

# City of Mesquite, Texas

## Annual Comprehensive Financial Report

For Fiscal Year Ended September 30, 2025



**MESQUITE**  
T E X A S.





## About the Cover

Located in southeast Mesquite, Solterra is one of seven new residential communities currently under construction that will deliver a combined 8,000 new homes to Mesquite over the next decade adding an estimated \$2.8 billion to the local tax base.

Once the family farm of Faithon P. Lucas, who owned the historic Lucas B&B Restaurant in downtown Dallas, Solterra is now a 1,400-acre Master Planned Community named “Best Master-Planned Community of the Year” in 2025 by the Dallas Builders Association.

At buildout, Solterra will have an assessed valuation more than \$1.1 billion and will be home to over 3,000 families. Solterra features such amenities as a 25-acre stocked fishing lake with white sand beach for kayaking, paddleboarding, and fishing; an extensive network of hike and bike trails; a unique treehouse park; a state-of-the-art, eight-acre amenity center with an event ballroom, meeting spaces and fitness center; three resort-style pools with water activations, a swim-up bar and doggy splash pad; a pickleball complex and an event lawn with plenty of space for entertainment.

## Back Cover

Designed by Animal Planet’s *Treehouse Masters*, Lookout Treehouse Park is award-winning, signature outdoor venue that transforms traditional park fun into an elevated experience. Residents can enjoy a variety of activities from tree-based obstacle courses to tranquil sunset watches, and its versatility brings neighbors together and enhances the natural beauty of Solterra.

# **City of Mesquite, Texas**

## **Annual Comprehensive Financial Report**

For the Year Ended September 30, 2025

Prepared by the City of Mesquite Accounting Department

**MESQUITE**

T E X A S

Real. Texas. Flavor.

# Contents

## Introductory Section (Unaudited)

|   |     |
|---|-----|
| City Officials . . . . .  | i   |
| Organizational Chart . . . . .  | ii  |
| Letter of Transmittal . . . . .   | iv  |
| GFOA Certificate of Achievement for Excellence in Financial Reporting . . . . . | xi  |
| City of Mesquite Area Map . . . . .   | xii |

## Financial Section

|   |          |
|---|----------|
| <b>Independent Auditor’s Report . . . . .</b>                     | <b>1</b> |
| <b>Management’s Discussion and Analysis (Unaudited) . . . . .</b> | <b>5</b> |

## Basic Financial Statements

### Government-wide Financial Statements:

|                                     |    |
|-------------------------------------|----|
| Statement of Net Position . . . . . | 19 |
| Statement of Activities . . . . .   | 21 |

### Fund Financial Statements

|  |    |
|--|----|
| Balance Sheet – Governmental Funds . . . . .   | 23 |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position . . . . .   | 25 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds . . . . .   | 26 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities . . . . . | 29 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund . . . . .  | 30 |
| Statement of Net Position – Proprietary Funds. . . . .   | 31 |
| Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds . . . . .   | 35 |
| Statement of Cash Flows – Proprietary Funds . . . . .  | 37 |
| Statement of Fiduciary Net Position – Fiduciary Funds . . . . .  | 39 |

|  |    |
|--|----|
| Statement of Changes in Fiduciary Net Position – Fiduciary Funds . . . . . | 40 |
| Notes to Financial Statements . . . . .                                    | 42 |

**Required Supplementary Information (Unaudited)**

|  |    |
|--|----|
| Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System (TMRS) . . . . . | 94 |
| Schedule of Employer Contributions – Texas Municipal Retirement System (TMRS) . . . . .                              | 96 |
| Schedule of Changes in the City’s Total OPEB Liability and Related Ratios – Retiree Health . . . . .                 | 98 |

**Combining and Individual Fund Financial Statements and Schedules (Unaudited)**

**Major Governmental Funds**

|  |     |
|--|-----|
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual – Debt Service Fund . . . . . | 103 |
|--|-----|

**Nonmajor Governmental Funds**

|  |     |
|--|-----|
| Combining Balance Sheet . . . . .  | 106 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances . . . . .  | 108 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Hotel/Motel Tax Special Revenue Fund . . . . .                                     | 110 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Confiscated Drug Special Revenue Fund . . . . .                                    | 111 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Mesquite Quality of Life Corporation (4B Sales Tax) Special Revenue Fund . . . . . | 112 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Housing Grants Special Revenue Fund . . . . .                                      | 113 |

**Nonmajor Enterprise Funds**

|   |     |
|---|-----|
| Combining Statement of Net Position – Nonmajor Enterprise Funds . . . . .   | 116 |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Enterprise Funds . . . . . | 118 |
| Combining Statement of Cash Flows – Nonmajor Enterprise Funds. . . . .  | 119 |

**Internal Service Funds**

|  |     |
|--|-----|
| Combining Statement of Net Position – Internal Service Funds . . . . . | 124 |
|--|-----|

|   |     |
|---|-----|
| Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds . . . . . | 125 |
|---|-----|

|  |     |
|--|-----|
| Combining Statement of Cash Flows – Internal Service Funds . . . . . | 126 |
|--|-----|

**Fiduciary Funds**

|   |     |
|---|-----|
| Combining Statement of Fiduciary Net Position – Fiduciary Funds – Custodial Funds . . . . . | 130 |
|---|-----|

|   |     |
|---|-----|
| Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds – Custodial Funds. . . . . | 131 |
|---|-----|

**Statistical Section (Unaudited)**

**Financial Trends**

|                                     |     |
|-------------------------------------|-----|
| Net Position by Component . . . . . | 133 |
|-------------------------------------|-----|

|                                  |     |
|----------------------------------|-----|
| Change in Net Position . . . . . | 135 |
|----------------------------------|-----|

|   |     |
|---|-----|
| Fund Balances of Governmental Funds . . . . . | 139 |
|---|-----|

|  |     |
|--|-----|
| Changes in Fund Balances of Governmental Funds . . . . . | 141 |
|--|-----|

**Revenue Capacity**

|   |     |
|---|-----|
| Tax Revenues by Source – Governmental Funds . . . . . | 143 |
|---|-----|

|                                     |     |
|-------------------------------------|-----|
| Taxable Sales by Category . . . . . | 145 |
|-------------------------------------|-----|

|  |     |
|--|-----|
| Sales Tax Revenue Payers by Industry . . . . . | 147 |
|--|-----|

|  |     |
|--|-----|
| Sales Tax Rates – Direct and Overlapping . . . . . | 148 |
|--|-----|

|   |     |
|---|-----|
| Assessed Value and Actual Value of Taxable Property . . . . . | 149 |
|---|-----|

|   |     |
|---|-----|
| Property Tax Rates – Direct and Overlapping Governments . . . . . | 151 |
|---|-----|

|                                       |     |
|---------------------------------------|-----|
| Principal Property Taxpayers. . . . . | 152 |
|---------------------------------------|-----|

|   |     |
|---|-----|
| Property Tax Levies and Collections . . . . . | 153 |
|---|-----|

**Debt Capacity**

|  |     |
|--|-----|
| Ratios of Outstanding Debt by Type . . . . . | 154 |
|--|-----|

|   |     |
|---|-----|
| Ratios of Net General Bonded Debt Outstanding . . . . . | 156 |
|---|-----|

|   |     |
|---|-----|
| Direct and Overlapping Governmental Activities Debt . . . . . | 157 |
|---|-----|

|                                   |     |
|-----------------------------------|-----|
| Debt Margin Information . . . . . | 158 |
|-----------------------------------|-----|

|                                    |     |
|------------------------------------|-----|
| Pledged-Revenue Coverage . . . . . | 159 |
|------------------------------------|-----|

**Demographic and Economic Information**

|   |     |
|---|-----|
| Demographic and Economic Statistics . . . . . | 160 |
|---|-----|

|                               |     |
|-------------------------------|-----|
| Principal Employers . . . . . | 161 |
|-------------------------------|-----|

**Operating Information**

|  |     |
|--|-----|
| Full-Time Equivalent City Government Employees by Function/Program . . . . . | 162 |
|--|-----|

|  |     |
|--|-----|
| Operating Indicators by Function/Program . . . . . | 164 |
|--|-----|

|  |     |
|--|-----|
| Capital Asset Statistics by Function/Program . . . . . | 166 |
|--|-----|

**MESQUITE**

T E X A S

Real. Texas. Flavor.

**City of Mesquite, Texas**

**City Officials**

**September 30, 2025**

**City Council**

Daniel Alemán Jr., Mayor

Jeff Casper, District 1

Kenny Green, District 2

Elizabeth Rodriguez-Ross District 3

Tandy Boroughs, District 4

B.W. Smith, District 5

Brandon Murden, District 6

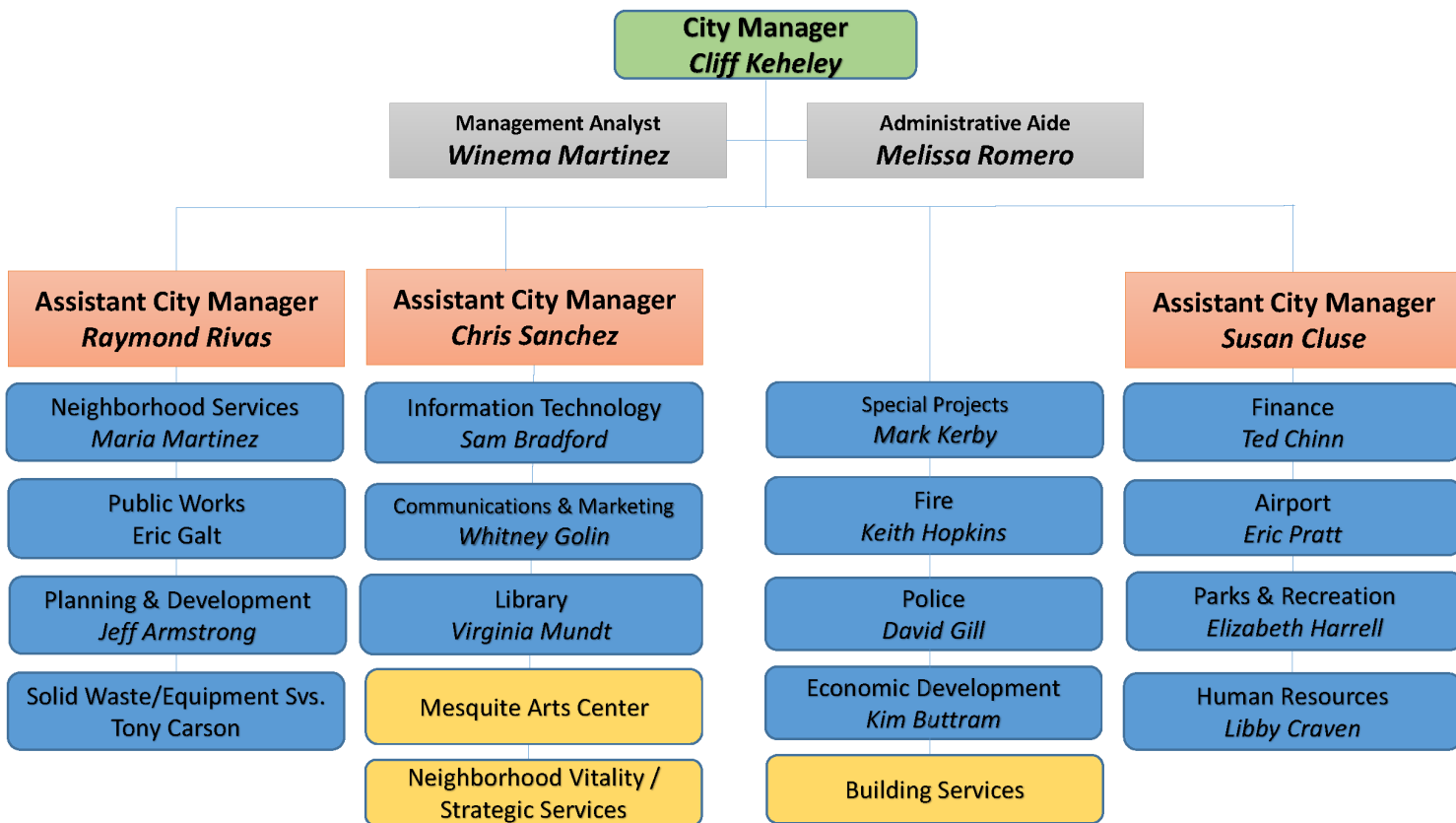
Cliff Keheley, City Manager

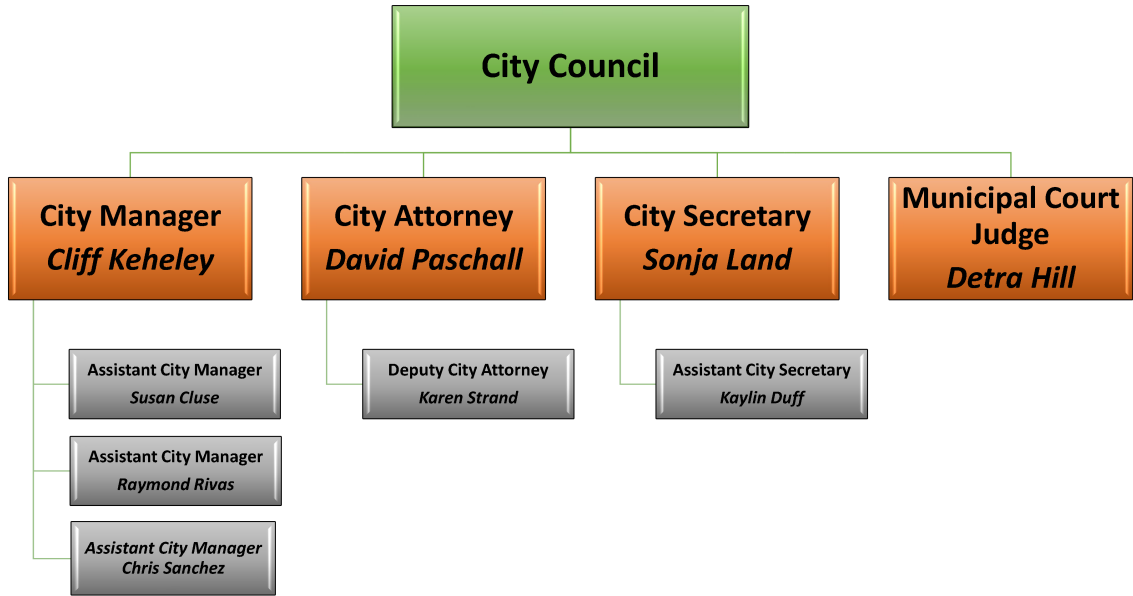
Ted A. Chinn, Director of Finance

Janice Sterling, Manager of Accounting Services

City of Mesquite, Texas

Organizational Chart  
September 30, 2025







February 20, 2026

To the Honorable Mayor, City Council, and Citizens of the City of Mesquite, Texas:

The Annual Comprehensive Financial Report (ACFR) of the City of Mesquite, Texas, for fiscal year ended September 30, 2025, is submitted in accordance with Article IV, Section 32 of the City Charter.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls 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 Mazars, LLP has issued an unmodified (“clean”) opinion on the City’s financial statements for the year ending September 30, 2025. The independent auditor’s report is located at the beginning of the financial section of the ACFR.

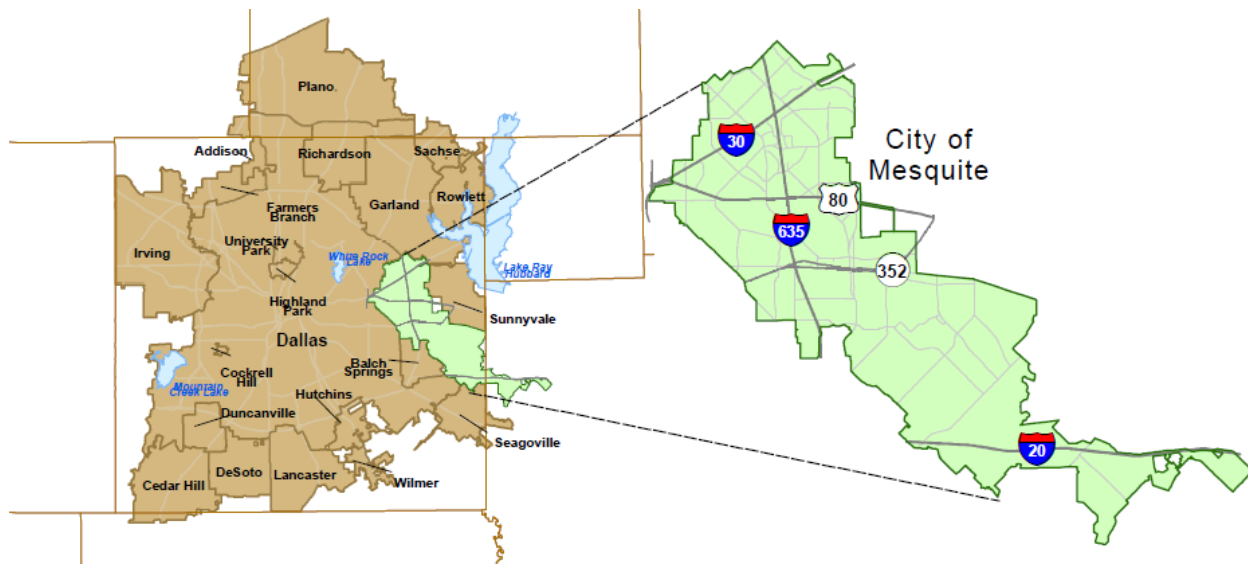
This letter of transmittal is designed to complement the Management’s Discussion and Analysis (MD&A). The MD&A can be found immediately following the independent auditor’s report and provides a narrative introduction, overview and analysis of the basic financial statements.

