-	6,162
Deferred inflows of resources - pension	90,374	157,325	247,699
Deferred inflows of resources - OPEB	15,850	15,850	31,700
Compensated absences	4,055	15,947	20,002
Pension liability	(108,706)	(108,706)	(217,412)
OPEB liability	(36,586)	(36,586)	(73,172)
Total adjustments	<u>372,100</u>	<u>215,566</u>	<u>587,666</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 384,002</u>	<u>\$ 119,546</u>	<u>\$ 503,548</u>

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, 2022
With Comparative Totals for September 30, 2021

	<u>Group Medical Insurance</u>	<u>General Liability</u>	<u>Totals</u>	
			<u>2022</u>	<u>2021</u>
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 2,675,451	\$ 2,886,245	\$ 5,561,696	\$ 4,966,024
Accounts receivable	-	79,707	79,707	280,284
Prepays and other assets	119,419	273,000	392,419	188,172
Accrued interest	2,785	2,998	5,783	300
	<u>2,797,655</u>	<u>3,241,950</u>	<u>6,039,605</u>	<u>5,434,780</u>
Total Assets				
LIABILITIES:				
Current liabilities:				
Accounts payable	924,247	395,496	1,319,743	774,320
Estimated claims payable	857,747	922,468	1,780,215	2,562,309
Unearned revenue	156,311	-	156,311	-
Total current liabilities	<u>1,938,305</u>	<u>1,317,964</u>	<u>3,256,269</u>	<u>3,336,629</u>
Noncurrent liabilities:				
Estimated claims payable	-	1,844,937	1,844,937	2,098,151
Total noncurrent liabilities	<u>-</u>	<u>1,844,937</u>	<u>1,844,937</u>	<u>2,098,151</u>
Total Liabilities	<u>1,938,305</u>	<u>3,162,901</u>	<u>5,101,206</u>	<u>5,434,780</u>
NET POSITION:				
Unrestricted	<u>859,350</u>	<u>79,049</u>	<u>938,399</u>	<u>-</u>
Total Net Position	<u>\$ 859,350</u>	<u>\$ 79,049</u>	<u>\$ 938,399</u>	<u>\$ -</u>

City of Mesquite, Texas
Combining Statement of Revenues, Expenses, and Changes in Net Position
(Deficit) – Internal Service Funds
Year Ended September 30, 2022
With Comparative Totals for Year Ended September 30, 2021

	Group Medical Insurance	General Liability	Totals	
			2022	2021
Operating revenues:				
Contributions - City				
Medical insurance	\$ 12,501,009	\$ -	\$ 12,501,009	\$ 11,854,957
Life and dental insurance	1,528,959	-	1,528,959	1,635,490
General liability	-	1,500,000	1,500,000	1,501,150
Workers' compensation	-	2,132,190	2,132,190	1,924,960
Total contributions - City	<u>14,029,968</u>	<u>3,632,190</u>	<u>17,662,158</u>	<u>16,916,557</u>
Contributions - Other				
Employees - medical insurance	2,179,087	-	2,179,087	2,156,651
Stop loss and other contributions	562,907	-	562,907	1,058,365
Other revenues	-	163,270	163,270	168,396
Total contributions - other	<u>2,741,994</u>	<u>163,270</u>	<u>2,905,264</u>	<u>3,383,412</u>
Total operating revenues	<u>16,771,962</u>	<u>3,795,460</u>	<u>20,567,422</u>	<u>20,299,969</u>
Operating expenses:				
Claims incurred	13,725,303	1,739,479	15,464,782	16,434,070
Insurance premiums	1,008,596	1,337,960	2,346,556	2,077,749
Administrative fees	1,235,850	610,902	1,846,752	1,677,058
Other expenses	490,410	24,754	515,164	801,872
Total operating expenses	<u>16,460,159</u>	<u>3,713,095</u>	<u>20,173,254</u>	<u>20,990,749</u>
Operating income (loss)	<u>311,803</u>	<u>82,365</u>	<u>394,168</u>	<u>(690,780)</u>
Nonoperating revenues:				
Investment income	(2,453)	(3,316)	(5,769)	2,008
Total nonoperating revenues	<u>(2,453)</u>	<u>(3,316)</u>	<u>(5,769)</u>	<u>2,008</u>
Income (loss) before transfers	309,350	79,049	388,399	(688,772)
Transfers In	<u>550,000</u>	<u>-</u>	<u>550,000</u>	<u>2,860,356</u>
Change in net position (deficit)	859,350	79,049	938,399	2,171,584
Total net position (deficit) - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,171,584)</u>
Total net position - ending	<u>\$ 859,350</u>	<u>\$ 79,049</u>	<u>\$ 938,399</u>	<u>\$ -</u>

City of Mesquite, Texas
Combining Statement of Cash Flows – Internal Service Funds
Year Ended September 30, 2022
With Comparative Totals for Year Ended September 30, 2021

	<u>Group Medical Insurance</u>	<u>General Liability</u>	<u>Totals</u>	
			<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from interfund charges for services	\$ 14,187,417	\$ 3,632,190	\$ 17,819,607	\$ 16,916,557
Other operating receipts	562,907	290,472	853,379	1,183,124
Receipts from employees and retirees	2,256,204	-	2,256,204	2,164,660
Payments to suppliers and service providers	<u>(16,883,071)</u>	<u>(3,989,195)</u>	<u>(20,872,266)</u>	<u>(20,051,385)</u>
Net cash provided by (used for) operating activities	<u>123,457</u>	<u>(66,533)</u>	<u>56,924</u>	<u>212,956</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Repayment of advances from other funds	-	-	-	(631,504)
Transfers from other funds	<u>550,000</u>	<u>-</u>	<u>550,000</u>	<u>2,860,356</u>
Net cash provided by noncapital financing activities	<u>550,000</u>	<u>-</u>	<u>550,000</u>	<u>2,228,852</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment gain/(loss) on cash and cash equivalents	<u>(5,238)</u>	<u>(6,014)</u>	<u>(11,252)</u>	<u>2,909</u>
Net cash provided by (used for) investing activities	<u>(5,238)</u>	<u>(6,014)</u>	<u>(11,252)</u>	<u>2,909</u>
NET INCREASE (DECREASE) IN POOLED CASH AND INVESTMENTS	668,219	(72,547)	595,672	2,444,717
POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR	<u>2,007,232</u>	<u>2,958,792</u>	<u>4,966,024</u>	<u>2,521,307</u>
POOLED CASH AND INVESTMENTS AT END OF YEAR	<u>\$ 2,675,451</u>	<u>\$ 2,886,245</u>	<u>\$ 5,561,696</u>	<u>\$ 4,966,024</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 311,803	\$ 82,365	\$ 394,168	\$ (690,780)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-				
Changes in assets and liabilities-				
(Increase) decrease in accounts receivable	77,117	34,202	111,319	(52,628)
(Increase) decrease in prepaid items	(112,385)	-	(112,385)	(38,465)
Increase (decrease) in accounts payable	344,960	196,721	541,681	159,856
Increase (decrease) in claims payable	(655,487)	(379,821)	(1,035,308)	834,973
Increase (decrease) in unearned revenue	<u>157,449</u>	<u>-</u>	<u>157,449</u>	<u>-</u>
Total adjustments	<u>(188,346)</u>	<u>(148,898)</u>	<u>(337,244)</u>	<u>903,736</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 123,457</u>	<u>\$ (66,533)</u>	<u>\$ 56,924</u>	<u>\$ 212,956</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, 2022