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*. Information related to the single audit, including the supplemental schedule of federal awards, schedules of findings and questioned costs, and independent auditor’s reports on internal controls and compliance are issued separately.

## City of Mesquite, Texas Profile

The City of Mesquite is located 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 46.96 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 City's population increased threefold between the 1890 and 1900 U. S. Census, from 135 to 405 citizens, and grew to 729 by 1930. In 1950, Mesquite was home to 1,696 citizens, and that is when explosive growth began. The population jumped to 27,526 in 1960, and reached 67,053 by 1980, and 124,523 in 2000. Today, Mesquite's population is an estimated 157,000, making it the 21st largest city in Texas and the 10th largest in the Dallas-Fort Worth Metroplex. Mesquite remains 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 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, solid waste collection 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 as a blended fund of the City and, therefore, has been included in the financial statements.

Mesquite is a Home Rule municipality operating under a council/manager form of government. The City Council is comprised of a Mayor and six Councilmembers. City 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 single-member districts. The City Manager serves as the administrative head of the municipal government and is responsible for carrying out policies and for daily management of the City.

The City's financial statements include twenty-two component units, which are discussed in Note 1 of the Notes to Financial Statements. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable.

## **Local Economy**

The City's local economy is directly tied to, and benefits from, the Dallas-Fort Worth metropolitan statistical area (MSA). The MSA has ranked high nationally in attracting new business and expansion of existing companies. The MSA 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. Business and Finance, IT and Telecom industries continue to dominate when compared to the national economy.

Top private employers include Town East Mall, United Parcel Service, Canadian Solar, Pepsi Bottling Group, Walmart, Ashley Furniture and Dallas Regional Medical Center. Top property tax revenue producers include Ashley Furniture, Town East Mall, Mesquite Airport Logistics Center, Hithium Tech USA, Oncor Electric Delivery, Canadian Solar, Bixby Capital Management, and BDPF Alcott Logistics.

Since 2020, Mesquite has doubled the size of active industrial space, from 12 million square feet to more than 25 million square feet. New companies and expansions over that period include Canadian Solar, Hithium Tech USA, Ashley Furniture, 1,000 Bulbs, Elements International, Vehicle Accessories, and more. The City has eight business parks including Twenty East at Trinity Pointe; Urban District 30; East Dallas Logistics Center; Mesquite 635; and the IH-20 Business Park.

Highlights of 2025 include the completion of Canadian Solar's expansion, from 760,000 square feet to 1.5 million square feet, increasing their local workforce from 1,500 to 1,700. Hithium Tech USA, Inc., a clean energy company, opened a 483,550 square-foot, build-to-suit building (one of six planned in the 20 East Trinity Pointe industrial business park located on 284 acres in Kaufman County with a combined 3.4 million square-feet of industrial space). Hithium will add another \$100 million investment and 140 jobs to the business park. General Dynamics completed its assembly line and brought 175 employees and over \$500 million in investment in the new Mesquite 635 industrial park. These three industrial developments are one reason why sales tax collection for the manufacturing sector in Mesquite has more than doubled in the past five years. In December 2025, the *Dallas Business Journal* once again recognized Mesquite as the second-leading City in North Texas for economic development deals in 2024 valued at \$2 billion, more than Dallas or Arlington (only Fort Worth had more), and double the value of last year's second place ranking with economic development deals valued at \$1.1 billion.

The housing market slowed in 2025, but remains steady in Mesquite, with an average of over 500 new residential permits per year over the past five years, a pace of growth that the City has not seen since before the Great Recession. The average market value of single-family residential in Mesquite is \$270,000, with new home values in the \$375,000-\$400,000 range. There are 8,000 new home lots under construction or planned that will add 25,000 new residents to Mesquite over the next 10 years. Median household income has grown from the mid-\$60,000 range just three years ago to \$79,000.

The Town East Mall area and retail stores and restaurants throughout the City continue to be primary destinations, with new brands coming into the market such as Pluckers, Nothing Bundt Cakes, Tiff's Treats, and the opening of two new La Michoacanas. Data services show that 18 percent of all sales tax revenue comes from visitors 50 miles outside of Mesquite, and approximately 25 percent of all retail and restaurant sales come from those visitors. Despite the introduction of U.S. tariffs on imports and the lowest level of consumer confidence since the Pandemic, Mesquite enjoyed record sales tax collections in 2025, with restaurant sales leading all sectors by 5.2 percent from 2024.

### **Major Initiatives**

The City's Capital Improvement Plan will continue to advance the City Council's goals and commitment to enhancing and maintaining the City's infrastructure. Major projects include the last issuance of a \$125 million general obligation bond authorization that was approved by voters in November 2015. Another \$3 million was added to the annual street maintenance budget and the reconstruction of Faithon P. Lucas Boulevard, which serves the growing 2,300-lot Solterra residential planned community is nearing completion. Engineering design has begun on an estimated \$40 million project to reconstruct Lawson Road, which serves as a major connection to IH-20 and the industrial distribution sites by the Mesquite Metro Airport.

To address growth along the IH-20 Trinity Pointe Corridor, construction is nearing completion on Fire Station No. 8. This \$15 million facility is located in the new 2,500-home Talia subdivision and will serve the entire eastern portion of Mesquite in Kaufman County. Construction is also underway on a \$9.5 million elevated water storage tank that is co-located with Fire Station No. 8. With the recent completion of the Matthew Holzapfel pump station, the elevated storage tower will help the City meet its water distribution needs of the southern sector of the City through total build-out.

### **Long Term Financial Planning**

Long-term planning and having the ability to anticipate and respond to changing economic conditions is crucial in maintaining the fiscal health of the City. In January 2025, the City Council met to review their current policy issues and goals for the City. These goals are: Safe Community; Attractive Neighborhoods; Improved Transportation and Mobility; Vibrant Economy; High Performing/Transparent Government; and Quality Recreation and Culture. These stated goals and objectives were adopted by Resolution No. 14-2025 on May 5, 2025. City staff continued to utilize the budgeting for outcomes process to prioritize resources for the fiscal year 2025 budget. The budgeting for outcomes process allows City staff to better align limited resources to the City Council's strategic goals and objectives that are based on the highest priorities of the community. More detailed information on the City Council's Strategic Goals and Objectives can be found on the City's website.

Capital projects such as street reconstruction, traffic signal and drainage improvements, as well as new water storage and distribution projects will continue to be a priority as well as maintenance and expansion of the City's existing infrastructure. To address these needs, 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 competitive compensation and benefits 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, and working conditions to ensure that the City is providing a competitive and 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 annual appropriations approved by the City Council.

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

The budgetary process begins each year with the preparation of both revenue estimates and expenditure requests by each City department. Budgets are reviewed by members of the City Manager's Office, Finance Director, and Manager of Budget. The City Manager makes final decisions and submits a recommended budget to the City Council prior to August 15, as required by City Charter. The proposed budget is reviewed extensively by the City Council and public hearings are conducted before the budget is legally enacted by ordinance prior to October 1.

Throughout the year, department heads are required to periodically review and update expenditure estimates for the current fiscal year. These estimates, as well as any significant changes in revenue estimates, are reviewed by the Manager of Budget, Finance Director, City Manager, and the City Council. The City Council approves the adoption of any amended budget by ordinance.

During the fiscal year, monthly expenditure reports are generated by the Budget Office using the City's enterprise resource planning 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. 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. Charges for services, or user fees, are reviewed annually and revised subject to City Council approval.

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 one-time expenses or when needed to satisfy debt service obligations. One-time revenues are not used for funding on-going operations. One-time revenues are used to fund capital improvements, capital equipment or other one-time expenditures.

## **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 for its ACFR for the fiscal year ended September 30, 2023. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. The ACFR for the fiscal year ended September 30, 2024, was submitted to the GFOA to determine eligibility for another certificate; however, due to processing delays at GFOA, the Certificate of Achievement has not been received as of the date of this Transmittal Letter.

To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR conforming to the GFOA Certificate of Achievement Program requirements. Such reports must also satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is only valid for a period of one year. The City has received a Certificate of achievement for the last 45 consecutive years (fiscal years ended 1980-2024). The City believes the current ACFR continues to meet the program requirements and is submitting it 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, 2023. This was the 36th 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 recognized more than 225 local governmental entities by awarding nearly 500 Transparency Stars since the program inception, but only 19 entities have received five or six Transparency Stars.

**Acknowledgements.** The preparation of this ACFR could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is expressed to all City employees, especially those employees of the Accounting Division, who were instrumental in the preparation and successful completion of the ACFR. Appreciation is also extended to the Mayor and members of the City Council, and the City Manager, for their continued support and providing the necessary resources for planning and conducting the financial operations of the City in a responsible manner.

Respectfully Submitted,

A handwritten signature in black ink that reads "Ted Chinn". The signature is written in a cursive, slightly slanted style.

Ted Chinn  
Director of Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Mesquite  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2024

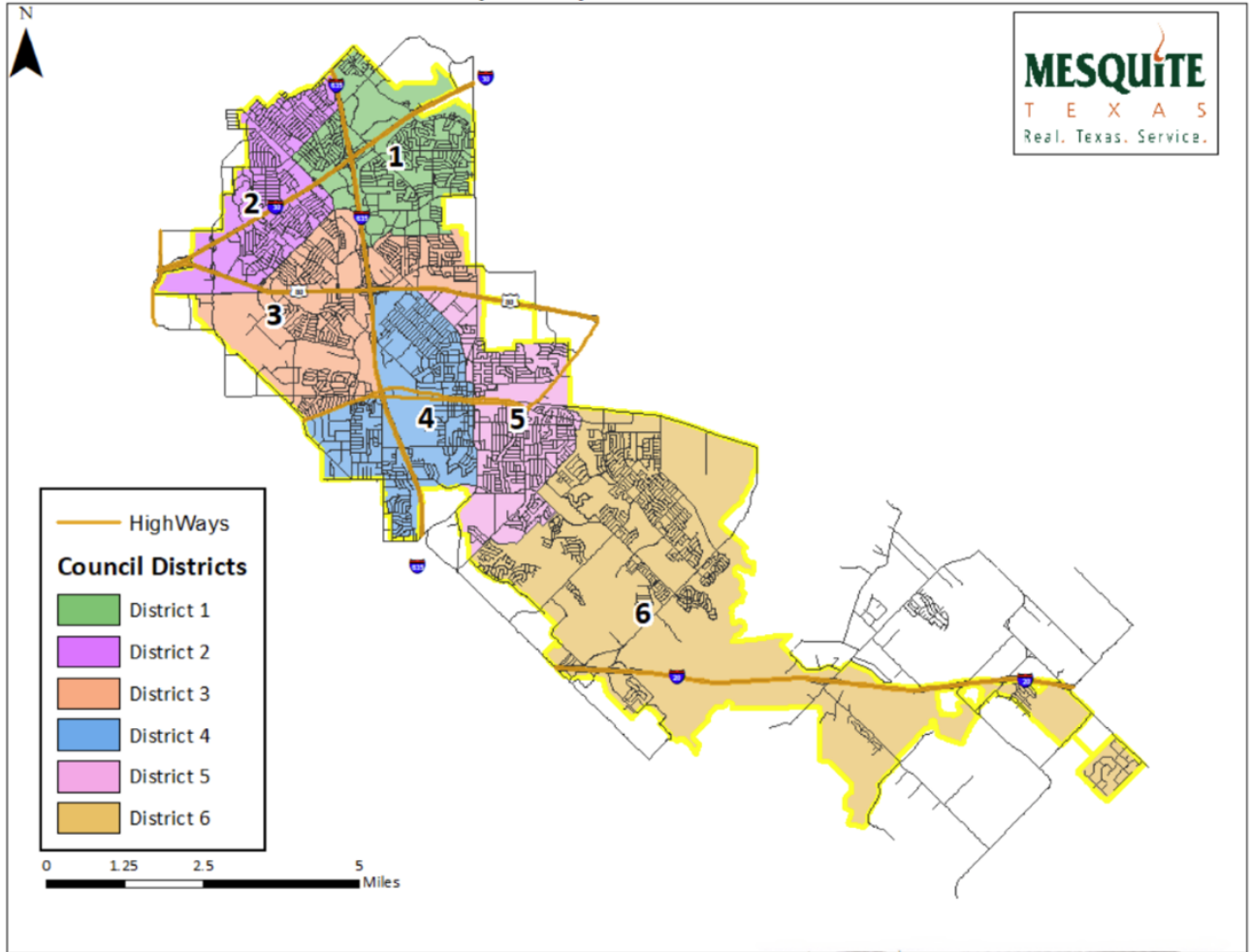
*Christopher P. Morill*

Executive Director/CEO

# MESQUITE

T E X A S  
Real. Texas. Flavor.

## Mesquite City Council Districts



## 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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously expressed unmodified opinions on the 2024 financial statements. The combining and individual fund financial statements and schedules for the year ended September 30, 2025 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 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 GAAS. 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, 2025.

***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 Mazars, LLP***

**Dallas, Texas  
February 20, 2026**

**MESQUITE**

T E X A S

Real. Texas. Flavor.

**City of Mesquite, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

---

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, 2025. 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 \$654.5 million (net position). Within the total net position, unrestricted is \$14.6 million.

The City's total net position increased by \$101.6 million from operations during fiscal year 2025. Governmental activities which receive taxes and other non-exchange revenues, increased \$54.5 million and business type activities increased by \$47.0 million.

As of the close of the current fiscal year, the City of Mesquite's governmental funds reported combined ending fund balances of \$212.9 million, an increase of \$15.7 million from the prior year due primarily to an increase in property tax and intergovernmental revenue and proceeds from several debt issuances during the fiscal year.

At year-end, the unassigned fund balance for the General Fund was \$36.4 million and total fund balance was \$39.6 million. Total unassigned fund balance represents approximately 79 days of working capital, calculated in accordance with City Policy of General Fund Budgeted Revenues. For fiscal year 2025, the working days capital based on actuals on the budgetary basis concluded at 76 days working capital. On a current financial resources basis, total fund balance for the General Fund increased \$1.1 million, which was primarily the result of revenues coming in more than budgeted and the issuance of subscriptions.

The City's debt increased by \$22.6 million during this current fiscal year. The City issued certificates of obligation for infrastructure, capital replacement, and municipal building improvements and special assessment revenue bonds for the funding of capital projects in the Solterra Public Improvement District. 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.

***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.

**City of Mesquite, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

---

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.

#### ***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.

**City of Mesquite, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

---

***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, municipal golf course, and solid waste and equipment service 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, Drainage Utility, and Solid Waste and Equipment Services funds since all are considered major funds of the City. The nonmajor funds are the Municipal Airport and 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.

***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, which ended on February 1, 2024. Any remaining balances included in the tax collection fund are to be remitted in the next fiscal year, which is when the fund is anticipated to be fully closed. 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.

**City of Mesquite, Texas**  
**Management’s Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

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 \$654.5 million as of September 30, 2025.

The largest portion of the City’s net position (82.9%) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Mesquite’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 reporting entity at the beginning of fiscal year 2025.

|  | Governmental Activities |                       | Business-type Activities |                       | Totals                |                       |
|--|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
|  | FY2025                  | FY2024                | FY2025                   | FY2024                | FY2025                | FY2024                |
| Current and other assets                     | \$ 264,119,433          | \$ 264,408,926        | \$ 207,244,125           | \$ 195,361,465        | \$ 471,363,558        | \$ 459,770,391        |
| Capital, lease, and subscription assets, net | 572,962,296             | 528,246,229           | 431,365,892              | 387,091,793           | 1,004,328,188         | 915,338,022           |
| <b>Total Assets</b>                          | <b>837,081,729</b>      | <b>792,655,155</b>    | <b>638,610,017</b>       | <b>582,453,258</b>    | <b>1,475,691,746</b>  | <b>1,375,108,413</b>  |
| Deferred Outflows of Resources               | 24,445,640              | 35,678,919            | 8,128,827                | 11,275,612            | 32,574,467            | 46,954,531            |
| Other liabilities                            | 32,916,037              | 52,066,055            | 13,579,435               | 13,725,201            | 46,495,472            | 65,791,256            |
| Long-term liabilities                        | 563,976,702             | 570,307,829           | 226,913,059              | 221,608,992           | 790,889,761           | 791,916,821           |
| <b>Total Liabilities</b>                     | <b>596,892,739</b>      | <b>622,373,884</b>    | <b>240,492,494</b>       | <b>235,334,193</b>    | <b>837,385,233</b>    | <b>857,708,077</b>    |
| Deferred Inflows of Resources                | 15,015,500              | 10,883,937            | 1,342,077                | 537,055               | 16,357,577            | 11,420,992            |
| Net investment in capital assets             | 255,702,330             | 220,862,342           | 286,639,784              | 247,076,318           | 542,342,114           | 467,938,660           |
| Restricted                                   | 79,808,639              | 67,839,288            | 17,806,871               | 15,587,559            | 97,615,510            | 83,426,847            |
| Unrestricted                                 | (85,891,839)            | (93,625,377)          | 100,457,618              | 95,193,745            | 14,565,779            | 1,568,368             |
| <b>Total Net Position</b>                    | <b>\$ 249,619,130</b>   | <b>\$ 195,076,253</b> | <b>\$ 404,904,273</b>    | <b>\$ 357,857,622</b> | <b>\$ 654,523,403</b> | <b>\$ 552,933,875</b> |

An additional portion of the City’s net position (14.9%) represents resources that are subject to external restriction on how they may be used. Within the total net position, unrestricted is a \$14.6 million surplus, which represents (2.2%) of the City’s net position.

**City of Mesquite, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

---

The current and other assets decreased in the governmental activities by \$289.5 thousand and the business-type activities increased by \$11.9 million. The decrease in the governmental activities assets is primarily due to decrease in pooled cash and investments as bond proceeds from debt issuance in the prior year were expended during the current year 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.

The City's total liabilities decreased by \$20.3 million. Bonds payable increased \$18.7 million for new capital projects. The net pension liability decreased \$15.7 million due to strong investment performance during the measurement period.

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

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

Governmental and Business-type activities increased the City's net position by \$101.6 million. The key elements of this increase and the prior year results are as follows:

**City of Mesquite, Texas  
Management's Discussion and Analysis (Unaudited)  
Year Ended September 30, 2025**

|  | Governmental Activities |                       | Business-type Activities |                       | Totals                |                       |
|--|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
|  | FY2025                  | FY2024                | FY2025                   | FY2024                | FY2025                | FY2024                |
| <b>Revenues:</b>                           |                         |                       |                          |                       |                       |                       |
| Program Revenues:                          |                         |                       |                          |                       |                       |                       |
| Charges for services                       | \$ 27,258,738           | \$ 30,166,873         | \$ 137,226,184           | \$ 130,159,001        | \$ 164,484,922        | \$ 160,325,874        |
| Operating grants and contributions         | 43,989,281              | 40,229,682            | 474,921                  | 455,479               | 44,464,202            | 40,685,161            |
| Capital grants and contributions           | 8,662,744               | 11,012,042            | 19,673,841               | 26,419,282            | 28,336,585            | 37,431,324            |
| <b>Total Program Revenues</b>              | <b>79,910,763</b>       | <b>81,408,597</b>     | <b>157,374,946</b>       | <b>157,033,762</b>    | <b>237,285,709</b>    | <b>238,442,359</b>    |
| General Revenues:                          |                         |                       |                          |                       |                       |                       |
| Ad valorem taxes                           | 100,843,049             | 89,842,408            | -                        | -                     | 100,843,049           | 89,842,408            |
| Gross receipts taxes                       | 6,677,904               | 6,630,522             | -                        | -                     | 6,677,904             | 6,630,522             |
| Sales taxes                                | 65,945,105              | 63,386,760            | -                        | -                     | 65,945,105            | 63,386,760            |
| Grants not restricted to specific programs | 17,860,028              | 3,329,018             | -                        | -                     | 17,860,028            | 3,329,018             |
| Gain on sale of capital assets             | -                       | 201,664               | 50,599                   | 70,923                | 50,599                | 272,587               |
| Investment income (loss)                   | 10,197,645              | 12,356,291            | 7,480,655                | 8,377,185             | 17,678,300            | 20,733,476            |
| Miscellaneous                              | 2,394,691               | 2,296,982             | 252,021                  | 767,928               | 2,646,712             | 3,064,910             |
| <b>Total General Revenues</b>              | <b>203,918,422</b>      | <b>178,043,645</b>    | <b>7,783,275</b>         | <b>9,216,036</b>      | <b>211,701,697</b>    | <b>187,259,681</b>    |
| <b>Total Revenues</b>                      | <b>283,829,185</b>      | <b>259,452,242</b>    | <b>165,158,221</b>       | <b>166,249,798</b>    | <b>448,987,406</b>    | <b>425,702,040</b>    |
| <b>Expenses:</b>                           |                         |                       |                          |                       |                       |                       |
| General government                         | 20,456,034              | 32,119,907            | -                        | -                     | 20,456,034            | 32,119,907            |
| Fire services                              | 48,156,985              | 42,267,381            | -                        | -                     | 48,156,985            | 42,267,381            |
| Police services                            | 65,043,061              | 55,440,410            | -                        | -                     | 65,043,061            | 55,440,410            |
| Public works                               | 19,661,259              | 17,591,553            | -                        | -                     | 19,661,259            | 17,591,553            |
| Planning and community development         | 7,100,316               | 9,208,947             | -                        | -                     | 7,100,316             | 9,208,947             |
| Housing and community services             | 31,710,992              | 28,206,183            | -                        | -                     | 31,710,992            | 28,206,183            |
| Library services                           | 3,207,328               | 3,045,057             | -                        | -                     | 3,207,328             | 3,045,057             |
| Parks and recreation                       | 15,473,364              | 14,284,547            | -                        | -                     | 15,473,364            | 14,284,547            |
| Interest on long-term debt                 | 15,254,464              | 13,971,699            | -                        | -                     | 15,254,464            | 13,971,699            |
| Contribution expense                       | -                       | -                     | -                        | -                     | -                     | -                     |
| Water and sewer                            | -                       | -                     | 87,036,115               | 76,697,527            | 87,036,115            | 76,697,527            |
| Drainage utility district                  | -                       | -                     | 5,086,623                | 3,611,593             | 5,086,623             | 3,611,593             |
| Municipal airport                          | -                       | -                     | 3,096,979                | 3,088,879             | 3,096,979             | 3,088,879             |
| Municipal golf                             | -                       | -                     | 1,985,816                | 1,766,648             | 1,985,816             | 1,766,648             |
| Solid Waste and equipment services         | -                       | -                     | 24,128,542               | 20,472,779            | 24,128,542            | 20,472,779            |
| <b>Total Expenses</b>                      | <b>226,063,803</b>      | <b>216,135,684</b>    | <b>121,334,075</b>       | <b>105,637,426</b>    | <b>347,397,878</b>    | <b>321,773,110</b>    |
| Increase in net position before transfers  | 57,765,382              | 43,316,558            | 43,824,146               | 60,612,372            | 101,589,528           | 103,928,930           |
| Transfers                                  | (3,222,505)             | 7,468,154             | 3,222,505                | (7,468,154)           | -                     | -                     |
| <b>Change in Net Position</b>              | <b>54,542,877</b>       | <b>50,784,712</b>     | <b>47,046,651</b>        | <b>53,144,218</b>     | <b>101,589,528</b>    | <b>103,928,930</b>    |
| <b>Net Position, Beginning of Year</b>     | <b>\$ 195,076,253</b>   | <b>\$ 144,291,541</b> | <b>\$ 357,857,622</b>    | <b>\$ 304,713,404</b> | <b>\$ 552,933,875</b> | <b>\$ 449,004,945</b> |
| <b>Net Position, End of Year</b>           | <b>\$ 249,619,130</b>   | <b>\$ 195,076,253</b> | <b>\$ 404,904,273</b>    | <b>\$ 357,857,622</b> | <b>\$ 654,523,403</b> | <b>\$ 552,933,875</b> |

**City of Mesquite, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

---

***Governmental Activities***

Governmental activities increased the City of Mesquite's net position by \$54.5 million.

The City's program revenues from governmental activities decreased approximately \$1.5 million (1.8%) as compared to the prior year. Charges for services decreased approximately \$2.9 million, operating grants and contributions increased approximately \$3.8 million, and capital grants and contributions decreased approximately \$2.3 million.

Charges for services decreased primarily due to decreased ambulance revenue and inspection fees in the General fund. The decrease was partially offset by an increase in police and public works services. Operating grants increased due to an increase in housing grant allocations from the Department of Housing and Urban Development and a slight increase of interlocal agreement reimbursements related to ongoing construction projects. Capital contributions decreased 2.3 million (21.3%) due to decreased developer contributions as the City experienced less commercial and residential development than prior year.

General revenues and transfers of the City's governmental activities increased \$15.2 million (8.2%) during the year. General revenue from property taxes increased \$11.0 million due to increased property tax values and new property added to the tax roll. Gross receipts tax revenue increased \$47.4 thousand due to an increase in gas franchise taxes received. Sales tax revenues increased \$2.6 million due to an increase in retail activity. Investment income decreased \$2.2 million due to lower yields on investments throughout the year. Gain on sale of capital assets decreased by \$201.7 thousand due primarily to the disposal of damaged equipment and certain construction in progress projects during the current year.

Expenses for the City's governmental activities experienced a net increase of \$9.9 million (4.6%) compared with the prior fiscal year. The increase can be attributed to Fire Services, \$5.9 million, Police Services, \$9.6 million, Public Works, \$2.1 million, Interest on long-term debt, \$1.3 million, Housing and Community Services, \$3.5 million, Library Services, \$162.3 thousand, and Parks and Recreation Services, \$1.2 million. The increase was partially offset by a decrease attributed to General Government, \$11.7 million and Planning and Community development, \$2.1 million.

- Fire services increased \$5.9 million and police services increased \$9.6 million due to an increase in salaries and personnel costs.
- Public works increased \$2.1 million due to the an increase in contractual services and repairs and maintenance expenditures.
- Interest on long-term debt increased \$1.3 million due to timing of interest payments on several debt instruments issued in the prior year.
- Housing and community services increased \$3.5 million due to an increase in expenditures covered by federal housing grant awards.
- Library services increased \$162.3 thousand due to an increase in salaries and personnel costs.
- Parks and recreation increased \$1.2 million due to an increase in salaries and contractual services.
- General Government decreased \$11.7 million primarily due to a decrease in professional services and the decrease of the compensated absences liability due to the implementation of GASB Statement No. 101, *Compensated Absences*.

**City of Mesquite, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

---

- Planning and community development decreased \$2.1 million primarily due to a decrease in personnel and contractual services.

***Business-type Activities***

Business-type activities increased the City of Mesquite's net position by \$47.0 million.

The City's overall revenues for business-type activities decreased by \$1.1 million (0.7%) 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 \$7.1 million primarily due to recording a full year of residential and commercial waste services activities during the current year versus seven months of activity in the prior year, as the residential and commercial waste services were transferred from the General fund to during the middle of the prior year, as well as, rate increases passed to residents and the addition of new utility accounts. Capital grants and contributions decreased \$6.7 million due to an overall decrease in developer contributions during the current year.

Expenses increased by approximately \$15.7 million (14.9%). The increase is mainly due to an increase in personnel and contractual services in the Water and Sewer and Solid Waste and Equipment Services funds.

***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 \$212.9 million. Approximately 16.0% of this total amount (34.1 million) constitutes unassigned fund balance. The remainder of the fund balance is comprised of \$3.8 million for nonspendable, which represents funds already committed for prepaid and inventory items and notes receivable which will be repaid in future years, \$155.9 million for restricted, which represents funds restricted for specific purposes by their providers (such as grantors, bondholders, and higher levels of government), and \$19.1 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 \$15.7 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 \$36.4 million while the total fund balance was at \$39.6 million. The total fund balance increased by \$1.1 million.

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

- Ad valorem taxes increased \$9.6 million due to an increase in assessed property values and growth.
- Sales tax increased over the prior year by \$2.1 million due to an increase in retail activity within the City .
- Gross receipts increased over the prior year by \$47.4 thousand due to an increase in gas franchise fee receipts.

**City of Mesquite, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

---

- Licenses and permits increased \$170.8 thousand due to increased permitting associated with economic expansion.
- Fines and forfeitures increased \$225.8 thousand as a result of an increase in traffic related citations.
- Charges for services decreased \$1.0 million over the prior year. The decline can be attributed to a decrease in public works inspection fees as the majority of these transactions relate to activities recorded in the the Solid Waste and Equipment Services fund.
- Investment income increased \$140.7 thousand as a result of rising interest rates.

Total expenditures in the General Fund increased over the prior year as follows:

- General government services increased 1.1 million due to increased salary and maintenance expenses.
- Fire services increased \$3.1 million due to increased salary and overtime expenses.
- Police services increased \$4.8 million due increased salary and overtime expenses.
- Public works increased \$1.9 million due to increased salary and maintenance.
- Housing and community services increased \$1.3 million due to increased federal program expenditures related to increase in housing prices.

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 \$66.8 million, \$48.2 million of which is restricted for various capital projects and specified spending, \$17.8 million is assigned for other capital projects identified by the City, and \$771.1 thousand is nonspendable. The fund balance increased \$19.3 million primarily due to timing fluctuations of debt issuance versus capital project spending from year to year and the issuance of special assessment revenue bonds during the fiscal year. Project spending carries over from year to year depending on the scheduled activity.

The Bond Finance capital projects fund is a major fund used to account for capital project expenditures from the proceeds of governmental debt. See the Capital, Lease, and Subscription Asset section for highlights on project spending. Fund balance at year end is \$71.7 million, all of which is restricted for use for the capital projects approved within the various bond issues. The fund balance decreased \$3.0 million which is due to timing fluctuations of issuing of bonds (current year) versus capital project spending from year to year.

The Debt Service fund is a designated major fund used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance was \$2.6 million at the end of the year, all of which is restricted for debt service. Fund balance decreased by \$3.2 million which is due to timing of transfers from other funds to cover prior and future debt payments.

**City of Mesquite, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

---

The Other Grants fund is a major special revenue fund used to account for funds awarded to the City by all federal and state awarding agencies other than those funds accounted for in the Housing Grants fund. The fund deficit was \$(2.3) million at the end of the year, which is reported as unassigned. Fund balance increased by \$1.9 million in the current year due primarily to an increase in intergovernmental revenue receipts related to certain interlocal projects.

***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 \$95.8 million, the Drainage Utility District amounted to \$5.8 million and the Solid Waste and Equipment Services fund amounted to \$1.2 million. The change in net position was an increase of \$24.7 million, for the Water/Sewer Fund, an increase of \$7.3 million in the Drainage Utility District Fund, and an increase of \$15.4 million for the Solid Waste and Equipment Services Fund. The factors concerning the finances of the Water and Sewer fund have already been addressed in the discussion of the City of Mesquite's business-type activities. The Drainage Utility District fund operating results were consistent with prior year except for an increase of \$161.1 thousand in customer charges, \$357.5 thousand in contractual services, \$252.9 thousand in depreciation and amortization, and a decrease of \$4.5 million in capital contributions. The Solid Waste and Equipment Services fund increase is primarily due to a decrease of \$8.8 million in customer charges and an increase of \$13.2 million in capital contributions, which was partially offset by an increase of \$505.1 thousand in personnel costs and \$2.5 million in contractual services. The increase in customer charges is primarily the result of an entire year of operations compared to a partial year of operations and rate increases. The increase in capital contributions relates to the contribution of a building from the governmental funds of the City. The increase in personnel costs and contractual services relates to increased staffing levels and an entire year of operations.

***General Fund Budgetary Highlights***

The City revised the original appropriations approved by the City Council for the 2025 fiscal year budget. Overall, these changes resulted in an increase in budgeted revenues and transfers in by \$2.1 million and a decrease in expenditures and transfers out of \$8.4 thousand from the original budget.