	Custodial Funds		
	Tax Collection	Seized Assets	Total
ASSETS:			
Pooled cash and investments	\$ 524,957	\$ 823,648	\$ 1,348,605
Taxes receivable levied for other governments (net of allowance for uncollectibles)	5,167,136	-	5,167,136
Total Assets	5,692,093	823,648	6,515,741
LIABILITIES:			
Accounts payable	523,502	-	523,502
Due to other governments	5,168,591	-	5,168,591
Total Liabilities	\$ 5,692,093	\$ -	\$ 5,692,093
NET POSITION:			
Restricted for individuals, organizations, other governments	-	823,648	823,648
Total Net Position	\$ -	\$ 823,648	\$ 823,648

City of Mesquite, Texas
Combining Statement of Changes in Fiduciary Net Position –
Fiduciary Funds – Custodial Funds
Year Ended September 30, 2022

	Custodial Funds		
	Tax Collection	Seized Assets	Total
ADDITIONS			
Property tax collections for other governments	\$ 143,277,563	\$ -	\$ 143,277,563
Seizures	-	665,466	665,466
Miscellaneous	808,039	-	808,039
Total Additions	<u>144,085,602</u>	<u>665,466</u>	<u>144,751,068</u>
DEDUCTIONS			
Payments of property tax to other governments	143,277,563	-	143,277,563
Seizures forfeited or returned to defendants	-	1,107,535	1,107,535
Miscellaneous	808,039	-	808,039
Total Deductions	<u>144,085,602</u>	<u>1,107,535</u>	<u>145,193,137</u>
Net change in fiduciary net position	-	(442,069)	(442,069)
Net position, beginning	-	1,265,717	1,265,717
Net position, ending	<u>\$ -</u>	<u>\$ 823,648</u>	<u>\$ 823,648</u>

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>	105
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>	115
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>	126
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>	131
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>	133

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	2013	2014	2015 (1)	2016
Governmental activities:				
Net Investment in capital assets	\$ 130,543	\$ 129,187	\$ 122,230	\$ 119,854
Restricted	7,258	7,467	8,329	9,199
Unrestricted	17,885	18,704	(56,876)	(65,812)
Total governmental activities net position	\$ 155,686	\$ 155,358	\$ 73,683	\$ 63,241
Business-type activities:				
Net Investment in capital assets	\$ 127,872	\$ 129,832	\$ 130,785	\$ 131,551
Restricted	3,109	3,064	2,690	3,387
Unrestricted	14,328	13,494	13,008	18,647
Total business-type activities net position	\$ 145,309	\$ 146,390	\$ 146,483	\$ 153,585
Primary government:				
Net Investment in capital assets	\$ 258,415	\$ 259,019	\$ 253,015	\$ 251,405
Restricted	10,367	10,531	11,019	12,586
Unrestricted	32,213	32,198	(43,868)	(47,165)
Total primary government net position	\$ 300,995	\$ 301,748	\$ 220,166	\$ 216,826

Notes:

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

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

Schedule 1

<u>2017</u>	<u>2018 (2)</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 119,708	\$ 131,473	\$ 144,527	\$ 160,736	\$ 166,093	\$ 177,922
23,620	27,208	27,940	23,493	27,214	41,738
<u>(90,141)</u>	<u>(128,928)</u>	<u>(137,491)</u>	<u>(130,091)</u>	<u>(116,672)</u>	<u>(91,611)</u>
<u>\$ 53,187</u>	<u>\$ 29,753</u>	<u>\$ 34,976</u>	<u>\$ 54,138</u>	<u>\$ 76,635</u>	<u>\$ 128,049</u>
\$ 139,837	\$ 148,215	\$ 151,897	\$ 158,038	\$ 166,219	\$ 168,729
3,507	3,210	3,798	5,579	7,381	12,199
<u>23,386</u>	<u>25,970</u>	<u>30,146</u>	<u>40,890</u>	<u>49,993</u>	<u>60,932</u>
<u>\$ 166,730</u>	<u>\$ 177,395</u>	<u>\$ 185,841</u>	<u>\$ 204,507</u>	<u>\$ 223,593</u>	<u>\$ 241,860</u>
\$ 259,545	\$ 279,688	\$ 296,424	\$ 318,774	\$ 332,312	\$ 346,651
27,127	30,418	31,738	29,072	34,595	53,937
<u>(66,755)</u>	<u>(102,958)</u>	<u>(107,345)</u>	<u>(89,201)</u>	<u>(66,679)</u>	<u>(30,679)</u>
<u>\$ 219,917</u>	<u>\$ 207,148</u>	<u>\$ 220,817</u>	<u>\$ 258,645</u>	<u>\$ 300,228</u>	<u>\$ 369,909</u>

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

Fiscal Year	2013	2014	2015	2016
Expenses				
Governmental activities:				
General government	\$ 26,194	\$ 24,919	\$ 29,905	\$ 35,751
Fire services	25,570	26,105	26,679	27,167
Police services	32,994	32,112	32,829	35,089
Field services	13,826	9,312	9,839	-
Public works	4,703	8,769	10,253	19,722
Planning and community development	3,182	3,551	3,513	2,991
Housing and community services	14,206	14,487	15,005	15,425
Library services	1,905	2,015	2,074	2,064
Parks and recreation	11,368	11,004	12,732	12,252
Interest on long-term debt	4,796	3,498	3,745	5,093
Total governmental activities	<u>138,744</u>	<u>135,772</u>	<u>146,574</u>	<u>155,554</u>
Business-type activities:				
Water and sewer	41,293	42,614	45,496	49,822
Drainage utility	1,523	1,412	1,618	1,876
Municipal airport	2,319	2,235	1,981	1,900
Golf course (2)	-	-	-	-
Total business-type activities	<u>45,135</u>	<u>46,261</u>	<u>49,095</u>	<u>53,598</u>
Total primary government	<u>\$ 183,879</u>	<u>\$ 182,033</u>	<u>\$ 195,669</u>	<u>\$ 209,152</u>
Program Revenues				
Governmental activities:				
Charges for services				
Field Services	\$ 7,922	\$ 7,527	\$ 7,795	\$ -
General government	6,483	6,436	7,586	7,921
Fire services	-	-	-	-
Police services	-	-	-	-
Public works	-	-	-	-
Planning and community development	4,692	5,490	5,148	6,603
Housing and community services	-	-	-	-
Library services	-	-	-	-
Parks and recreation	-	-	-	-
Other charges for services	10,833	13,316	10,312	19,412
Operating grants and contributions	13,463	13,954	13,825	14,052
Capital grants and contributions	480	112	409	603
Total governmental activities	<u>43,873</u>	<u>46,835</u>	<u>45,075</u>	<u>48,591</u>
Business-type activities:				
Charges for services:				
Water and sewer	44,859	46,795	53,559	59,677
Drainage utility	2,169	2,798	3,366	3,795
Municipal airport	1,979	1,681	1,602	1,548
Golf course (2)	-	-	-	-
Operating grants and contributions (1)	-	-	-	23
Capital grants and contributions	753	969	603	674
Total business-type activities	<u>49,760</u>	<u>52,243</u>	<u>59,130</u>	<u>65,717</u>
Total primary government	<u>\$ 93,633</u>	<u>\$ 99,078</u>	<u>\$ 104,205</u>	<u>\$ 114,308</u>