The increase in budgeted revenues primarily was to reflect:

- Ad Valorem Tax increase of \$1.9 million due to an increase in assessed values.
- General Sales Tax collections increase of \$803 thousand due to inflation and increased retail activity.
- Charges for services decrease of \$801 thousand related decreased public works activities.

The decrease in budgeted expenditures were:

- \$1.9 million decrease in general government expenses.
- \$609 thousand increase in police services salary and overtime expenses.
- \$1.2 million decrease in public works expenses related to an increase in engineering work order credits for City inspection fees on City owned capital improvement projects.
- \$957 thousand decrease in parks and recreation services due to salary savings from position vacancies throughout the year.

**City of Mesquite, Texas**  
**Management’s Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

- \$896 thousand decrease in housing and community services due to salary savings from position vacancies throughout the year
- \$5.1 million increase in transfers out related to \$739 thousand in general obligation debt service obligations and \$4.75 million in one time transfers to the Group Medical Insurance fund and Capital Project Reserve fund from overall salary savings in the General fund.

Budget variances as compared to actuals were negative in revenues and transfers in of \$105.0 thousand and negative \$7.7 million in expenditures and transfers out. The negative variance in revenues was primarily due to decreased charges for services of \$456 thousand due to a decrease in public works inspection fees for decreased development activity, other revenues of \$297 thousand due to a decrease in various reimbursements, and transfers in of \$283 thousand due to special revenue funds revenue generated coming in less than projected. Other negative variances include \$61 thousand in investment income and \$20 thousand in contributions and donations. Positive variances versus budgeted revenues include \$192 thousand in ad valorem taxes for increased assessment values, \$25 thousand for gross receipts, \$426 thousand in sales taxes for inflation and increased retail activity, and \$364 thousand in fines and forfeitures due to increased citations.

The budget variance of \$7.7 million more in expenditures and transfers out was due to the fire services, police services, library services, housing and community services, parks and recreation services, capital outlay, and debt service expenditures coming in over amended budget, which was partially offset by general government expenditures, planning and community development, and transfers out coming in under amended budget. Fire services was over budget \$1.2 million and Police services was over budget \$3.8 million due to increased personnel costs from both an increase in staffing positions and pay rate increases. Public works was under budget \$3.4 million due to personnel vacancies. Housing and community services was over budget \$203 thousand as a result of increased activity within the housing federal programs and related cost of living increases. Capital outlay was over budget \$6.7 million and principal expenditures was over budget \$1.5 million both due to lease and subscription activity, discussed further below.

***Capital, Lease, and Subscription Assets***

At the end of fiscal year 2025, the City had over \$1.0 billion (net of accumulated depreciation/amortization) invested in capital, lease, and subscription assets for its governmental and business-type activities in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. The total increase in the City of Mesquite’s capital assets was 9.7% for the current fiscal year.

***City of Mesquite’s Capital, Lease, and Subscription Assets, Net of Depreciation or Amortization***

|                                   | Governmental Activities |                       | Business-type Activities |                       | Totals                  |                       |
|-----------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-------------------------|-----------------------|
|                                   | FY2025                  | FY2024                | FY2025                   | FY2024                | FY2025                  | FY2024                |
| Land                              | \$ 26,132,561           | \$ 26,100,440         | \$ 13,591,153            | \$ 13,338,876         | \$ 39,723,714           | \$ 39,439,316         |
| Construction in progress          | 94,734,353              | 120,672,339           | 26,253,907               | 29,494,131            | 120,988,260             | 150,166,470           |
| Buildings                         | 59,165,074              | 59,902,678            | 22,904,562               | 10,092,417            | 82,069,636              | 69,995,095            |
| Infrastructure                    | 335,199,551             | 273,666,484           | 346,157,853              | 317,726,151           | 681,357,404             | 591,392,635           |
| Improvements other than buildings | 20,541,439              | 17,159,058            | 9,754,756                | 4,910,902             | 30,296,195              | 22,069,960            |
| Equipment                         | 31,877,194              | 29,556,901            | 12,314,522               | 10,921,297            | 44,191,716              | 40,478,198            |
| Lease assets                      | 196,011                 | 284,283               | 389,139                  | 608,019               | 585,150                 | 892,302               |
| Subscription assets               | 5,116,113               | 904,046               | -                        | -                     | 5,116,113               | 904,046               |
| <b>Totals</b>                     | <b>\$ 572,962,296</b>   | <b>\$ 528,246,229</b> | <b>\$ 431,365,892</b>    | <b>\$ 387,091,793</b> | <b>\$ 1,004,328,188</b> | <b>\$ 915,338,022</b> |

**City of Mesquite, Texas  
Management’s Discussion and Analysis (Unaudited)  
Year Ended September 30, 2025**

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

- Over \$71.6 million was expended for governmental type activities for capital projects in 2025 and \$53.8 million was completed and placed into service. Major components of projects placed into service include the following:
- Over \$9.4 million was expended on vehicles and equipment replacements including police and fire vehicles and equipment, public works vehicles and equipment and various other types of equipment.
- Over \$4.9 million in infrastructure improvements and additions for Talia Phase 1A Paving construction.
- Over \$7.9 million in infrastructure and improvements for South Parkway Street reconstruction.
- Over \$6.7 million in infrastructure and improvements for Fire Station #2 construction.
- Over \$6.7 million in infrastructure and improvements for Trinity Point Public Safety Facility construction.
- Over \$11.1 million in infrastructure and improvements for the FP Lucas Reconstruction: Cartwright - McKenzie project
- The water and sewer system expended \$13.8 million in capital projects that were completed and placed into service.

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

**Debt Administration**

At year-end, the City had \$604.8 million in net bonded debt outstanding. Of this total amount, \$311.9 million, 51.6%, is comprised of bonded debt backed by the full faith and credit of the City; \$82.2 million, 13.6%, is comprised of special assessment bonds which are to be paid from special assessments on each property owner in the Heartland Town Center PID, Iron Horse PID, Polo Ridge PID, Solterra PID and is secured by special assessments; \$204.9 million, 36.9%, represents revenue bonds secured by specified revenue sources related to the revenue bond projects; \$608.3 thousand represents lease obligations; and \$5.1 million represents subscription obligations.

**City of Mesquite’s Outstanding Debt**

|                            | Governmental Activities |                       | Business-type Activities |                       | Totals                |                       |
|----------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
|                            | FY2025                  | FY2024                | FY2025                   | FY2024                | FY2025                | FY2024                |
| General obligation bonds   | \$ 101,610,000          | \$ 112,185,000        | \$ -                     | \$ -                  | \$ 101,610,000        | \$ 112,185,000        |
| Certificates of obligation | 192,050,000             | 174,465,000           | -                        | -                     | 192,050,000           | 174,465,000           |
| Special assessment bonds   | 82,183,000              | 78,231,000            | -                        | -                     | 82,183,000            | 78,231,000            |
| Revenue bonds              | -                       | -                     | 193,075,000              | 184,060,000           | 193,075,000           | 184,060,000           |
| Premiums on bonds          | 18,281,043              | 19,186,643            | 11,835,880               | 12,246,142            | 30,116,923            | 31,432,785            |
| Lease obligations          | 199,122                 | 285,886               | 409,220                  | 625,770               | 608,342               | 911,656               |
| Subscription obligations   | 5,120,571               | 871,094               | -                        | -                     | 5,120,571             | 871,094               |
| <b>Totals</b>              | <b>\$ 399,443,736</b>   | <b>\$ 385,224,623</b> | <b>\$ 205,320,100</b>    | <b>\$ 196,931,912</b> | <b>\$ 604,763,836</b> | <b>\$ 582,156,535</b> |

**City of Mesquite, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

---

During the fiscal year, the City had four debt issuances in 2025. The first debt issue was for \$5.4 million of special assessment revenue bonds for funding a portion of the Improvement Area C-3 Project costs in the Solterra Public Improvement District. The second debt issue was for \$16.7 million of revenue bonds for water and sewer improvements. The third debt issue was for \$3.6 million of revenue bonds for municipal drainage improvements. The fourth debt issue was \$29.9 million of certificates of obligation for acquisitions and installation of City information technology infrastructure and equipment; 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; designing, developing, constructing, improving and renovating existing City buildings and facilities, including City Hall, recreation facilities, service center facilities, police facilities, public safety training facilities, solid waste service facilities, arts facilities, field service facilities, and fire stations; acquisition of equipment and vehicles for various City services and departments, including police, animal services, parks and recreation, enforcement services, neighborhood services, public works, fire, and facilities maintenance services and professional services incurred in connection with above items.

Standard and Poor's Rating Services assigned its 'AA' long-term rating to the City's series 2025 combination tax and limited surplus revenue certificates of obligation. Standard and Poor's Rating Services assigned its 'AA' rating and stable outlook to the City's series 2025 waterworks and sewer system revenue bonds. Standard and Poor's Rating Services assigned its 'AAA' long-term rating to the City's series 2025 municipal drainage utility system revenue bonds. Standard and Poor's affirmed its 'AA' rating on the City's existing system revenue debt. The City's special assessment bonds were not rated by Standard and Poor's Rating Services. Moody's Investor Services, Inc. assigned its 'Aa2' long-term rating to the City's series 2025 combination tax and limited surplus revenue certificates of obligation. Moody's assigned its 'Aa2' rating to the City's series 2025 waterworks and sewer system revenue bonds. Moody's assigned its 'Aa2' rating to the City's 2025 municipal drainage utility system revenue bonds. Moody's affirmed its 'Aa2' rating on the City's existing system revenue debt. The City's special assessment bonds were not rated by Moody's Investor Services, Inc.

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

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

As with many other cities, Mesquite's main challenges for fiscal year 2025-26 are statutory limitations on property tax revenue, maintaining aging infrastructure, and meeting the needs of the community.

The City of Mesquite continued to utilize the hybrid form of budgeting known as *Budgeting for Outcomes* and the Performance Management framework to guide the preparation of the budget to better align City Council goals and limited resources with the needs of the community.

The 2025-26 budget includes a 5.00% merit increase for all general government employees on their anniversary date effective January 1, 2026. In addition, sworn public safety employees with less than six years of service will receive 5.00% step increases. The 2025-26 budget also includes \$500,000 for salary market adjustments for low wage-earning positions, and a contribution rate of 21.75% to the Texas Municipal Retirement System (TMRS), with 50% cost of living adjustments (COLAs) for retirees. The budget also includes an increase of two police officer positions for a total 265 authorized sworn police positions, and an increase of three firefighters for a total of 251 authorized firefighter positions. Other staffing changes include the addition of a Police Property Room Clerk, Equipment Mechanic, and IT Audio/Visual Specialist positions. However, the hiring of these additional employees may be deferred to the following fiscal year.

At time of adoption, the budget was based on a property tax rate of \$0.73 per \$100 valuation, which exceeded the statutory voter-approval rate of \$0.704692, and thus required Voter approval at a general election that was

**City of Mesquite, Texas**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended September 30, 2025**

---

subsequently held on November 4, 2025. This proposition failed and the City's property tax rate reverted to \$0.704692, which reduced the property tax levy for fiscal year 2025-26. At the time of publication of this Annual Comprehensive Financial Report, City management and City Council were still considering funding options for planned pay increases and the proposed new positions, either from service reductions and/or using fund balance reserves.

General Fund expenditures and transfers out are budgeted at a 5.7% increase over the 2024-25 final budget. The 2025-26 budget includes a 5.00% merit increase for all general government employees on their anniversary date effective on January 1, 2026. In addition, sworn public safety employees are budgeted to receive 5.00% step increases for firefighters and police officers with less than six years of service, and the addition of a seventh step for public safety positions. The 2025-26 budget also includes decreases for contributions to Texas Municipal Retirement System (TMRS), and an increase in Group Medical Insurance Fund and worker's compensation and general liability expenses. The budget includes full-time positions for growth and expansion including two police officers and three additional firefighters. Expenditures also include additional funding for continuation of transit services, community care team services, roadway, park, and public safety projects, inflationary increases, special events, and economic development studies.

The General Fund Reserve Policy, as approved in January 2019, requires maintaining a minimum unassigned fund balance equivalent to 60 days of working capital to be calculated as 60 days of General Fund budget revenues. Total fund balance for the General Fund is projected to increase by \$2 million, in fiscal year 2025-26, unless fund balance reserves are utilized for planned personnel increases. The projected ending fund balance is approximately 76 days of working capital for the unassigned fund balance based on total revenues.

The Water and Sewer Fund budget includes 5.00% water and sewer rate increase for fiscal year 2025-26 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 [jsterling@cityofmesquite.com](mailto:jsterling@cityofmesquite.com).

**City of Mesquite, Texas**  
**Statement of Net Position**  
**September 30, 2025**

|  | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>            |
|--|------------------------------------|-------------------------------------|-------------------------|
| <b>Assets and Deferred Outflows of Resources</b>   |                                    |                                     |                         |
| <b>Assets</b>  |                                    |                                     |                         |
| Pooled cash and investments  | \$ 73,170,902                      | \$ 97,673,438                       | \$ 170,844,340          |
| Receivables (net of allowance for uncollectibles)  | 28,811,596                         | 22,308,889                          | 51,120,485              |
| Internal balances  | 1,784,664                          | (1,784,664)                         | -                       |
| Inventory  | 1,694,160                          | 874,529                             | 2,568,689               |
| Prepays and other assets   | 945,198                            | -                                   | 945,198                 |
| Accrued interest   | 449,267                            | 327,135                             | 776,402                 |
| Restricted pooled cash and investments   | 157,263,646                        | 87,844,798                          | 245,108,444             |
| Capital, lease and subscription assets:  |                                    |                                     |                         |
| Land and construction in progress  | 120,866,914                        | 39,845,060                          | 160,711,974             |
| Other capital, lease, and subscription assets (net of accumulated depreciation/amortization) | 452,095,382                        | 391,520,832                         | 843,616,214             |
| Total assets   | <u>837,081,729</u>                 | <u>638,610,017</u>                  | <u>1,475,691,746</u>    |
| <b>Deferred Outflows of Resources</b>  |                                    |                                     |                         |
| Deferred loss on refunding   | 525,324                            | 209,924                             | 735,248                 |
| Deferred outflows of resources - pension   | 23,805,602                         | 6,853,893                           | 30,659,495              |
| Deferred outflows of resources - OPEB  | 114,714                            | 1,065,010                           | 1,179,724               |
| Total deferred outflows of resources   | <u>24,445,640</u>                  | <u>8,128,827</u>                    | <u>32,574,467</u>       |
| Total assets and deferred outflows of resources  | <u>\$ 861,527,369</u>              | <u>\$ 646,738,844</u>               | <u>\$ 1,508,266,213</u> |

**City of Mesquite, Texas**  
**Statement of Net Position**  
**September 30, 2025**

**(Continued)**

|  | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>            |
|--|------------------------------------|-------------------------------------|-------------------------|
| <b>Liabilities, Deferred Inflows of Resources and Net Position</b> |                                    |                                     |                         |
| <b>Liabilities</b>   |                                    |                                     |                         |
| Accounts payable   | \$ 20,894,519                      | \$ 5,077,895                        | \$ 25,972,414           |
| Accrued interest payable   | 1,984,689                          | 808,038                             | 2,792,727               |
| Retainage payable  | 3,182,087                          | 1,702,160                           | 4,884,247               |
| Deposits and other liabilities                                     | 941,356                            | 5,990,342                           | 6,931,698               |
| Unearned revenue   | 5,913,386                          | 1,000                               | 5,914,386               |
| Long-term liabilities:   |                                    |                                     |                         |
| Due within one year:   |                                    |                                     |                         |
| Bonds payable  | 24,737,000                         | 11,600,000                          | 36,337,000              |
| Lease liability  | 86,414                             | 222,048                             | 308,462                 |
| Subscription liability   | 1,306,387                          | -                                   | 1,306,387               |
| Total other postemployment benefit (OPEB) liability                | 1,141,008                          | 163,000                             | 1,304,008               |
| Accrued compensated absences                                       | 418,825                            | 155,904                             | 574,729                 |
| Estimated claims payable   | 2,127,013                          | -                                   | 2,127,013               |
| Due in more than one year:   |                                    |                                     |                         |
| Bonds payable  | 369,387,043                        | 193,310,880                         | 562,697,923             |
| Lease liability  | 112,708                            | 187,172                             | 299,880                 |
| Subscription liability   | 3,814,184                          | -                                   | 3,814,184               |
| Total other postemployment benefit (OPEB) liability                | 25,397,846                         | 3,628,266                           | 29,026,112              |
| Net pension liability  | 117,203,628                        | 16,743,375                          | 133,947,003             |
| Accrued compensated absences                                       | 16,762,389                         | 902,414                             | 17,664,803              |
| Estimated claims payable   | 1,482,257                          | -                                   | 1,482,257               |
| Total liabilities  | <u>596,892,739</u>                 | <u>240,492,494</u>                  | <u>837,385,233</u>      |
| <b>Deferred Inflows of Resources</b>                               |                                    |                                     |                         |
| Deferred inflows of resources - pension                            | 10,028,591                         | 939,357                             | 10,967,948              |
| Deferred inflows of resources - OPEB                               | 3,867,652                          | 402,720                             | 4,270,372               |
| Lease related  | 1,119,257                          | -                                   | 1,119,257               |
| Total deferred inflows of resources                                | <u>15,015,500</u>                  | <u>1,342,077</u>                    | <u>16,357,577</u>       |
| <b>Net Position</b>  |                                    |                                     |                         |
| Net investment in capital assets                                   | 255,702,330                        | 286,639,784                         | 542,342,114             |
| Restricted for:  |                                    |                                     |                         |
| Capital projects   | 17,651,492                         | -                                   | 17,651,492              |
| Local finance projects   | 37,600,218                         | -                                   | 37,600,218              |
| Housing and community services                                     | 4,198,289                          | -                                   | 4,198,289               |
| Other grants and special revenue                                   | 17,733,775                         | -                                   | 17,733,775              |
| Debt service   | 2,624,865                          | 17,806,871                          | 20,431,736              |
| Unrestricted   | (85,891,839)                       | 100,457,618                         | 14,565,779              |
| Total net position   | <u>249,619,130</u>                 | <u>404,904,273</u>                  | <u>654,523,403</u>      |
| Total liabilities, deferred inflows of resources and net position  | <u>\$ 861,527,369</u>              | <u>\$ 646,738,844</u>               | <u>\$ 1,508,266,213</u> |