Schedule 2

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$	38,015	\$ 31,854	\$ 30,100	\$ 14,755	\$ 26,234	\$ 19,656
	28,820	28,918	30,502	32,319	32,329	32,371
	36,382	36,952	40,496	43,434	41,849	42,744
	-	-	-	-	-	-
	20,007	20,675	23,490	22,681	23,275	23,103
	3,294	3,532	3,301	3,817	9,543	4,542
	15,981	16,942	17,962	19,934	21,826	22,789
	2,168	2,264	2,157	2,358	2,469	2,338
	9,805	10,481	11,400	11,938	11,713	12,104
	6,081	5,711	8,892	7,222	7,817	8,110
	<u>160,553</u>	<u>157,329</u>	<u>168,300</u>	<u>158,458</u>	<u>177,055</u>	<u>167,757</u>
	51,545	55,859	62,786	64,605	58,935	61,274
	1,829	2,196	2,832	3,457	2,734	2,986
	1,997	2,018	2,018	2,054	2,261	1,108
	943	1,582	1,529	1,520	1,520	1,494
	<u>56,314</u>	<u>61,655</u>	<u>69,165</u>	<u>71,636</u>	<u>65,450</u>	<u>66,862</u>
\$	<u>216,867</u>	<u>218,984</u>	<u>237,465</u>	<u>230,094</u>	<u>242,505</u>	<u>234,619</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	7,158	4,985	7,103	2,498	1,762	1,817
	-	-	-	2,387	3,065	2,631
	-	-	-	2,823	4,184	5,247
	-	-	-	14,387	14,801	25,029
	7,759	8,146	3,056	2,487	2,839	5,457
	-	-	-	251	320	206
	-	-	-	29	64	64
	-	-	-	756	1,541	1,709
	18,668	18,400	25,070	-	-	-
	14,995	15,899	16,414	26,236	27,901	25,363
	1,125	4,322	5,755	7,749	6,364	3,574
	<u>49,705</u>	<u>51,752</u>	<u>57,398</u>	<u>59,603</u>	<u>62,841</u>	<u>71,097</u>
	63,465	67,609	69,274	73,739	70,873	78,325
	3,965	3,966	4,055	4,778	4,865	5,371
	1,644	1,809	1,665	1,964	2,287	3,075
	1,037	1,089	1,025	1,009	1,235	1,398
	67	283	53	50	89	68
	1,025	3,830	982	7,676	5,873	3,730
	<u>71,203</u>	<u>78,586</u>	<u>77,054</u>	<u>89,216</u>	<u>85,222</u>	<u>91,967</u>
\$	<u>120,908</u>	<u>130,338</u>	<u>134,452</u>	<u>148,819</u>	<u>148,063</u>	<u>163,064</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	2013	2014	2015	2016
Net (Expenses)/Program Revenues				
Governmental activities	\$ (94,871)	\$ (88,937)	\$ (101,499)	\$ (106,963)
Business-type activities	4,625	5,982	10,035	12,119
Total primary government net expenses	\$ (90,246)	\$ (82,955)	\$ (91,464)	\$ (94,844)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Ad valorem taxes	\$ 35,074	\$ 35,172	\$ 36,710	\$ 38,328
Gross receipts taxes	7,865	8,633	8,081	7,806
Sales taxes	39,736	41,180	42,848	44,761
Grants not restricted to specific programs	-	-	-	-
Investment income (loss)	75	67	151	392
Gain (loss) on sale of capital assets	38	85	(33)	-
Miscellaneous	-	-	-	-
Transfers	4,575	3,706	4,866	5,235
Total governmental activities	87,363	88,843	92,623	96,522
Business-type activities:				
Investment income	36	33	71	179
Gain on sale of capital assets	-	36	54	38
Miscellaneous	-	-	-	-
Transfers	(4,575)	(3,706)	(4,866)	(5,235)
Total business-type activities	(4,539)	(3,637)	(4,741)	(5,018)
Total primary government	\$ 82,824	\$ 85,206	\$ 87,882	\$ 91,504
Change in Net Position				
Governmental activities	\$ (7,508)	\$ (94)	\$ (8,876)	\$ (10,441)
Business-type activities	86	2,345	5,294	7,101
Total primary government	\$ (7,422)	\$ 2,251	\$ (3,582)	\$ (3,340)

Notes:

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

Schedule 2 (Continued)

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ (110,848)	\$ (105,577)	\$ (110,901)	\$ (98,855)	\$ (114,214)	\$ (96,660)
14,889	16,931	7,890	17,580	19,772	25,105
<u>\$ (95,959)</u>	<u>\$ (88,646)</u>	<u>\$ (103,011)</u>	<u>\$ (81,275)</u>	<u>\$ (94,442)</u>	<u>\$ (71,555)</u>
\$ 44,479	\$ 49,921	\$ 57,413	\$ 62,495	\$ 64,831	\$ 71,023
7,698	7,988	7,810	7,186	7,435	8,054
45,476	45,700	46,869	47,192	53,317	60,138
-	-	-	-	-	610
741	1,330	2,687	1,288	143	(381)
257	268	549	-	4,520	168
-	-	-	-	2,411	1,853
2,143	4,537	797	(145)	4,702	6,610
<u>100,794</u>	<u>109,744</u>	<u>116,125</u>	<u>118,016</u>	<u>137,359</u>	<u>148,075</u>
339	799	1,344	942	84	(260)
60	124	14	-	-	-
-	-	-	-	963	31
(2,143)	(4,537)	(797)	145	(4,702)	(6,610)
<u>(1,744)</u>	<u>(3,614)</u>	<u>561</u>	<u>1,087</u>	<u>(3,655)</u>	<u>(6,839)</u>
<u>\$ 99,050</u>	<u>\$ 106,130</u>	<u>\$ 116,686</u>	<u>\$ 119,103</u>	<u>\$ 133,704</u>	<u>\$ 141,236</u>
\$ (10,054)	\$ 4,167	\$ 5,224	\$ 19,161	\$ 23,145	\$ 51,415
13,145	13,317	8,451	18,667	16,117	18,266
<u>\$ 3,091</u>	<u>\$ 17,484</u>	<u>\$ 13,675</u>	<u>\$ 37,828</u>	<u>\$ 39,262</u>	<u>\$ 69,681</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	2013	2014	2015	2016
General Fund:				
Nonspendable	\$ 725	\$ 775	\$ 764	\$ 1,183
Assigned	221	300	41	90
Unassigned	<u>16,460</u>	<u>16,076</u>	<u>15,897</u>	<u>17,003</u>
Total General Fund	<u><u>\$ 17,406</u></u>	<u><u>\$ 17,151</u></u>	<u><u>\$ 16,702</u></u>	<u><u>\$ 18,276</u></u>
All other governmental funds:				
Nonspendable for:				
Prepays	\$ -	\$ -	\$ -	\$ -
Cemetery trust principal	-	-	-	101
Restricted for:				
Debt Retirement	138	483	471	85
Purpose of grantors, trustees, and donors	1,836	1,865	2,192	2,418
4B Sales Tax projects	5,698	6,321	7,078	8,025
Promotion of Tourism	-	-	440	753
Law Enforcement	5,315	5,593	4,750	4,127
Capital Projects	6,862	11,659	21,253	44,978
Community Access Projects	400	564	738	658
Road Surface Repairs	103	159	130	219
Tax Increment Financing Districts	4,830	6,373	7,599	9,778
Public Improvement Districts	-	-	-	-
Hike and Bike Trail	2,755	680	454	457
Developer's Deposits	1,511	1,576	1,682	1,621
Capital Replacement	21	39	157	321
Other Purposes	376	557	574	557
Assigned to:				
Promotion of Tourism	184	253	-	-
Other Capital Projects	1,918	1,815	1,136	1,176
Other Purposes	227	287	251	1,124
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total of all other governmental funds	<u><u>\$ 32,174</u></u>	<u><u>\$ 38,224</u></u>	<u><u>\$ 48,905</u></u>	<u><u>\$ 76,398</u></u>

Schedule 3

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 1,813	\$ 1,919	\$ 1,926	\$ 1,923	\$ 1,987	\$ 2,642
105	98	56	226	119	511
<u>18,312</u>	<u>18,896</u>	<u>20,713</u>	<u>25,159</u>	<u>25,914</u>	<u>30,950</u>
<u>\$ 20,230</u>	<u>\$ 20,913</u>	<u>\$ 22,695</u>	<u>\$ 27,308</u>	<u>\$ 28,020</u>	<u>\$ 34,103</u>
\$ -	\$ 146	\$ 27	\$ 5	\$ -	\$ 85
101	101	101	101	-	-
599	46	4	821	1,414	1,475
2,691	2,610	3,086	2,443	3,751	2,821
6,087	2,506	2,903	2,586	6,165	12,998
1,238	1,719	-	2,385	2,095	2,541
3,139	2,043	1,388	2,024	2,011	1,552
25,433	49,456	37,188	46,601	39,335	68,823
745	623	620	646	641	693
521	239	220	635	1,019	7,734
12,126	14,441	12,314	6,012	4,087	7,648
-	7,203	27,385	18,014	8,737	6,474
460	40	-	41	42	41
1,594	1,647	1,694	1,547	1,595	1,588
505	700	585	397	452	533
608	585	2,490	585	558	1,363
-	-	-	-	-	-
1,524	1,384	1,208	6,952	10,865	16,588
469	1,308	539	583	676	785
<u>-</u>	<u>-</u>	<u>-</u>	<u>(77)</u>	<u>-</u>	<u>-</u>
<u>\$ 57,840</u>	<u>\$ 86,797</u>	<u>\$ 91,752</u>	<u>\$ 92,301</u>	<u>\$ 83,443</u>	<u>\$ 133,742</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)

Fiscal Year	2013	2014	2015	2016
Revenues				
Taxes	\$ 82,740	\$ 85,011	\$ 87,368	\$ 90,911
Licenses and permits	1,172	1,146	1,728	2,236
Fines and forfeitures	4,925	4,126	3,226	3,586
Investment income	71	65	147	388
Charges for services	17,254	17,683	19,701	20,926
Special Assessments	-	-	-	-
Intergovernmental	13,426	13,566	13,353	14,299
Contributions and donations	447	374	788	313
Other revenues	1,595	2,656	1,338	2,421
Total revenues	121,630	124,627	127,649	135,080
Expenditures				
General government	15,294	15,387	16,285	15,330
Fire services	24,024	24,600	24,811	25,631
Police services	32,125	30,980	31,267	33,267
Field services (1)	10,771	10,121	10,191	-
Public works	3,089	3,203	3,244	13,158
Planning and community development	3,150	3,389	3,458	2,874
Housing services	11,722	11,540	11,585	-
Library services	1,876	1,931	2,022	1,917
Parks and recreation	10,408	9,425	10,717	10,437
Community services	2,290	3,226	2,347	-
Housing and community services	-	-	-	15,268
Capital outlay	10,355	8,317	9,984	16,879
Debt service - principal	6,353	6,747	7,897	9,019
Debt service - interest and bond issuance costs	5,016	4,812	5,001	5,214
Total expenditures	136,473	133,678	138,809	148,994
Deficiency of revenues under expenditures	(14,843)	(9,051)	(11,160)	(13,914)
Other financing sources (uses)				
Transfer in	19,272	17,038	17,686	21,099
Transfers out	(14,193)	(11,912)	(12,285)	(15,823)
Leases issued	-	-	-	-
Bond proceeds	5,450	9,715	14,835	35,085
Proceeds of refunding bonds	7,635	9,080	2,935	17,295
Premium on debt	539	963	1,265	5,232
Payment to refunded bond agent	(7,985)	(10,038)	(3,044)	(19,907)
Sale of general capital assets	-	-	-	-
Total other financing sources (uses)	10,718	14,846	21,392	42,981
Net change in fund balances	\$ (4,125)	\$ 5,795	\$ 10,232	\$ 29,067
Debt service as a percentage of noncapital expenditures	9.12%	9.34%	9.97%	10.77%

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

Schedule 4

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$ 97,633	\$ 103,468	\$ 112,214	\$ 116,797	\$ 125,478	\$ 139,060
2,399	2,281	2,598	3,037	3,252	5,959
3,772	3,295	4,087	4,416	3,970	4,523
733	1,304	2,645	1,266	141	(375)
21,302	16,672	18,605	19,736	21,270	31,029
-	-	-	-	2,552	2,734
15,204	19,936	18,279	27,217	26,895	25,225
346	1,703	1,658	1,326	803	415
1,537	1,730	4,139	3,232	2,952	5,685
<u>142,926</u>	<u>150,389</u>	<u>164,225</u>	<u>177,027</u>	<u>187,313</u>	<u>214,255</u>
15,316	16,737	14,463	10,568	25,226	18,358
27,573	28,082	29,529	30,725	32,542	34,250
36,907	37,060	38,551	40,842	41,906	44,932
-	-	-	-	-	-
14,189	14,316	15,592	15,715	16,580	16,752
3,173	3,535	3,318	3,762	9,672	4,811
-	-	-	-	-	-
2,055	2,083	2,056	2,340	2,539	2,493
8,126	8,662	9,753	10,221	10,194	10,876
-	-	-	-	-	-
16,001	16,711	17,770	19,639	21,756	22,941
33,453	36,255	39,229	41,525	36,304	29,515
11,185	13,383	14,080	14,970	13,665	18,128
6,557	6,829	10,274	9,009	9,528	9,736
<u>174,535</u>	<u>183,653</u>	<u>194,615</u>	<u>199,316</u>	<u>219,912</u>	<u>212,792</u>
<u>(31,610)</u>	<u>(33,263)</u>	<u>(30,391)</u>	<u>(22,289)</u>	<u>(32,599)</u>	<u>1,463</u>
24,375	26,728	23,501	30,261	33,184	41,940
(18,383)	(22,692)	(22,704)	(31,405)	(31,343)	(35,880)
-	-	-	-	-	56
8,285	53,810	34,655	24,945	16,005	44,990
7,600	960	-	27,685	-	-
1,477	5,136	565	5,373	1,355	3,285
(8,607)	(1,039)	-	(29,665)	-	-
257	-	1,111	256	5,900	529
<u>15,004</u>	<u>62,903</u>	<u>37,128</u>	<u>27,450</u>	<u>25,101</u>	<u>54,920</u>
<u>\$ (16,606)</u>	<u>\$ 29,640</u>	<u>\$ 6,737</u>	<u>\$ 5,161</u>	<u>\$ (7,498)</u>	<u>\$ 56,383</u>
12.58%	13.71%	15.67%	15.20%	12.63%	15.20%