**City of Mesquite, Texas**  
**Statement of Activities**  
**Year Ended September 30, 2025**

| Functions/Programs                 | Expenses              | Program Revenues      |                                    |                                  |
|------------------------------------|-----------------------|-----------------------|------------------------------------|----------------------------------|
|                                    |                       | Charges for Services  | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government</b>          |                       |                       |                                    |                                  |
| Governmental activities:           |                       |                       |                                    |                                  |
| General government                 | \$ 20,456,034         | \$ 6,299,676          | \$ 6,829,395                       | \$ -                             |
| Fire services                      | 48,156,985            | 3,044,533             | 641,464                            | -                                |
| Police services                    | 65,043,061            | 1,246,076             | 1,661,888                          | -                                |
| Public works                       | 19,661,259            | 434,762               | 9,347,214                          | 8,662,744                        |
| Planning and community development | 7,100,316             | 12,257,032            | 217,580                            | -                                |
| Housing and community development  | 31,710,992            | 1,054,277             | 25,117,138                         | -                                |
| Library services                   | 3,207,328             | 34,849                | 8,448                              | -                                |
| Parks and recreation               | 15,473,364            | 2,887,533             | 166,154                            | -                                |
| Interest expense                   | 15,254,464            | -                     | -                                  | -                                |
| Total governmental activities      | <u>226,063,803</u>    | <u>27,258,738</u>     | <u>43,989,281</u>                  | <u>8,662,744</u>                 |
| Business-type activities:          |                       |                       |                                    |                                  |
| Water and sewer                    | 87,036,115            | 95,941,014            | 374,921                            | 13,306,994                       |
| Drainage utility district          | 5,086,623             | 5,570,141             | -                                  | 6,366,847                        |
| Municipal airport                  | 3,096,979             | 3,043,755             | 100,000                            | -                                |
| Municipal golf                     | 1,985,816             | 1,832,096             | -                                  | -                                |
| Solid Waste and Equipment Services | 24,128,542            | 30,839,178            | -                                  | -                                |
| Total business-type activities     | <u>121,334,075</u>    | <u>137,226,184</u>    | <u>474,921</u>                     | <u>19,673,841</u>                |
| Total primary government           | <u>\$ 347,397,878</u> | <u>\$ 164,484,922</u> | <u>\$ 44,464,202</u>               | <u>\$ 28,336,585</u>             |

**General revenues:**

Ad valorem taxes  
Gross receipts taxes  
Sales taxes  
Grants not restricted to specific programs  
Gain on sale of capital assets  
Investment income  
Miscellaneous  
Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

| <b>Net (Expenses) Revenues and Changes in Net Position</b> |                                 |                         |
|--|---------------------------------|-------------------------|
| <b>Governmental Activities</b>                             | <b>Business-type Activities</b> | <b>Total</b>            |
| \$ (7,326,963)   | \$ -                            | \$ (7,326,963)          |
| (44,470,988)   | -                               | (44,470,988)            |
| (62,135,097)   | -                               | (62,135,097)            |
| (1,216,539)  | -                               | (1,216,539)             |
| 5,374,296  | -                               | 5,374,296               |
| (5,539,577)  | -                               | (5,539,577)             |
| (3,164,031)  | -                               | (3,164,031)             |
| (12,419,677)   | -                               | (12,419,677)            |
| (15,254,464)   | -                               | (15,254,464)            |
| <u>(146,153,040)</u>                                       | <u>-</u>                        | <u>(146,153,040)</u>    |
| -  | 22,586,814                      | 22,586,814              |
| -  | 6,850,365                       | 6,850,365               |
| -  | 46,776                          | 46,776                  |
| -  | (153,720)                       | (153,720)               |
| -  | <u>6,710,636</u>                | <u>6,710,636</u>        |
| -  | <u>36,040,871</u>               | <u>36,040,871</u>       |
| <u>\$ (146,153,040)</u>                                    | <u>\$ 36,040,871</u>            | <u>\$ (110,112,169)</u> |
| 100,843,049  | -                               | 100,843,049             |
| 6,677,904  | -                               | 6,677,904               |
| 65,945,105   | -                               | 65,945,105              |
| 17,860,028   | -                               | 17,860,028              |
| -  | 50,599                          | 50,599                  |
| 10,197,645   | 7,480,655                       | 17,678,300              |
| 2,394,691  | 252,021                         | 2,646,712               |
| (3,222,505)  | <u>3,222,505</u>                | <u>-</u>                |
| <u>200,695,917</u>   | <u>11,005,780</u>               | <u>211,701,697</u>      |
| 54,542,877   | 47,046,651                      | 101,589,528             |
| <u>195,076,253</u>   | <u>357,857,622</u>              | <u>552,933,875</u>      |
| <u>\$ 249,619,130</u>                                      | <u>\$ 404,904,273</u>           | <u>\$ 654,523,403</u>   |

**City of Mesquite, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2025**

|   | General              | Local Finance        | Bond Finance         | Debt Service        |
|---|----------------------|----------------------|----------------------|---------------------|
| <b>Assets</b>   |                      |                      |                      |                     |
| Pooled cash and investments   | \$ 36,881,664        | \$ 65,718,162        | \$ 78,825,751        | \$ 2,620,420        |
| Receivables (net of allowance):   |                      |                      |                      |                     |
| Accounts receivable   | 3,368,931            | 21,774               | -                    | -                   |
| Ad valorem taxes  | 3,830,417            | -                    | -                    | -                   |
| Other taxes receivable  | 9,160,360            | -                    | -                    | -                   |
| Leases  | 975,919              | 273,076              | -                    | -                   |
| Interest receivable - leases  | 62,701               | 719                  | -                    | -                   |
| Note receivable   | 528,560              | 771,148              | -                    | -                   |
| Intergovernmental   | -                    | -                    | -                    | -                   |
| Interfund Note Receivable   | -                    | 795,000              | -                    | -                   |
| Inventory   | 1,694,160            | -                    | -                    | -                   |
| Prepays and other assets  | 772,830              | -                    | -                    | -                   |
| Accrued interest  | 87,308               | 77,314               | 107,266              | 11,945              |
|   | <u>\$ 57,362,850</u> | <u>\$ 67,657,193</u> | <u>\$ 78,933,017</u> | <u>\$ 2,632,365</u> |
| <b>Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)</b> |                      |                      |                      |                     |
| <b>Liabilities</b>  |                      |                      |                      |                     |
| Accounts payable  | \$ 10,291,200        | \$ 172,774           | \$ 5,248,746         | \$ 7,500            |
| Retainage payable   | -                    | 88,448               | 2,017,317            | -                   |
| Deposits  | 662,925              | 278,431              | -                    | -                   |
| Unearned revenue  | -                    | -                    | -                    | -                   |
|   | <u>10,954,125</u>    | <u>539,653</u>       | <u>7,266,063</u>     | <u>7,500</u>        |
| <b>Deferred Inflows of Resources</b>  |                      |                      |                      |                     |
| Unavailable revenue   | 5,929,055            | 18,600               | -                    | -                   |
| Leases  | 869,796              | 249,461              | -                    | -                   |
|   | <u>6,798,851</u>     | <u>268,061</u>       | <u>-</u>             | <u>-</u>            |
| <b>Fund Balances (Deficit)</b>  |                      |                      |                      |                     |
| Nonspendable  | 2,995,550            | 771,148              | -                    | -                   |
| Restricted  | -                    | 48,249,501           | 71,666,954           | 2,624,865           |
| Assigned  | 206,439              | 17,828,830           | -                    | -                   |
| Unassigned  | 36,407,885           | -                    | -                    | -                   |
|   | <u>39,609,874</u>    | <u>66,849,479</u>    | <u>71,666,954</u>    | <u>2,624,865</u>    |
| Total liabilities, deferred inflows of resources and fund balances (deficit)  | <u>\$ 57,362,850</u> | <u>\$ 67,657,193</u> | <u>\$ 78,933,017</u> | <u>\$ 2,632,365</u> |

| <u>Other Grants</u> | <u>Total<br/>Nonmajor<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------|-------------------------------------|---|
| \$ 3,448,122        | \$ 33,737,958                       | \$ 221,232,077                          |
| -                   | 395,395                             | 3,786,100                               |
| -                   | -                                   | 3,830,417                               |
| -                   | 2,592,455                           | 11,752,815                              |
| -                   | -                                   | 1,248,995                               |
| -                   | -                                   | 63,420                                  |
| -                   | -                                   | 1,299,708                               |
| 6,411,263           | -                                   | 6,411,263                               |
| -                   | -                                   | 795,000                                 |
| -                   | -                                   | 1,694,160                               |
| -                   | 7,001                               | 779,831                                 |
| 30,765              | 57,476                              | 372,074                                 |
| \$ 9,890,150        | \$ 36,790,285                       | \$ 253,265,860                          |
| <br>                |                                     |   |
| \$ 483,035          | \$ 890,803                          | \$ 17,094,058                           |
| 892,179             | 184,143                             | 3,182,087                               |
| -                   | -                                   | 941,356                                 |
| 4,864,435           | 1,048,951                           | 5,913,386                               |
| 6,239,649           | 2,123,897                           | 27,130,887                              |
| <br>                |                                     |   |
| 5,959,613           | 236,458                             | 12,143,726                              |
| -                   | -                                   | 1,119,257                               |
| 5,959,613           | 236,458                             | 13,262,983                              |
| <br>                |                                     |   |
| -                   | 7,001                               | 3,773,699                               |
| -                   | 33,380,484                          | 155,921,804                             |
| -                   | 1,042,445                           | 19,077,714                              |
| (2,309,112)         | -                                   | 34,098,773                              |
| (2,309,112)         | 34,429,930                          | 212,871,990                             |
| \$ 9,890,150        | \$ 36,790,285                       | \$ 253,265,860                          |

**City of Mesquite, Texas**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**September 30, 2025**

---

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

|   |                       |
|---|-----------------------|
| Total fund balance per balance sheet  | \$ 212,871,990        |
| Capital, lease, and subscription assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.   | 572,962,296           |
| 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.   | 12,143,726            |
| Internal service funds are used by management to charge the costs of health claims and general liability to individual funds. A significant portion of the internal service fund's net position is included in the governmental activities in the statement of net position.  | 3,443,842             |
| 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.  | (1,984,689)           |
| Long-term liabilities, including bonds payable and related premiums, leases, subscriptions, 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  | \$(101,610,000)       |
| Certificates of obligation bonds payable  | (192,050,000)         |
| Special Assessment Bonds  | (82,183,000)          |
| Deferred amount on refunding  | 525,324               |
| Unamortized premiums on bonds   | (18,281,043)          |
| Leases  | (199,122)             |
| Subscriptions   | (5,120,571)           |
| Total other postemployment benefit (OPEB) liability   | (26,538,854)          |
| Net pension liability   | (117,203,628)         |
| Deferred outflows of resources – pension  | 23,805,602            |
| Deferred outflows of resources – OPEB   | 114,714               |
| Deferred inflows of resources – pension   | (10,028,591)          |
| Deferred inflows of resources – OPEB  | (3,867,652)           |
| Accrued compensated absences  | (17,181,214)          |
|   | <u>(549,818,035)</u>  |
| Net position of governmental activities   | <u>\$ 249,619,130</u> |

**City of Mesquite, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2025**

|  | General              | Local Finance        | Bond Finance         | Debt Service        |
|--|----------------------|----------------------|----------------------|---------------------|
| <b>Revenues</b>  |                      |                      |                      |                     |
| Taxes:   |                      |                      |                      |                     |
| Ad valorem   | \$ 93,408,834        | \$ 7,737,100         | \$ -                 | \$ -                |
| Gross receipts   | 6,677,904            | -                    | -                    | -                   |
| Sales tax  | 48,141,396           | -                    | -                    | -                   |
| Licenses and permits   | 4,560,204            | 885,000              | -                    | -                   |
| Fines and forfeitures  | 3,755,762            | -                    | -                    | -                   |
| Investment income  | 2,538,750            | 2,310,132            | 2,916,051            | 482,036             |
| Charges for services   | 6,282,539            | 8,345,863            | -                    | -                   |
| Special assessments  | -                    | 6,701,192            | -                    | -                   |
| Intergovernmental  | -                    | -                    | -                    | -                   |
| Contributions and donations                                      | 62,803               | 105,400              | -                    | -                   |
| Other revenues   | 569,281              | 1,399,632            | -                    | -                   |
| <b>Total revenues</b>  | <b>165,997,473</b>   | <b>27,484,319</b>    | <b>2,916,051</b>     | <b>482,036</b>      |
| <b>Expenditures</b>  |                      |                      |                      |                     |
| Current:   |                      |                      |                      |                     |
| General government   | 16,317,867           | 3,367,817            | 400,494              | -                   |
| Fire services  | 44,625,281           | 6,357                | 54,802               | -                   |
| Police services  | 57,536,776           | 26,576               | 1,019,803            | -                   |
| Public works   | 7,716,164            | -                    | 1,718,137            | -                   |
| Planning and community development                               | 3,685,801            | 2,618,898            | 11,652               | -                   |
| Library services   | 3,017,279            | 6,236                | 1,490                | -                   |
| Parks and recreation   | 5,617,312            | 122,153              | 58,148               | -                   |
| Housing and community services                                   | 6,290,830            | -                    | 18,946               | -                   |
| Capital outlay   | 6,665,636            | 638,258              | 31,706,103           | -                   |
| Debt service:  |                      |                      |                      |                     |
| Principal  | 1,466,331            | 1,483,000            | -                    | 22,965,000          |
| Interest and fiscal charges                                      | 133,217              | 4,541,519            | -                    | 11,966,136          |
| Bond issuance costs  | -                    | 441,905              | 576,338              | 27,638              |
| <b>Total expenditures</b>  | <b>153,072,494</b>   | <b>13,252,719</b>    | <b>35,565,913</b>    | <b>34,958,774</b>   |
| <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b> | <b>12,924,979</b>    | <b>14,231,600</b>    | <b>(32,649,862)</b>  | <b>(34,476,738)</b> |
| <b>Other Financing Sources (Uses)</b>                            |                      |                      |                      |                     |
| Transfers in   | 11,903,497           | 2,750,000            | 69,878               | 31,255,095          |
| Transfers out  | (29,793,716)         | (3,125,731)          | (2,297,412)          | -                   |
| Leases issued  | 12,644               | -                    | -                    | -                   |
| Subscriptions issued   | 5,669,672            | -                    | -                    | -                   |
| Issuance of debt   | -                    | 5,435,000            | 29,975,000           | -                   |
| Premium on bonds issued  | -                    | -                    | 1,922,077            | -                   |
| Proceeds from sale of general capital assets                     | 378,109              | -                    | -                    | -                   |
| <b>Total other financing sources (uses)</b>                      | <b>(11,829,794)</b>  | <b>5,059,269</b>     | <b>29,669,543</b>    | <b>31,255,095</b>   |
| <b>Net Change in Fund Balances</b>                               | <b>1,095,185</b>     | <b>19,290,869</b>    | <b>(2,980,319)</b>   | <b>(3,221,643)</b>  |
| <b>Fund Balances, Beginning of Year</b>                          | <b>38,514,689</b>    | <b>47,558,610</b>    | <b>74,647,273</b>    | <b>5,846,508</b>    |
| <b>Fund Balances (Deficit), End of Year</b>                      | <b>\$ 39,609,874</b> | <b>\$ 66,849,479</b> | <b>\$ 71,666,954</b> | <b>\$ 2,624,865</b> |

| <u>Other Grants</u>   | <u>Total<br/>Nonmajor<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-----------------------|-------------------------------------|---|
| \$ -                  | \$ -                                | \$ 101,145,934                          |
| -                     | -                                   | 6,677,904                               |
| -                     | 17,803,709                          | 65,945,105                              |
| -                     | 696,700                             | 6,141,904                               |
| -                     | 2,091,605                           | 5,847,367                               |
| 245,432               | 1,448,856                           | 9,941,257                               |
| -                     | 1,329,858                           | 15,958,260                              |
| -                     | 323,915                             | 7,025,107                               |
| 25,822,859            | 24,184,203                          | 50,007,062                              |
| -                     | -                                   | 168,203                                 |
| 26,406                | 399,372                             | 2,394,691                               |
| <u>26,094,697</u>     | <u>48,278,218</u>                   | <u>271,252,794</u>                      |
| 197,199               | 1,955,944                           | 22,239,321                              |
| 367,956               | 226,582                             | 45,280,978                              |
| 94,031                | 1,355,623                           | 60,032,809                              |
| 20,652                | 424,463                             | 9,879,416                               |
| 236,124               | 450,941                             | 7,003,416                               |
| 2,000                 | 5,079                               | 3,032,084                               |
| 62,531                | 7,189,162                           | 13,049,306                              |
| 1,030,964             | 24,203,691                          | 31,544,431                              |
| 22,187,501            | 10,398,262                          | 71,595,760                              |
| -                     | 53,272                              | 25,967,603                              |
| -                     | 486                                 | 16,641,358                              |
| -                     | -                                   | 1,045,881                               |
| <u>24,198,958</u>     | <u>46,263,505</u>                   | <u>307,312,363</u>                      |
| <u>1,895,739</u>      | <u>2,014,713</u>                    | <u>(36,059,569)</u>                     |
| -                     | -                                   | 45,978,470                              |
| -                     | (2,779,376)                         | (37,996,235)                            |
| -                     | -                                   | 12,644                                  |
| -                     | -                                   | 5,669,672                               |
| -                     | -                                   | 35,410,000                              |
| -                     | -                                   | 1,922,077                               |
| -                     | 418,725                             | 796,834                                 |
| <u>-</u>              | <u>(2,360,651)</u>                  | <u>51,793,462</u>                       |
| 1,895,739             | (345,938)                           | 15,733,893                              |
| <u>(4,204,851)</u>    | <u>34,775,868</u>                   | <u>197,138,097</u>                      |
| <u>\$ (2,309,112)</u> | <u>\$ 34,429,930</u>                | <u>\$ 212,871,990</u>                   |

**MESQUITE**

T E X A S

Real. Texas. Flavor.

**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, 2025**

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

|  |    |                          |
|--|----|--------------------------|
| Net change in fund balance - total governmental funds  | \$ | 15,733,893               |
| <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/amortization expense. This is the amount by which capital outlay exceeds depreciation/amortization in the current period.</p>  |    |                          |
| Capital outlay expenditures  | \$ | 71,595,760               |
| Depreciation and amortization expense  |    | <u>(21,533,411)</u>      |
|  |    | 50,062,349               |
| <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>  |    |                          |
|  |    | (14,009,026)             |
| <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>  |    |                          |
|  |    | 8,662,744                |
| <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>   |    |                          |
|  |    | 3,657,259                |
| <p>The issuance of long-term debt (e.g. bond proceeds, leases, subscriptions, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> |    |                          |
| Leases issued  | \$ | (12,644)                 |
| Subscriptions issued   |    | (5,669,672)              |
| Principal amount of debt issued  |    | (35,410,000)             |
| Amortization of bond premium   |    | 2,827,677                |
| Principal amount of debt paid to bondholders and lessors   |    | 25,967,603               |
| Net change in accrued interest payable   |    | (159,640)                |
| Premium on bonds issued  |    | (1,922,077)              |
| Amortization of deferred offering charges  |    | <u>(235,262)</u>         |
|  |    | (14,614,015)             |
| <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>   |    |                          |
|  |    | 5,912,685                |
| <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>   |    |                          |
|  |    | (453,488)                |
| <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>   |    |                          |
|  |    | 115,328                  |
| <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>(524,852)</u>         |
| Change in net position of governmental activities  | \$ | <u><u>54,542,877</u></u> |

**City of Mesquite, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget**  
**and Actual - General Fund**  
**Year Ended September 30, 2025**

|   | Budgeted Amounts    |                     | Actual<br>Amounts    | Adjustments -       | Actual-             | Variance<br>with Final<br>Budget |
|---|---------------------|---------------------|----------------------|---------------------|---------------------|----------------------------------|
|   | Original            | Final               |                      | Budgetary<br>Basis  | Budgetary<br>Basis  |                                  |
| <b>Revenues</b>                                 |                     |                     |                      |                     |                     |                                  |
| Taxes-  |                     |                     |                      |                     |                     |                                  |
| Ad valorem                                      | \$ 91,300,582       | \$ 93,217,000       | \$ 93,408,834        | \$ -                | \$ 93,408,834       | \$ 191,834                       |
| Gross receipts                                  | 6,463,930           | 6,653,000           | 6,677,904            | -                   | 6,677,904           | 24,904                           |
| Sales   | 46,912,090          | 47,715,000          | 48,141,396           | -                   | 48,141,396          | 426,396                          |
| Licenses and permits                            | 4,461,060           | 4,553,790           | 4,560,204            | -                   | 4,560,204           | 6,414                            |
| Fines and forfeitures                           | 3,088,800           | 3,392,000           | 3,755,762            | -                   | 3,755,762           | 363,762                          |
| Investment income                               | 2,519,800           | 2,600,000           | 2,538,750            | -                   | 2,538,750           | (61,250)                         |
| Charges for services                            | 7,539,900           | 6,739,000           | 6,282,539            | -                   | 6,282,539           | (456,461)                        |
| Contributions and donations                     | 83,300              | 83,300              | 62,803               | -                   | 62,803              | (20,497)                         |
| Other revenues                                  | 1,042,293           | 866,000             | 569,281              | -                   | 569,281             | (296,719)                        |
| Enterprise funds PILOT/franchise fee            | 10,847,860          | 10,847,860          | -                    | 10,847,860          | 10,847,860          | -                                |
| Total Revenues                                  | <u>174,259,615</u>  | <u>176,666,950</u>  | <u>165,997,473</u>   | <u>10,847,860</u>   | <u>176,845,333</u>  | <u>178,383</u>                   |
| <b>Expenditures</b>                             |                     |                     |                      |                     |                     |                                  |
| General government                              | 22,841,106          | 20,935,942          | 16,317,867           | 3,998,107           | 20,315,974          | 619,968                          |
| Fire services                                   | 43,175,203          | 43,379,033          | 44,625,281           | -                   | 44,625,281          | (1,246,248)                      |
| Police services                                 | 53,177,202          | 53,786,252          | 57,536,776           | -                   | 57,536,776          | (3,750,524)                      |
| Public works                                    | 12,314,923          | 11,119,500          | 7,716,164            | -                   | 7,716,164           | 3,403,336                        |
| Planning and community development              | 4,132,940           | 3,729,263           | 3,685,801            | -                   | 3,685,801           | 43,462                           |
| Library services                                | 3,294,293           | 2,990,000           | 3,017,279            | -                   | 3,017,279           | (27,279)                         |
| Parks and recreation                            | 6,595,299           | 5,638,575           | 5,617,312            | -                   | 5,617,312           | 21,263                           |
| Housing and community services                  | 6,984,280           | 6,087,364           | 6,290,830            | -                   | 6,290,830           | (203,466)                        |
| Capital outlay                                  | -                   | -                   | 6,665,636            | -                   | 6,665,636           | (6,665,636)                      |
| Debt service                                    |                     |                     |                      |                     |                     |                                  |
| Principal                                       | -                   | -                   | 1,466,331            | -                   | 1,466,331           | (1,466,331)                      |
| Interest and fiscal charges                     | -                   | -                   | 133,217              | -                   | 133,217             | (133,217)                        |
| Cost allocation reimbursements                  | (4,498,107)         | (4,779,701)         | -                    | (3,998,107)         | (3,998,107)         | (781,594)                        |
| Total Expenditures                              | <u>148,017,139</u>  | <u>142,886,228</u>  | <u>153,072,494</u>   | <u>-</u>            | <u>153,072,494</u>  | <u>(10,186,266)</u>              |
| <b>Excess of Revenues<br/>Over Expenditures</b> | <u>26,242,476</u>   | <u>33,780,722</u>   | <u>12,924,979</u>    | <u>10,847,860</u>   | <u>23,772,839</u>   | <u>(10,007,883)</u>              |
| <b>Other Financing Sources (uses)</b>           |                     |                     |                      |                     |                     |                                  |
| Transfers in                                    | 1,609,000           | 1,339,000           | 11,903,497           | (10,847,860)        | 1,055,637           | (283,363)                        |
| Transfers out                                   | (27,115,720)        | (32,255,000)        | (29,793,716)         | -                   | (29,793,716)        | (2,461,284)                      |
| Leases issued                                   | -                   | -                   | 12,644               | -                   | 12,644              | 12,644                           |
| Subscriptions issued                            | -                   | -                   | 5,669,672            | -                   | 5,669,672           | 5,669,672                        |
| Proceeds from sale of general capital assets    | -                   | -                   | 378,109              | -                   | 378,109             | 378,109                          |
| Total Other Financing Sources (Uses)            | <u>(25,506,720)</u> | <u>(30,916,000)</u> | <u>(11,829,794)</u>  | <u>(10,847,860)</u> | <u>(22,677,654)</u> | <u>3,315,778</u>                 |
| <b>Net Change in Fund Balance</b>               | <u>\$ 735,756</u>   | <u>\$ 2,864,722</u> | <u>1,095,185</u>     | <u>\$ -</u>         | <u>\$ 1,095,185</u> | <u>\$ (6,692,105)</u>            |
| <b>Fund Balance, Beginning of Year</b>          |                     |                     | <u>38,514,689</u>    |                     |                     |                                  |
| <b>Fund Balance, End of Year</b>                |                     |                     | <u>\$ 39,609,874</u> |                     |                     |                                  |

**City of Mesquite, Texas**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2025**

|   | <b>Business-type Activities -<br/>Enterprise Funds</b> |                                      |   |
|---|--|--------------------------------------|---|
|   | <b>Water and<br/>Sewer</b>                             | <b>Drainage Utility<br/>District</b> | <b>Solid Waste and<br/>Equipment<br/>Services</b> |
| <b>Assets</b>   |  |                                      |   |
| <b>Current assets</b>   |  |                                      |   |
| Pooled cash and investments   | \$ 92,063,122  | \$ 3,133,843                         | \$ 1,307,590                                      |
| Restricted pooled cash and investments                              | 62,072,127   | 12,384,869                           | -   |
| Receivables (net of allowance for uncollectibles)                   | 14,886,041   | 969,921                              | 3,898,180   |
| Inventory   | 829,861  | -                                    | -   |
| Prepays and other assets  | -  | -                                    | -   |
| Accrued interest  | 291,638  | 27,364                               | 6,033   |
| Total current assets  | <u>170,142,789</u>                                     | <u>16,515,997</u>                    | <u>5,211,803</u>                                  |
| <b>Noncurrent assets</b>  |  |                                      |   |
| Notes receivable  | -  | 2,542,951                            | -   |
| Revenue bond reserve:   |  |                                      |   |
| Restricted pooled cash and investments                              | 12,533,273   | 854,529                              | -   |
| Capital and lease assets:   |  |                                      |   |
| Land and construction in progress                                   | 27,833,152   | 2,975,011                            | -   |
| Other capital assets (net of accumulated depreciation/amortization) | <u>284,138,276</u>                                     | <u>74,609,651</u>                    | <u>21,298,115</u>                                 |
| Total noncurrent assets   | <u>324,504,701</u>                                     | <u>80,982,142</u>                    | <u>21,298,115</u>                                 |
| Total assets  | <u>494,647,490</u>                                     | <u>97,498,139</u>                    | <u>26,509,918</u>                                 |
| <b>Deferred Outflows of Resources</b>                               |  |                                      |   |
| Deferred charges on refunding                                       | 209,924  | -                                    | -   |
| Deferred outflows of resources - pension                            | 1,632,384  | 136,032                              | 4,813,413   |
| Deferred outflows of resources - OPEB                               | <u>7,866</u>   | <u>656</u>                           | <u>1,055,176</u>                                  |
| Total deferred outflows of resources                                | <u>1,850,174</u>                                       | <u>136,688</u>                       | <u>5,868,589</u>                                  |

| <b>Business-type Activities -<br/>Enterprise Funds</b> |                                       | <b>Governmental<br/>Activities -</b>  |
|--|---------------------------------------|---------------------------------------|
| <b>Total<br/>Nonmajor<br/>Funds</b>                    | <b>Total<br/>Enterprise<br/>Funds</b> | <b>Internal<br/>Service<br/>Funds</b> |
| \$ 1,168,883   | \$ 97,673,438                         | \$ 9,202,471                          |
| -  | 74,456,996                            | -                                     |
| 11,796   | 19,765,938                            | 482,298                               |
| 44,668   | 874,529                               | -                                     |
| -  | -                                     | 265,117                               |
| 2,100  | 327,135                               | 13,773                                |
| <u>1,227,447</u>                                       | <u>193,098,036</u>                    | <u>9,963,659</u>                      |
| -  | 2,542,951                             | -                                     |
| -  | 13,387,802                            | -                                     |
| 9,036,897  | 39,845,060                            | -                                     |
| <u>11,474,790</u>                                      | <u>391,520,832</u>                    | <u>-</u>                              |
| <u>20,511,687</u>                                      | <u>447,296,645</u>                    | <u>-</u>                              |
| <u>21,739,134</u>                                      | <u>640,394,681</u>                    | <u>9,963,659</u>                      |
| -  | 209,924                               | -                                     |
| 272,064  | 6,853,893                             | -                                     |
| 1,312  | 1,065,010                             | -                                     |
| <u>273,376</u>   | <u>8,128,827</u>                      | <u>-</u>                              |

**City of Mesquite, Texas**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2025**

(Continued)

|   | <b>Business-type Activities -<br/>Enterprise Funds</b> |                                      |   |
|---|--|--------------------------------------|---|
|   | <b>Water and<br/>Sewer</b>                             | <b>Drainage Utility<br/>District</b> | <b>Solid Waste and<br/>Equipment<br/>Services</b> |
| <b>Liabilities</b>                                  |  |                                      |   |
| <b>Current liabilities</b>                          |  |                                      |   |
| Accounts payable                                    | \$ 3,002,395   | \$ 38,842                            | \$ 618,724  |
| Unearned revenue                                    | -  | -                                    | 1,000   |
| Estimated claims payable                            | -  | -                                    | -   |
| Interfund Note Payable                              | -  | -                                    | -   |
| Deposits and other liabilities                      | 5,877,096  | 1,056                                | 35,312  |
| Accrued compensated absences                        | 76,614   | 17,403                               | 28,371  |
| Lease liability                                     | 56,899   | -                                    | -   |
| Total other postemployment benefit liability        | 78,240   | 6,520                                | 65,200  |
| Current liabilities payable from restricted assets: |  |                                      |   |
| Accounts payable                                    | 1,072,714  | 186,220                              | -   |
| Retainage payable                                   | 1,384,982  | 275,682                              | -   |
| Accrued interest payable                            | 737,415  | 70,623                               | -   |
| Bonds payable                                       | 11,055,000   | 545,000                              | -   |
| Interfund Note Payable                              | -  | -                                    | -   |
| Total current liabilities                           | <u>23,341,355</u>                                      | <u>1,141,346</u>                     | <u>748,607</u>                                    |
| <b>Noncurrent liabilities</b>                       |  |                                      |   |
| Estimated claims payable                            | -  | -                                    | -   |
| Bonds payable                                       | 180,103,115  | 13,207,765                           | -   |
| Lease liability                                     | 58,530   | -                                    | -   |
| Accrued compensated absences                        | 364,916  | 43,639                               | 447,018   |
| Net pension liability                               | 8,036,820  | 669,735                              | 6,697,350   |
| Total other postemployment benefit liability        | <u>1,741,567</u>                                       | <u>145,131</u>                       | <u>1,451,306</u>                                  |
| Total noncurrent liabilities                        | <u>190,304,948</u>                                     | <u>14,066,270</u>                    | <u>8,595,674</u>                                  |
| Total liabilities                                   | <u>213,646,303</u>                                     | <u>15,207,616</u>                    | <u>9,344,281</u>                                  |
| <b>Deferred Inflows of Resources</b>                |  |                                      |   |
| Deferred inflows of resources - pension             | 450,892  | 37,574                               | 375,743   |
| Deferred inflows of resources - OPEB                | <u>193,305</u>   | <u>16,109</u>                        | <u>161,088</u>                                    |
| Total deferred inflows of resources                 | <u>644,197</u>   | <u>53,683</u>                        | <u>536,831</u>                                    |
| <b>Net Position</b>                                 |  |                                      |   |
| Net investment in capital assets                    | 169,652,547  | 75,512,722                           | 21,298,115  |
| Restricted for debt service                         | 16,780,823   | 1,026,048                            | -   |
| Unrestricted  | <u>95,773,794</u>                                      | <u>5,834,758</u>                     | <u>1,199,280</u>                                  |
| Total net position                                  | <u>\$ 282,207,164</u>                                  | <u>\$ 82,373,528</u>                 | <u>\$ 22,497,395</u>                              |