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

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

Schedule 5

Gross Receipts Taxes					
Electrical	Gas	Telephone	Cable TV	Sanitation	Other
3,994	966	519	1,310	710	39
4.8	1.2	0.6	1.6	0.9	0.0
4,172	1,305	473	1,442	958	39
4.9	1.5	0.6	1.7	1.1	0.0
4,041	1,157	-	1,556	975	352
4.6	1.3	-	1.8	1.1	0.4
4,007	943	-	1,510	1,001	344
4.4	1.0	-	1.7	1.1	0.4
4,051	1,072	-	1,259	1,022	294
4.1	1.1	-	1.3	1.0	0.3
4,146	1,255	-	1,230	1,079	279
4.0	1.2	-	1.2	1.0	0.3
3,961	1,144	-	1,230	1,189	286
3.5	1.0	-	1.1	1.1	0.3
3,961	993	-	868	1,314	49
3.4	0.9	-	0.7	1.1	0.0
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

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Merchandise Stores	\$ 240,520	\$ 235,681	\$ 256,248
Eating and Drinking Establishments	233,982	240,528	259,762
Clothing and Apparel Stores	191,244	193,470	196,123
Building Materials, Garden Equipment, and Supplies	130,072	126,543	133,744
Home Furnishings and Appliances	129,970	114,419	134,511
Automotive Dealers, Service, and Supplies	58,316	60,449	64,477
Food and Grocery Stores (2)	53,449	53,765	54,923
Gas Stations	38,120	41,399	45,480
Other Retail Stores	147,084	158,885	168,257
All Other Outlets	<u>705,904</u>	<u>789,761</u>	<u>764,131</u>
Total Taxable Sales (1)	<u>\$1,928,661</u>	<u>\$2,014,900</u>	<u>\$2,077,656</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.
- (3) Data subject to change as more precise reporting becomes available. Total sales tax received in FY22 will not tie to the financial statements from this schedule due to taxpayers' amended returns and late filers.

Schedule 6

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022 (3)</u>
\$ 282,485	\$ 284,451	\$ 298,272	\$ 280,841	\$ 261,938	\$ 284,172	\$ 332,495
273,022	281,283	286,661	290,527	278,764	323,796	369,260
198,003	212,609	190,250	206,658	186,787	253,369	253,387
155,725	149,725	127,790	149,031	152,098	167,056	199,594
152,402	138,242	158,791	132,850	134,323	181,259	187,555
68,707	67,741	64,476	86,346	89,447	99,215	79,116
56,981	59,041	67,033	42,939	95,888	83,020	120,906
48,377	49,944	51,453	56,808	50,335	52,878	69,209
181,988	185,967	191,585	189,601	219,692	294,652	326,119
<u>746,715</u>	<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>\$2,164,405</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>
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

	2022		2013	
	Number of Filers	Tax Liability	Number of Filers	Tax Liability
Retail Trade	3,845	\$ 38,752,817	1,538	\$ 23,816,776
Services	2,664	7,287,796	1,819	5,828,739
Transportation and Utilities	136	3,560,870	103	1,986,562
Wholesale Trade	1,713	3,476,142	1,065	2,033,262
Manufacturing	1,500	2,732,597	801	2,220,026
Construction	977	1,795,443	734	1,100,173
Finance, Insurance, and Real Estate	408	1,197,339	334	555,752
Agricultural	10	5,275	7	3,602
Mining	8	5,511	8	10,156
Public Administration	8	46,996	13	1,018,182
Total	<u>11,269</u>	<u>\$ 58,860,786</u>	<u>6,422</u>	<u>\$ 38,573,230</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		
2013	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2014	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2015	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2016	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2017	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2018	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2019	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
2020	0.50%	0.50%	1.00%	2.00%	6.25%	8.25%
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%

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	
2013	3,883,652	1,749,220	205,574	103,260	757,902	6,699,608
2014	3,837,683	1,810,542	225,413	102,909	779,653	6,756,200
2015	4,026,866	1,905,028	206,709	111,081	826,306	7,075,990
2016	4,254,661	1,983,357	209,767	109,107	833,635	7,390,527
2017	4,784,452	2,111,684	207,429	113,444	895,405	8,112,414
2018	5,433,038	2,252,673	206,414	114,705	966,735	8,973,565
2019	6,167,059	2,412,704	253,364	133,646	1,035,854	10,002,627
2020	6,528,588	2,766,119	239,948	142,322	1,093,135	10,770,112
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

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 \$390,078. 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. (\$9,907,947 + \$390,078= \$10,298,025).
- (4) Tax rate is per \$100 assessed valuation.

Schedule 9

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

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
2013	0.46225	0.17775	0.64000	0.24310	0.27100	0.11938	0.00994	1.42000	2.70341
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

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	2022			Per 2013 ACFR		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Town East Mall	\$ 118,000,000	\$ 1	1.19%	\$ 130,274,610	\$ 1	2.38%
Ashley Furniture Ind	77,656,370	2	0.78%			
Market East Associates LLC	65,500,000	3	0.66%			
Oncor Electric Delivery	61,207,113	4	0.62%	46,366,540	2	0.85%
101 Bottling Group LLC (Pepsi Cola)	57,769,400	5	0.58%	39,554,878	3	0.72%
Mesquite Owner	54,866,390	6	0.55%			
Ocean Barons LP	50,000,000	7	0.50%			
IRIS USA Inc.	42,542,840	8	0.43%	23,761,639	8	0.43%
Frontage Apartments	37,630,000	9	0.38%			
Tripp Fee Owner LLC	36,296,680	10	0.37%			
Barons Investors II LP				35,814,000	4	0.65%
Alliance WE LP				24,175,800	7	0.44%
Sun Life Asure Co of Can				35,000,000	5	0.64%
DDR MDT Marketplace				26,814,480	6	0.49%
SCI Mesquite Puente Fund				20,250,000	10	0.37%
Virtu Mission Ranch				<u>23,000,000</u>	9	0.42%
Total	<u>\$ 601,468,793</u>		6.07%	<u>\$ 405,011,947</u>		7.39%
Total Taxable Assessed Valuation	<u>\$ 9,907,947,000</u>			<u>\$ 5,478,295,464</u>		

Source: Tax Division, Finance Department

Total Taxable Assessed Valuation from Schedule 9 and 15.