Reconciliation to Government-Wide Statement of Net Position:

Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds

Total Net Position for Business Type Activities

| <b>Business-type Activities -<br/>Enterprise Funds</b> |                                       | <b>Governmental<br/>Activities -</b>  |
|--|---------------------------------------|---------------------------------------|
| <b>Total<br/>Nonmajor<br/>Funds</b>                    | <b>Total<br/>Enterprise<br/>Funds</b> | <b>Internal<br/>Service<br/>Funds</b> |
| \$ 159,000   | \$ 3,818,961                          | \$ 3,900,211                          |
| -  | 1,000                                 | -                                     |
| -  | -                                     | 2,127,013                             |
| 100,000  | 100,000                               | -                                     |
| 76,878   | 5,990,342                             | -                                     |
| 33,516   | 155,904                               | -                                     |
| 165,149  | 222,048                               | -                                     |
| 13,040   | 163,000                               | -                                     |
| -  | 1,258,934                             | -                                     |
| 41,496   | 1,702,160                             | -                                     |
| -  | 808,038                               | -                                     |
| -  | 11,600,000                            | -                                     |
| 695,000  | 695,000                               | -                                     |
| <u>1,284,079</u>                                       | <u>26,515,387</u>                     | <u>6,027,224</u>                      |
| -  | -                                     | 1,482,257                             |
| -  | 193,310,880                           | -                                     |
| 128,642  | 187,172                               | -                                     |
| 46,841   | 902,414                               | -                                     |
| 1,339,470  | 16,743,375                            | -                                     |
| 290,262  | 3,628,266                             | -                                     |
| <u>1,805,215</u>                                       | <u>214,772,107</u>                    | <u>1,482,257</u>                      |
| <u>3,089,294</u>                                       | <u>241,287,494</u>                    | <u>7,509,481</u>                      |
| 75,148   | 939,357                               | -                                     |
| 32,218   | 402,720                               | -                                     |
| <u>107,366</u>   | <u>1,342,077</u>                      | <u>-</u>                              |
| 20,176,400   | 286,639,784                           | -                                     |
| -  | 17,806,871                            | -                                     |
| (1,360,550)  | 101,447,282                           | 2,454,178                             |
| <u>\$ 18,815,850</u>                                   | <u>405,893,937</u>                    | <u>\$ 2,454,178</u>                   |
|  | (989,664)                             |                                       |
|  | <u>\$ 404,904,273</u>                 |                                       |

**City of Mesquite, Texas**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended September 30, 2025**

|   | <b>Business-type Activities -<br/>Enterprise Funds</b> |                                      |   |
|---|--|--------------------------------------|---|
|   | <b>Water and<br/>Sewer</b>                             | <b>Drainage Utility<br/>District</b> | <b>Solid Waste and<br/>Equipment<br/>Services</b> |
| <b>Operating Revenues</b>                               |  |                                      |   |
| Customer charges  | \$ 96,315,935  | \$ 5,570,141                         | \$ 30,839,178                                     |
| Medical insurance                                       | -  | -                                    | -   |
| Life and dental insurance                               | -  | -                                    | -   |
| General liability                                       | -  | -                                    | -   |
| Workers' compensation                                   | -  | -                                    | -   |
| Employees - medical insurance                           | -  | -                                    | -   |
| Stop loss and other contributions                       | -  | -                                    | -   |
| Other revenues  | -  | -                                    | 252,021   |
| Total operating revenues                                | <u>96,315,935</u>                                      | <u>5,570,141</u>                     | <u>31,091,199</u>                                 |
| <b>Operating Expenses</b>                               |  |                                      |   |
| Personnel services                                      | 12,510,861   | 1,228,149                            | 12,405,516  |
| Supplies  | 806,004  | 10,982                               | 453,123   |
| Contractual services                                    | 55,658,606   | 564,631                              | 9,026,082   |
| Depreciation and amortization                           | 8,948,909  | 2,053,776                            | 2,026,744   |
| Claims incurred   | -  | -                                    | -   |
| Insurance premiums                                      | -  | -                                    | -   |
| Administrative fees                                     | -  | -                                    | -   |
| Other expenses  | -  | -                                    | -   |
| Total operating expenses                                | <u>77,924,380</u>                                      | <u>3,857,538</u>                     | <u>23,911,465</u>                                 |
| <b>Operating Income (Loss)</b>                          | <u>18,391,555</u>                                      | <u>1,712,603</u>                     | <u>7,179,734</u>                                  |
| <b>Nonoperating Revenues (Expenses)</b>                 |  |                                      |   |
| Investment income                                       | 6,674,443  | 620,629                              | 83,825  |
| Bond issuance costs                                     | (427,632)  | (127,213)                            | -   |
| Gain or loss on sale of capital assets                  | (2,407,342)  | (734,221)                            | 50,562  |
| Other nonoperating income                               | -  | -                                    | -   |
| Interest expense and fiscal charges                     | (6,002,759)  | (367,651)                            | -   |
| Total nonoperating revenues (expenses)                  | <u>(2,163,290)</u>                                     | <u>(608,456)</u>                     | <u>134,387</u>                                    |
| <b>Income (Loss) Before Contributions and Transfers</b> | 16,228,265   | 1,104,147                            | 7,314,121   |
| Capital contributions                                   | 13,306,994   | 6,366,847                            | 13,160,691  |
| Transfers in  | 1,380,000  | 559,330                              | 1,897,927   |
| Transfers out   | (6,235,654)  | (700,468)                            | (6,977,698)                                       |
| <b>Change in Net Position</b>                           | 24,679,605   | 7,329,856                            | 15,395,041  |
| <b>Net Position, Beginning of Year</b>                  | <u>257,527,559</u>                                     | <u>75,043,672</u>                    | <u>7,102,354</u>                                  |
| <b>Net Position, End of Year</b>                        | <u>\$ 282,207,164</u>                                  | <u>\$ 82,373,528</u>                 | <u>\$ 22,497,395</u>                              |

Reconciliation to Government-Wide Statement of Activities:  
Adjustment to reflect the consolidation of internal service funds  
activities related to enterprise funds

Change in Net Position of Business-type Activities

| <b>Business-type Activities -<br/>Enterprise Funds</b> |                                       | <b>Governmental<br/>Activities -</b>  |
|--|---------------------------------------|---------------------------------------|
| <b>Total<br/>Nonmajor<br/>Funds</b>                    | <b>Total<br/>Enterprise<br/>Funds</b> | <b>Internal<br/>Service<br/>Funds</b> |
| \$ 4,875,851   | \$ 137,601,105                        | \$ -                                  |
| -  | -                                     | 15,217,275                            |
| -  | -                                     | 1,585,713                             |
| -  | -                                     | 2,705,492                             |
| -  | -                                     | 2,915,236                             |
| -  | -                                     | 3,934,174                             |
| -  | -                                     | 778,463                               |
| -  | 252,021                               | 1,508                                 |
| <u>4,875,851</u>                                       | <u>137,853,126</u>                    | <u>27,137,861</u>                     |
| 1,733,393  | 27,877,919                            | -                                     |
| 1,523,018  | 2,793,127                             | -                                     |
| 835,939  | 66,085,258                            | -                                     |
| 981,152  | 14,010,581                            | -                                     |
| -  | -                                     | 24,947,541                            |
| -  | -                                     | 3,081,647                             |
| -  | -                                     | 1,691,199                             |
| -  | -                                     | 1,105,504                             |
| <u>5,073,502</u>                                       | <u>110,766,885</u>                    | <u>30,825,891</u>                     |
| <u>(197,651)</u>                                       | <u>27,086,241</u>                     | <u>(3,688,030)</u>                    |
| 43,964   | 7,422,861                             | 314,182                               |
| -  | (554,845)                             | -                                     |
| 37   | (3,090,964)                           | -                                     |
| 100,000  | 100,000                               | 415,711                               |
| (9,293)  | (6,379,703)                           | -                                     |
| <u>134,708</u>   | <u>(2,502,651)</u>                    | <u>729,893</u>                        |
| (62,943)   | 24,583,590                            | (2,958,137)                           |
| 44,049   | 32,878,581                            | -                                     |
| 415,036  | 4,252,293                             | 2,000,000                             |
| (320,708)  | (14,234,528)                          | -                                     |
| 75,434   | 47,479,936                            | (958,137)                             |
| <u>18,740,416</u>                                      |                                       | <u>3,412,315</u>                      |
| <u>\$ 18,815,850</u>                                   |                                       | <u>\$ 2,454,178</u>                   |
|  | (433,285)                             |                                       |
|  | <u>\$ 47,046,651</u>                  |                                       |

**City of Mesquite, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended September 30, 2025**

|  | Business-type Activities - Enterprise Funds |               |               |              | Governmental Activities |              |
|--|---|---------------|---------------|--------------|-------------------------|--------------|
|  | Water and                                   | Drainage      | Solid Waste   | Total        | Total                   | Internal     |
|  | Sewer                                       | Utility       | and Equipment | Nonmajor     | Enterprise              | Service      |
|  | District                                    | Services      | Funds         | Funds        | Funds                   |              |
| <b>Cash Flows from Operating Activities:</b>                       |   |               |               |              |                         |              |
| Receipts from customers and users                                  | \$ 100,457,511                              | \$ 5,475,962  | \$ 30,011,946 | \$ 4,945,962 | \$ 140,891,381          | \$ -         |
| Receipts from interfund charges for services                       | -   | -             | -             | -            | -                       | 22,423,716   |
| Receipts from employees and retirees                               | -   | -             | -             | -            | -                       | 3,900,167    |
| Other operating receipts   | -   | -             | 252,021       | -            | 252,021                 | 838,769      |
| Payments to suppliers and service providers                        | (55,527,472)                                | (596,311)     | (9,566,670)   | (2,569,245)  | (68,259,698)            | (27,043,018) |
| Payments to employees for salaries and benefits                    | (10,947,454)                                | (1,082,969)   | (9,268,388)   | (1,841,668)  | (23,140,479)            | -            |
| Payments to other funds for services provided                      | (1,746,550)                                 | (157,530)     | (1,944,027)   | -            | (3,848,107)             | -            |
| Net Cash Provided by Operating Activities                          | 32,236,035                                  | 3,639,152     | 9,484,882     | 535,049      | 45,895,118              | 119,634      |
| <b>Cash Flows from Noncapital Financing Activities:</b>            |   |               |               |              |                         |              |
| Transfers to other funds   | (6,235,654)                                 | (700,468)     | (6,977,698)   | (320,708)    | (14,234,528)            | -            |
| Transfers from other funds   | 1,380,000                                   | 476,950       | -             | -            | 1,856,950               | 2,000,000    |
| Payments from nonoperating grants                                  | -   | -             | -             | 100,000      | 100,000                 | -            |
| Net Cash (Used for) Noncapital Financing Activities                | (4,855,654)                                 | (223,518)     | (6,977,698)   | (220,708)    | (12,277,578)            | 2,000,000    |
| <b>Cash Flows from Capital and Related Financing Activities:</b>   |   |               |               |              |                         |              |
| Acquisition and construction of capital assets                     | (22,247,792)                                | (3,822,455)   | (1,330,160)   | (187,286)    | (27,587,693)            | -            |
| Proceeds from capital debt, including premium                      | 17,366,901                                  | 3,720,163     | -             | -            | 21,087,064              | -            |
| Principal payments on capital debt and leases                      | (10,610,315)                                | (455,000)     | -             | (161,235)    | (11,226,550)            | -            |
| Interest payments on capital debt and leases                       | (7,579,820)                                 | (515,363)     | -             | (9,886)      | (8,105,069)             | -            |
| Proceeds from sale of capital assets                               | 18,457                                      | 7,550         | 50,562        | 37           | 76,606                  | -            |
| Insurance proceeds   | -   | -             | -             | -            | -                       | 415,711      |
| Net Cash (Used for) Capital and Related Financing Activities       | (23,052,569)                                | (1,065,105)   | (1,279,598)   | (358,370)    | (25,755,642)            | 415,711      |
| <b>Cash Flows from Investing Activities:</b>                       |   |               |               |              |                         |              |
| Investment gain on cash and cash equivalents                       | 6,519,832                                   | 606,840       | 80,004        | 43,365       | 7,250,041               | 309,083      |
| Net Cash Provided by Investing Activities                          | 6,519,832                                   | 606,840       | 80,004        | 43,365       | 7,250,041               | 309,083      |
| <b>Net Increase (Decrease) in Pooled Cash and Cash Equivalents</b> | 10,847,644                                  | 2,957,369     | 1,307,590     | (664)        | 15,111,939              | 2,844,428    |
| <b>Pooled Cash and Cash Equivalents at Beginning of Year</b>       | 155,820,878                                 | 13,415,872    | -             | 1,169,547    | 170,406,297             | 6,358,043    |
| <b>Pooled Cash and Cash Equivalents at End of Year</b>             | \$ 166,668,522                              | \$ 16,373,241 | \$ 1,307,590  | \$ 1,168,883 | \$ 185,518,236          | \$ 9,202,471 |
| <b>Classified as:</b>  |   |               |               |              |                         |              |
| Current assets - non restricted                                    | \$ 92,063,122                               | \$ 3,133,843  | \$ 1,307,590  | \$ 1,168,883 | \$ 97,673,438           | \$ 9,202,471 |
| Current assets - restricted  | 62,072,127                                  | 12,384,869    | -             | -            | 74,456,996              | -            |
| Noncurrent assets - restricted                                     | 12,533,273                                  | 854,529       | -             | -            | 13,387,802              | -            |
| Total Cash and Cash Equivalents                                    | \$ 166,668,522                              | \$ 16,373,241 | \$ 1,307,590  | \$ 1,168,883 | \$ 185,518,236          | \$ 9,202,471 |