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

Schedule 12

Fiscal Year Ended September 30	Adjusted Current Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes (1)
		Amount	Percent of Levy		Amount	Percent of Levy	
2013	\$ 34,819,001	\$ 34,336,926	98.62	\$ 319,409	\$ 34,656,335	99.53	\$ 162,666
2014	34,961,217	34,457,251	98.56	308,934	34,766,185	99.44	195,032
2015	36,282,438	35,805,787	98.69	293,466	36,099,253	99.50	183,185
2016	37,960,913	37,517,675	98.83	279,418	37,797,093	99.57	163,820
2017	43,954,143	43,411,278	98.76	328,065	43,739,343	99.51	214,800
2018	48,024,985	47,447,876	98.80	363,716	47,811,592	99.56	213,393
2019	55,708,582	54,944,161	98.63	329,079	55,273,240	99.22	435,342
2020	62,122,209	61,308,860	98.69	197,632	61,506,492	99.01	615,717
2021	64,440,516	63,717,089	98.88	(224,933)	63,492,156	98.53	948,360
2022	70,910,550	69,893,674	98.57	-	69,893,674	98.57	1,016,876

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

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

Schedule 13

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	Total
2013	38,415,000	80,035,000	-	-	390,000	2,889,779	78,809	121,808,588
2014	41,355,000	80,605,000	-	-	-	2,337,487	5,973	124,303,460
2015	40,995,000	88,355,000	-	3,830,389	-	1,763,191	25,644	134,969,224
2016	79,340,000	74,945,000	-	8,521,721	-	1,166,008	-	163,972,729
2017	82,210,000	69,235,000	-	9,385,301	-	578,096	-	161,408,397
2018	108,940,000	76,200,000	7,245,000	12,808,171	-	-	-	205,193,171
2019	100,740,000	80,385,000	31,835,000	11,634,912	-	-	-	224,594,912
2020	122,010,000	67,685,000	31,835,000	14,613,527	-	-	-	236,143,527
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

Business-Type Activities								
Fiscal Year	Water/ Sewer Revenue Bonds	Drainage Utility District Revenue Bonds	Net Premium/ (Discount) on Bonds (2)	Lease Obligations	Total	Total Primary Government	Percentage of Effective Buying Income (1)	Per Capita (1)
2013	72,095,000	3,335,000	-	41,052	75,471,052	197,279,640	7.52%	1,406.73
2014	73,633,158	2,947,686	-	24,274	76,605,118	200,908,578	7.08%	1,412.76
2015	72,195,000	2,485,000	2,276,216	6,282	76,962,498	211,931,722	8.21%	1,490.06
2016	73,105,000	2,060,000	3,344,683	-	78,509,683	242,482,412	9.04%	1,696.27
2017	75,100,000	1,625,000	4,376,177	-	81,101,177	242,509,574	8.74%	1,695.16
2018	76,525,000	1,175,000	4,773,464	-	82,473,464	287,666,635	10.18%	2,006.74
2019	85,650,000	8,725,000	5,642,059	-	100,017,059	324,611,971	10.82%	2,238.24
2020	98,140,000	8,140,000	7,983,134	-	114,263,134	350,406,661	11.52%	2,409.78
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

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
2013	140,240	5,478,295	121,808,588	138,486	121,670,102	2.22%	867.58
2014	142,210	5,464,314	124,303,460	483,072	123,820,388	2.27%	870.69
2015	142,230	5,735,841	134,969,224	470,685	134,498,539	2.34%	945.64
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	235,321,802	1,475,223	233,846,579	2.36%	1,538.26

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, 2022
(Unaudited)

Schedule 15

<u>Taxing Jurisdiction</u>	<u>Total Outstanding Debt (1)</u>	<u>Estimated Percent Applicable (2)</u>	<u>Direct and Estimated Overlapping Debt</u>
Direct-			
City of Mesquite	\$ 265,907,845	100.00%	\$ 265,907,845
Overlapping-			
Dallas County	236,605,000	3.04%	7,192,792
Dallas County Community College District	110,835,000	3.04%	3,369,384
Dallas County Hospital District	559,905,000	3.04%	17,021,112
Kaufman County	183,213,357	0.11%	201,535
Mesquite Independent School District	704,827,801	85.87%	605,235,633
Dallas Independent School District	3,467,730,000	0.14%	4,854,822
Forney Independent School District	953,062,067	0.23%	2,192,043
Garland Independent School District	424,040,000	0.02%	84,808
	<u>6,640,218,225</u>		<u>640,152,129</u>
Total overlapping	<u>6,640,218,225</u>		<u>640,152,129</u>
Total direct and estimated overlapping bonded debt	<u>\$ 6,906,126,070</u>		<u>\$ 906,059,974</u>
Ratio, direct and estimated overlapping debt to fiscal 2022 taxable assessed valuation (3)			<u>9.14%</u>
Per capita direct and estimated overlapping bonded debt (4)			<u>\$ 5,960</u>

Notes:

- (1) Including bonds payable, notes payable and leases. Source is most recent Texas Municipal Reports, publication of the Municipal Advisory Council of Texas
- (2) The methodology for deriving overlapping percentages is to determine the estimated shared assessed valuation of the overlapping taxing body(s) and the City's; divide the shared value by the total assessed value of the overlapping taxing body.
- (3) Fiscal 2022 taxable assessed valuation (Net of TIF \$9,907,947,405)
- (4) Based on 2022 population of 152,020.

City of Mesquite, Texas
Debt Margin Information
September 30, 2022
(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, 2022, is \$0.70858 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							
2013	\$ 44,892,336	\$ 34,046,541	\$ 10,845,795	\$ 94,114,740	20	\$ 4,705,737	2.3
2014	46,909,102	34,731,035	12,178,067	92,892,214	20	4,644,611	2.6
2015	53,676,246	37,584,068	16,092,178	93,172,648	20	4,658,632	3.5
2016(5)	59,870,312	46,899,920	12,970,392	93,973,373	20	4,698,669	2.8
2017	63,876,537	49,921,956	13,954,581	97,269,491	20	4,863,475	2.9
2018	68,430,178	52,242,775	16,187,403	99,859,175	20	4,992,959	3.2
2019	70,519,694	54,779,163	15,740,531	111,838,664	20	5,591,933	2.8
2020	74,595,801	56,492,038	18,103,763	130,118,763	20	6,505,938	2.8
2021	71,914,724	54,222,142	17,692,582	153,137,668	20	7,656,883	2.3
2022	78,166,437	56,515,903	21,650,534	193,214,625	20	9,660,731	2.2

DRAINAGE UTILITY DISTRICT BONDS

2013	2,171,118	661,823	1,509,295	3,763,916	9	418,213	3.6
2014	2,804,769	687,903	2,116,866	3,237,015	8	404,627	5.2
2015	3,380,515	717,806	2,662,709	2,739,938	7	391,420	6.8
2016(5)	3,818,308	888,855	2,929,453	2,243,100	6	373,850	7.8
2017	4,013,757	1,039,904	2,973,853	1,747,556	5	349,511	8.5
2018	4,062,964	1,139,921	2,923,043	1,249,744	4	312,436	9.4
2019	4,168,327	1,385,229	2,783,098	11,721,457	20	586,073	4.7
2020	4,861,275	1,778,341	3,082,934	10,788,494	19	567,815	5.4
2021	4,870,622	1,629,262	3,241,360	10,013,519	18	556,307	5.8
2022	5,346,342	1,758,616	3,587,726	15,171,843	20	758,592	4.7

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

Notes:

- (1) Includes operating and nonoperating revenues.
- (2) Includes operating and non-operating expenses exclusive of depreciation, 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 Unemployment Rate (4)
2013	140,240	N/A	\$ 2,624,125	51,763	50,695	38,609	6.3%
2014	142,210	N/A	2,836,910	55,076	51,509	39,220	5.2%
2015	142,230	N/A	2,581,622	49,871	51,766	39,527	4.3%
2016	142,950	N/A	2,683,515	52,395	51,217	41,067	3.9%
2017	143,060	N/A	2,774,535	54,440	50,965	41,025	3.2%
2018	143,350	N/A	2,824,625	55,890	50,539	41,022	3.7%
2019	145,030	N/A	2,999,387	59,149	50,709	39,638	3.5%
2020	145,410	N/A	3,042,094	61,047	49,832	38,533	8.1%
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%

- 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>2022 Range</u>	<u>2013 Range</u>
Mesquite Independent School District	1,000 +	1,000 +
Town East Mall	1,000 +	
United Parcel Service Inc	1,000 +	1,000 +
Baker Triangle	1,000 +	
City of Mesquite	1,000 +	1,000 +
Eastfield College	500-999	500-999
Dallas Regional Medical Center (Formerly Mesquite Community Hospital)	500-999	500-999
Walmart Supercenter	500-999	500-999
Pepsi Beverages Co	500-999	500-999
Ashley Furniture	500-999	
Texas Dept of Transportation-Dallas District		500-999
Fritz Industries		100-499
Intergracolor LTD	_____	_____100-499
Total Estimated City Employment	<u>76,650</u>	<u>72,825</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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
By Functions				
General government	113.25	117.25	118.50	124.86
Fire services	208.00	206.00	207.00	207.00
Police services	315.00	314.50	314.50	324.50
Field services	129.00	129.00	129.00	129.00
Public works	24.00	23.00	22.00	22.00
Planning and Community development	35.40	36.40	36.40	42.95
Housing services	21.60	21.10	20.60	20.55
Library services	32.08	32.08	31.71	31.72
Parks and recreation	123.68	123.54	117.47	121.09
Community services	28.10	27.85	27.35	18.35
Water and Sewer	109.07	109.07	109.07	109.07
Drainage utility district	7.00	7.00	7.00	7.00
Municipal airport	8.05	7.90	7.90	7.90
Total employees by function	<u>1,154.23</u>	<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>
By Departments				
Administration	30.00	31.00	33.50	38.00
City Secretary	3.00	3.00	3.00	4.00
City Attorney	7.00	8.00	8.00	8.00
Human Resources	14.00	15.00	14.00	13.00
Budget and Research	2.00	1.00	1.00	-
Finance	57.25	58.25	58.00	60.86
Information Technology	15.00	16.00	16.00	16.00
Fire service	208.00	206.00	207.00	207.00
Police Service	315.00	314.50	314.50	324.50
Public Works	254.07	253.07	252.07	252.07
Housing and community service	49.70	48.95	47.95	38.90
Planning and Community development	35.40	36.40	36.40	42.95
Parks/ Recreation/Building service	123.68	123.54	117.47	121.09
Library service	32.08	32.08	31.71	31.72
Airport service	8.05	7.90	7.90	7.90
Total employees by department	<u>1,154.23</u>	<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>
By Fund				
General	1,005.51	1,007.62	1,000.43	1,017.72
Grants	22.60	21.10	20.60	20.30
Water and Sewer	109.07	109.07	110.07	110.57
Drainage Utility District	7.00	7.00	7.00	7.00
Municipal Airport	8.05	7.90	7.90	7.90
Golf Course (1)				
Hotel/Motel	2.00	2.00	2.50	2.50
Total employees by fund	<u>1,154.23</u>	<u>1,154.69</u>	<u>1,148.50</u>	<u>1,165.99</u>

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

Notes:

(1) Golf Course fund created in 2017.

Schedule 20

2017	2018	2019	2020	2021	2022
131.61	135.39	139.24	141.83	141.83	147.49
212.00	214.00	217.00	213.00	227.00	236.00
327.50	331.50	333.50	337.50	347.50	351.50
131.00	130.00	134.00	139.00	142.00	141.50
23.00	23.00	24.00	24.00	21.00	24.00
45.05	48.25	52.25	52.25	55.25	57.25
19.45	18.50	18.50	17.50	17.50	19.00
32.72	32.72	32.72	32.72	32.72	32.72
120.09	122.09	131.79	131.79	149.79	149.02
18.35	17.35	18.35	21.00	22.00	22.50
112.07	117.57	112.57	111.57	123.57	126.07
7.00	7.00	10.00	11.00	12.00	13.00
7.90	7.90	9.48	9.48	9.48	11.40
1,187.74	1,205.27	1,233.40	1,242.64	1,301.64	1,331.45
42.25	42.25	42.50	43.00	42.00	47.26
4.00	4.00	4.00	5.00	5.00	5.00
9.00	9.00	9.60	9.60	9.60	9.00
14.50	14.50	14.50	14.50	15.50	15.00
-	-	-	-	-	-
60.86	63.14	63.14	63.23	63.23	67.23
16.00	16.50	17.50	17.50	18.50	18.50
212.00	214.00	217.00	213.00	227.00	236.00
327.50	331.50	333.50	337.50	347.50	351.50
258.07	263.57	268.57	274.57	286.57	290.07
37.80	35.85	36.85	38.50	39.50	41.50
45.05	48.25	52.25	52.25	55.25	57.25
120.09	122.09	131.79	131.79	149.79	149.02
32.72	32.72	32.72	32.72	32.72	32.72
7.90	7.90	9.48	9.48	9.48	11.40
1,187.74	1,205.27	1,233.40	1,242.64	1,301.64	1,331.45
1,036.32	1,032.58	1,064.13	1,073.37	1,119.37	1,141.00
19.45	18.50	18.50	17.50	17.50	19.00
113.57	119.07	111.57	111.57	123.57	126.07
7.00	7.00	10.00	11.00	12.00	13.00
7.90	7.90	9.48	9.48	9.48	11.40
16.72	16.72	16.72	16.72	16.72	16.72
3.50	3.50	3.00	3.00	3.00	4.26
1,204.46	1,205.27	1,233.40	1,242.64	1,301.64	1,331.45

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Functions				
Fire services				
Number of calls answered	15,086	16,823	17,693	18,539
Inspections	3,279	3,077	2,493	1,250
Police services				
Reported index crimes	6,865	6,237	6,346	6,323
Criminal arrests	5,086	4,737	4,679	4,749
Traffic citations	42,330	33,970	24,965	18,116
Field services				
Residential solid waste customers	37,500	37,540	37,540	37,500
Annual tons recycled	35,556	37,804	37,850	37,850
Work hours per mile of streets and alleys	79.08	84.10	82.25	298.10
Public works				
Traffic studies conducted	313	302	330	355
Engineering Information requests ⁽¹⁾	52,744	41,377	107,853	371,971
Housing services				
Number of HUD allocated unit months	16,848	16,848	16,848	16,848
Community development				
Residential building permits	1,414	1,344	1,580	2,229
Commercial building permits	166	299	626	633
Environmental code violations	15,094	15,685	15,881	14,132
Food inspections conducted	1,411	1,917	1,909	2,072
Library services				
Library visits per capita	2.42	2.24	2.32	2.06
Registered borrowers per capita	0.33	0.31	0.31	0.22
Parks and recreation				
Work hours per acre of park land	60.13	60.13	59.23	59.41
Athletic program participants	2,111	2,945	3,100	3,515
Aquatic program participants	76,242	76,301	85,000	78,586
Tennis program participants	8,589	8,691	8,500	9,327
Recreation centers programs offered	1,000	1,100	1,000	1,037
Community services				
Number of health clinic clients ⁽²⁾	2,844	2,624	2,430	2,187
Number of volunteer hours	59,564	65,733	68,868	80,843
Arts center events	486	588	1,206	1,180
Arts center participants	57,318	70,925	138,225	167,850
Animals processed by animal shelter	6,523	6,648	6,592	6,070
Water and Sewer				
Number of gallons of water pumped (000s)	5,789,895	5,516,359	5,855,090	5,973,641
Water main breaks	306	286	276	395
Miles of sewer mains cleaned	128	116	82	118

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

2017	2018	2019	2020	2021	2022
18,691	18,558	18,726	18,609	22,156	22,409
1,812	3,068	2,809	2,080	2,562	1,848
5,923	5,798	5,698	5,391	6,944	7,244
4,996	6,147	6,510	4,638	4,122	5,426
26,912	31,188	37,111	28,122	20,656	19,367
37,600	37,600	38,000	38,000	39,263	60,918
40,296	40,084	40,193	40,200	53,421	52,874
289.06	249.07	63.24	88.19	86.73	88.19
648	554	831	990	1,120	1,120
486,417	937,595	971,341	1,002,266	1,290	1,968
16,848	16,848	16,848	17,382	17,928	18,120
2,181	2,744	3,387	3,495	4,035	3,084
720	890	470	189	550	486
25,701	20,472	19,469	16,399	26,077	24,286
2,128	2,198	2,232	1,869	2,414	2,423
1.89	1.83	1.77	0.92	0.79	0.89
0.23	0.21	0.20	0.05	0.15	0.12
60.24	36.04	40.46	42.01	36.30	36.30
3,523	3,182	3,093	1,371	5,132	2,934
78,247	73,516	74,318	389	29,436	33,937
8,500	6,500	2,780	5,650	1,238	384
1,135	900	1,672	1,035	1,115	1,699
2,307	2,713	3,731	215	0	0
74,945	83,075	61,021	29,111	51,427	74,845
1,330	1,050	640	216	276	398
174,300	143,660	80,840	22,830	55,780	61,750
5,567	6,001	6,543	4,984	6,205	4,667
5,346,643	5,787,400	6,066,383	5,909,548	6,101,734	6,912,736
105	243	172	206	132	159
126	155	150	126	125	103

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Functions			
Police services			
Police vehicles	226	262	221
Field services			
Miles of streets	440	440	440
Miles of alleys	220	220	220
Number of vehicles in City fleet	690	760	734
Parks and recreation			
Parks acreage	1,450	1,450	1,650
Number of parks	68	69	70
Water and Sewer			
Water system miles	567	567	568
Water system connections	54,000	54,964	55,135
Sewer system miles	493	493	494
Sewer system connections	53,700	53,714	53,764

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

Schedule 22

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
226	217	220	235	248	238	238
440	440	440	440	440	440	528
220	220	220	220	220	220	217
660	702	675	722	742	857	941
1,650	1,700	1,700	1,700	1,700	1,700	1,803
70	70	70	70	70	70	70
568	585	485	602	613	630	673
55,174	54,608	52,688	55,725	55,980	57,225	57,967
494	483	498	485	483	491	494
53,803	52,604	52,688	55,725	55,980	57,225	57,967

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City of Mesquite, Texas

Single Audit Reports

September 30, 2022



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City of Mesquite, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

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 Program:				
<i>CDBG – Entitlement Grants Cluster</i>				
Community Development Block Grants/Entitlement Grants	14.218		\$ 65,000	\$ 1,105,156
COVID-19 – Community Development Block Grants/Entitlement Grants	14.218		-	726,418
<i>Total CDBG – Entitlement Grants Cluster</i>			65,000	1,831,574
Passed through from:				
Texas Department of Housing and Community Affairs				
COVID-19 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	B-20-DW-48-0001	-	4,266
Direct Program:				
<i>Housing Voucher Cluster</i>				
Section 8 Housing Choice Vouchers	14.871		-	17,141,161
COVID-19 – Section 8 Housing Choice Vouchers	14.871		-	10,746
COVID-19 – Section 8 Emergency Housing Vouchers	14.871		-	229,997
<i>Total Housing Voucher Cluster</i>			-	17,381,904
Total Department of Housing and Urban Development			65,000	19,217,744
Department of Justice				
Direct Program:				
Public Safety Partnership and Community Policing Grants	16.710		-	167,654
Passed through from:				
The City of Dallas				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-H2659-TX-DJ	-	77,703
Direct Program:				
Equitable Sharing Program	16.922		-	467,396
Total Department of Justice			-	712,753
Department of Transportation				
Direct Program:				
<i>Federal Transit Cluster</i>				
COVID-19 – Federal Transit – Formula Grants	20.507		-	1,177,497
<i>Total Federal Transit Cluster</i>			-	1,177,497
Passed through from:				
Texas Department of Transportation				
<i>Highway Safety Cluster</i>				
State and Community Highway Safety	20.600	2021-Mesquite- S-1 YG 00099	-	24,216
National Priority Safety Programs	20.616	2021-Mesquite- CIOT - 00004, 2021- Mesquite - IDM- 00007	-	5,711
<i>Total Highway Safety Cluster</i>			-	29,927
Total Department of Transportation			-	1,207,424

City of Mesquite, Texas
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2022

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
United States Department of the Treasury				
Direct Program:				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		-	610,426
Equitable Sharing for State and Local Law Enforcement Agencies	21.016		-	28,713
Total United States Department of the Treasury			-	639,139
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	-	40,243
Total Department of Health and Human Services			-	40,243
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-S01	-	152,096
Total Department of Homeland Security			-	152,096
Total Federal Awards Expended			\$ 65,000	\$ 21,969,399

City of Mesquite, Texas
Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2022

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, 2022. 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, 2022.



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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, 2022, which collectively comprise the City's basic financial statements, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2023, which contained an emphasis of matter paragraph regarding a change in accounting principle.

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
June 30, 2023**

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

Opinion on Each Major Federal Program

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, 2022. 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.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

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.

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.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the "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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 of Mesquite, Texas (City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated June 30, 2023, which contained unmodified opinions on those financial statements and an emphasis of matter paragraph regarding a change in accounting principle. 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,LLP

**Dallas, Texas
June 30, 2023**

City of Mesquite, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

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
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, 2022

7. Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
	<i>Housing Voucher Cluster</i>
14.871	Section 8 Housing Choice Vouchers
14.871	COVID-19 – Section 8 Housing Choice Vouchers
14.871	COVID-19 - Section 8 Emergency Housing Vouchers
	<i>Federal Transit Cluster</i>
20.507	COVID-19 – Federal Transit – Formula Grants
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

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, 2022

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, 2022

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
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No matters are reportable.

**City of Mesquite, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2022**

Reference Number	Summary of Finding	Status
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No matters are reportable.



City of Mesquite

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