**City of Mesquite, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended September 30, 2025**

|   | Business-type Activities - Enterprise Funds |                           |                                    |                      | Governmental Activities |                        |
|---|---|---------------------------|------------------------------------|----------------------|-------------------------|------------------------|
|   | Water and Sewer                             | Drainage Utility District | Solid Waste and Equipment Services | Total Nonmajor Funds | Total Enterprise Funds  | Internal Service Funds |
| <b>Reconciliation of Operating Income</b>   |   |                           |                                    |                      |                         |                        |
| <b>To Net Cash Provided by Operating Activities:</b>                                    |   |                           |                                    |                      |                         |                        |
| Operating income (loss)   | \$ 18,391,555                               | \$ 1,712,603              | \$ 7,179,734                       | \$ (197,651)         | \$ 27,086,241           | \$ (3,688,030)         |
| Adjustments to reconcile operating income to net cash provided by operating activities: |   |                           |                                    |                      |                         |                        |
| Depreciation and amortization   | 8,948,909                                   | 2,053,776                 | 2,026,744                          | 981,152              | 14,010,581              | -                      |
| Changes in operating assets and liabilities:  |   |                           |                                    |                      |                         |                        |
| Receivables, net  | 3,934,026                                   | (94,179)                  | (863,544)                          | 59,991               | 3,036,294               | 26,299                 |
| Inventories (supplies)  | 25,551                                      | -                         | -                                  | 14,583               | 40,134                  | -                      |
| Prepaid expenses and other assets   | 40,098                                      | -                         | -                                  | -                    | 40,098                  | 77,633                 |
| Deferred outflows of resources - pension  | 1,080,757                                   | 90,063                    | 1,751,091                          | 180,126              | 3,102,037               | -                      |
| Deferred outflows of resources - OPEB   | (1,799)                                     | (150)                     | 338,962                            | (300)                | 336,713                 | -                      |
| Accounts payable and accrued liabilities  | 935,749                                     | (6,914)                   | (39,422)                           | (215,267)            | 674,146                 | 3,491,521              |
| Customer deposits   | 207,550                                     | -                         | 35,312                             | 10,120               | 252,982                 | -                      |
| Estimated unpaid claims   | -   | -                         | -                                  | -                    | -                       | 212,211                |
| Unearned revenue  | -   | -                         | 1,000                              | -                    | 1,000                   | -                      |
| Deferred inflows of resources - pension   | (71,481)                                    | (5,956)                   | 211,105                            | (11,912)             | 121,756                 | -                      |
| Deferred inflows of resources - OPEB  | 133,084                                     | 11,090                    | 110,903                            | 22,180               | 277,257                 | -                      |
| Compensated absences  | (370,816)                                   | (36,419)                  | (419,380)                          | (138,449)            | (965,064)               | -                      |
| Net pension liability   | (940,305)                                   | (78,359)                  | (783,588)                          | (156,718)            | (1,958,970)             | -                      |
| Total OPEB liability  | (76,843)                                    | (6,403)                   | (64,035)                           | (12,806)             | (160,087)               | -                      |
| Total Adjustments   | 13,844,480                                  | 1,926,549                 | 2,305,148                          | 732,700              | 18,808,877              | 3,807,664              |
| <b>Net Cash Provided by Operating Activities</b>  | <b>\$ 32,236,035</b>                        | <b>\$ 3,639,152</b>       | <b>\$ 9,484,882</b>                | <b>\$ 535,049</b>    | <b>\$ 45,895,118</b>    | <b>\$ 119,634</b>      |
| <b>Noncash Capital and Related Financing Activities:</b>                                |   |                           |                                    |                      |                         |                        |
| Contributions of capital assets   | \$ 13,306,994                               | \$ 6,366,847              | \$ -                               | \$ -                 | \$ 19,673,841           | \$ -                   |
| Contribution of capital assets from governmental activities                             | -   | 82,380                    | 15,058,618                         | 459,085              | 15,600,083              | -                      |
| Purchase of machinery, equipment, and vehicles on account                               | 2,457,696                                   | 461,902                   | -                                  | 41,496               | 2,961,094               | -                      |

**City of Mesquite, Texas**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**September 30, 2025**

|  | <b>Private-Purpose<br/>Trust Fund</b> | <b>Custodial<br/>Funds</b> |
|--|---------------------------------------|----------------------------|
| <b>Assets</b>  |                                       |                            |
| Pooled cash and investments  | \$ 984,148                            | \$ 903,434                 |
| Interest receivable  | 1,616                                 | -                          |
| Taxes receivable levied for other governments<br>(net of allowance for uncollectibles) | -                                     | 24,662                     |
| Total assets   | <u>985,764</u>                        | <u>928,096</u>             |
| <b>Liabilities</b>   |                                       |                            |
| Accounts payable   | \$ -                                  | \$ 24,662                  |
| Total liabilities  | <u>-</u>                              | <u>24,662</u>              |
| <b>Net Position</b>  |                                       |                            |
| Restricted for individuals, organizations,<br>and other governments                    | <u>985,764</u>                        | <u>903,434</u>             |
| Total net position   | <u><u>\$ 985,764</u></u>              | <u><u>\$ 903,434</u></u>   |

**City of Mesquite, Texas**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**Year Ended September 30, 2025**

|  | <b>Private-Purpose<br/>Trust Fund</b> | <b>Custodial<br/>Funds</b> |
|--|---------------------------------------|----------------------------|
| <b>Additions</b>   |                                       |                            |
| Investment income  | \$ 38,958                             | \$ -                       |
| Seizures   | -                                     | 700,634                    |
| Miscellaneous revenues   | 1,187                                 | -                          |
| Total additions  | <u>40,145</u>                         | <u>700,634</u>             |
| <b>Deductions</b>  |                                       |                            |
| Seizures forfeited or returned to defendants   | -                                     | 559,276                    |
| Miscellaneous expenditures   | 2,390                                 | -                          |
| Total deductions   | <u>2,390</u>                          | <u>559,276</u>             |
| <b>Net Increase in Net Position</b>  | <b>37,755</b>                         | <b>141,358</b>             |
| <b>Net Position Restricted for Individuals, Organization, and Other Governments, Beginning of Year</b> | <u>948,009</u>                        | <u>762,076</u>             |
| <b>Net Position Restricted for Individuals, Organization, and Other Governments, End of Year</b>       | <u>\$ 985,764</u>                     | <u>\$ 903,434</u>          |

**MESQUITE**

T E X A S

Real. Texas. Flavor.

## **Note 1. Summary of Significant Accounting Policies**

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

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

### ***Reporting Entity***

The City is a municipal corporation governed by an elected mayor and six-member Council. As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. In accordance with GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, GASB Statement No. 80, and GASB Statement No. 84, the blended component units discussed below have been included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The City has no discretely presented component units.

### **Mesquite Quality of Life Corporation**

The Quality of Life Corporation (Corporation) 4B Sales Tax Special Revenue Fund is presented as a "blended" fund in the financial statements. The Corporation is administered by a seven-member City Council appointed board of directors which are removable by the City Council at any time without cause. No more than four of the seven directors may be City Council members or City of Mesquite employees. Presently, all members of the Board are residents who are neither City Council members nor City employees. The purpose of the Corporation is to study and fund permissible projects for public safety, transportation or parks and recreation purposes from a one-half of 1.00% general sales tax. The Corporation's activities are subject to Council approval and are for the exclusive benefit of the City. In this respect, the Corporation acts as a financing authority to obtain resources for the projects. When the project is completed, the capital assets are owned by the City not the Corporation. Unaudited financial statements for the Quality of Life Corporation are available upon request from the City.

### **Tax Increment Reinvestment Zones (TIRZ)**

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

Separate financial statements for the individual zones are not prepared.

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.

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

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.

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.

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

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 is a blended component unit in the Local Finance Capital Project Fund.

Historic Mesquite, Inc.

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

Mesquite Arts Council

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

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

Keep Mesquite Beautiful, Inc.

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

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

Also included in the financial statements are the operating activities of the Mesquite Housing Finance Corporation, the Mesquite Health Facilities Development Corporation, and the Mesquite Industrial Development Corporation which provide services almost entirely to the primary government. These corporations have substantively the same governing body as the City. The issuance of conduit debt for the corporations is discussed in *Note 15*. The financial activity of the Mesquite Housing Finance Corporation is reported as part of the Other Special Revenue fund and does not issue separate financial statements. The Mesquite Health Facilities Development Corporation and Mesquite Industrial Development Corporation did not have any financial activity to report during the fiscal year.

**Government-Wide Financial Statements**

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

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

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

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

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

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

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, Drainage Utility District, and Solid Waste and Equipment Services 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.

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

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

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

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

The City of Mesquite reports the following major governmental funds:

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

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

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.
- The Solid Waste and Equipment Services fund is used to account for funds received from user fees for residential and commercial solid waste services.

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

- Internal service funds account for risk management services (including group medical insurance and general liability) provided to other departments or agencies of the City on a cost-reimbursement basis.
- The private purpose trust fund accounts for contributions made to maintain a small cemetery within the City.
- The custodial funds account for monies held for ad valorem taxes collected on behalf of the Mesquite Independent School District through the end of January 2024 and for funds seized from court cases that are held in escrow until judgment. Any remaining balances included in the Tax Collection fund relates to amounts to be remitted during the next fiscal year, which is when the fund is anticipated to be fully closed out.

***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 2024-2025 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.

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

During 2024-2025 the City Council amended the budget in September 2025. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that would increase total fund appropriations must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the fund level.

Budgets for the General and the following special revenue funds: Housing Grants, Quality of Life Corporation, Hotel/Motel, and Confiscated Drug are legally adopted on a basis consistent with GAAP on the modified accrual basis of accounting. Accordingly, the budgetary comparison statements and schedules present actual expenditures on a basis consistent with the legally adopted budgets as amended. Capital Project funds are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the financial statements. The Other Grants and other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards) and sometimes span a period of more than one fiscal year.

***Encumbrances***

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

***Pooled Cash and Investments***

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

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

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

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

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

***Indirect and Centralized Expenses***

The City allocates to the housing grants fund, water and sewer fund, and drainage utility district fund an indirect cost percentage for “centralized” expenses, which include an administrative overhead initially paid by the General Fund. These costs are determined on an annual basis through a cost allocation plan. During fiscal year ended September 30, 2025, the City’s General Fund was reimbursed \$3,998,107 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.

***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, 2025, are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for on the consumption basis in governmental funds.

***Restricted Assets***

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

***Capital, Lease, and Subscription Assets***

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

The City’s capitalization policy requires that assets capitalized have an original cost of \$10,000 or more and a useful life of at least five years, with the exception of leases and subscriptions which are capitalized if there is a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

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

***Lease Receivable***

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

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

***Lease Liability***

The City is a lessee for noncancellable leases. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The City recognizes lease liability with an initial individual value of \$10,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life or lease term, whichever is shorter.

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

***Subscription Liability***

The City recognizes a subscription liability and an intangible right-to-use IT asset (subscription asset) in the financial statements. The City recognizes subscription liability with an initial, individual value of \$10,000 or more. Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

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

***Unearned Revenue***

Governmental funds report a liability, unearned revenue, in connection with resources that have been received, but not yet earned, which consists primarily of grant dollars received in advance of incurring eligible expenditures. Total unearned grant revenue as of September 30, 2025 is \$5,913,386, of which \$1,500,790 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, 2025 is accrued based on past claims experience.

***Accrued Compensated Absences***

Vacation and sick leave are accrued as liabilities as the employees earn the benefits to the extent that they meet all of the following criteria: 1) the City's obligation is attributable to employees' services already rendered; 2) the leave accumulates; and 3) it is more likely than not that the City will compensate the employee for the benefits through leave time or other means, such as cash payments. City employees earn vacation and sick leave in varying amounts. Vacation leave accrues for employees with less than five years of service at the annual rate of 10 working days. Upon attaining five years of service, employees are awarded 15 working days annually until 15 years of service when vacation leave is earned at an annual rate of 20 days. Employees with over 25 service years accrue 25 days annually. Any employee leaving the City in good standing following one year of continuous service is paid for accumulated vacation leave not to exceed 20 working days at their current pay rate. Sick leave accrues at an annual rate of 15 working days. Upon termination, unused accumulated sick leave is paid to employees with three to five years of service at one-third, employees with five to six years of service at two-thirds, and six years and over is paid all accumulated sick leave up to a maximum of 90 days. Police and firefighters are reimbursed upon termination for all unused accumulated sick leave up to the maximum of 90 days no matter how long they were employed by the City as required by State Civil Service law.

The measurement of the liability for compensated absences was determined by applying the last-in-first-out (LIFO) method for vacation and sick time accumulated and includes additional salary related payments for Social Security and Medicare, in accordance with GASB Statement No. 101, *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 estimated payout for accrued balances within the next fiscal year is recorded as a current liability as the last in first out method is utilized for accruing the total liability.

***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 effective interest method over the life of the bonds. In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources (uses) during the current period. The face amount of debt issued is recorded as other financing sources. Issuance costs are reported as expenditures in the funds receiving the bond proceeds.

### ***Net Position***

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

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

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

### ***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.

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

- Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the City Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Council adopts another ordinance to remove or revise the limitation. At September 30, 2025, the City had no committed fund balance amounts.
- Assigned fund balance represents amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council has authorized City management to assign fund balance. The Council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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

***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 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 they incurred.
- Change in proportion - Pension - This change in proportion 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.

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

- Change in proportion - OPEB - This change in proportion 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 they incurred.

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

- Difference in projected and actual earnings on pension assets - This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Difference in expected and actual OPEB experience – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of pension expense beginning with the period in which the difference occurred.
- Difference in assumption changes - Pension - This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they incurred.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of pension expense beginning with the period in which they incurred.
- Change in proportion - Pension - This change in proportion 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.
- Change in proportion - OPEB - This change in proportion 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 they 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.

***New Accounting Pronouncements***

GASB Statement No. 101, *Compensated Absences*, supersedes Statement 16, *Accounting for Compensated Absences*, issued in 1992. This standard updates the recognition and measurement guidance for compensated absences by aligning the guidance under a unified model. This will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation and can be applied consistently to any type of leave. The City has implemented this Statement in fiscal year 2025, which had no impact on beginning of year net position.

GASB Statement No. 102, *Certain Risk Disclosures*, supersedes the Statement by the National Council of Governmental Accounting (NCGA) Interpretation 6, *Notes to the Financial Statement Disclosure*, paragraph 5. This Standard establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. For concentrations and constraints meeting the definitions in the Standard, governments will disclose the concentrations or constraints, related events that could have a substantial impact, and action taken to mitigate the risk. The City has implemented this Statement in fiscal year 2025, which had no impact on beginning of year net position.

***Future Accounting Pronouncements***

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential to decision making and assessing a government's accountability. The statement focuses on improvements to Management's Discussion and Analysis, proprietary fund statement of revenues, expenses and changes in net position, major component units, and other areas. The requirements of this Statement will take effect for the City's fiscal year 2027. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to improve disclosures related to certain types of capital assets. The purpose is to provide users of governmental financial statements with essential information about certain types of capital assets. The requirements of this Statement will take effect for the City's fiscal year 2026. Management has not yet determined the impact of this Statement on its financial statements.

GASB Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in the application and better meeting the information needs of financial statement users. The requirements of this Statement will take effect for the City's fiscal year 2027. Management has not yet determined the impact of this Statement on its financial statements.

## **Note 2. Deposits and Investments**

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

### ***Deposits***

At September 30, 2025, the carrying amount of the City and its blended component units' demand deposits totaled \$32,218,118 and the bank balance was \$37,142,727. Cash on hand for the City was \$17,220. The carrying amount of cash for the Fiduciary funds was \$1,871,280. The carrying amount of cash for the Public Improvement Districts was \$11,436,302. The City had approximately \$300,000 of uninsured deposit balances as of September 30, 2025.

### ***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**  
**Notes to Financial Statements**  
**September 30, 2025**

---

- 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. 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.

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

***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, 2025, are:

| Investment Type              | Fair Value            | Weighted<br>Average<br>Maturity<br>(Years) |
|------------------------------|-----------------------|--|
| Managed Pools:               |                       |  |
| TexPool                      | \$ 13,857,306         | 0.121                                      |
| TexPool Prime                | 80,927,837            | 0.140                                      |
| TexSTAR                      | 13,157,514            | 0.099                                      |
| Texas Class                  | 138,204,287           | 0.230                                      |
| Money Market:                |                       |  |
| Wells Fargo (Morgan Stanley) | 12,164,477            | 0.110                                      |
| US Agency Securities         | 113,969,723           | 1.820                                      |
| Total                        | <u>\$ 372,281,144</u> | <u>0.685</u>                               |

**Credit Risk**

The City's investment policy helps minimize credit risk by requiring the City to limit investments to the safest types of securities, pre-qualify the financial institutions and broker/dealers with which the City will do business, and diversify the investment portfolio so that potential losses on individual securities will be minimized. The City's investments in U.S. Agency securities (FHLB, FFCB, and FHLMC) are rated at least AA by Standard and Poor's and Aaa by Moody's Investor's Service at the date of purchase. The investment in Texas Local Government Pools (TexPool, TexPool Prime, TexStar, and Texas Class) carried a credit rating of AAAm by Standard and Poor's as of September 30, 2025. 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, 2025.

***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, 2025, the City's total investments are in the following: US agency issues (30.61%) consisting of U.S. Treasury Notes (28.73%), FHLB (0.54%), and Farm Credit (1.34%); investment pools (66.12%); and money market funds (3.27%).

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

**Note 3. Fair Value of Investments**

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

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

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

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

**Recurring Measurements**

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2025:

|   | Fair Value            | Quoted Prices<br>in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|---|-----------------------|---|---|--|
| Investments by Fair Value Level         |                       |   |   |  |
| U.S. agency securities                  | \$ 113,969,723        | \$ 113,969,723  | \$ -  | \$ -   |
| Total Investments by Fair Value Level   | 113,969,723           | <u>\$ 113,969,723</u>   | <u>\$ -</u>   | <u>\$ -</u>  |
| Investments Measured at Net Asset Value |                       |   |   |  |
| Texas Class                             | 138,204,287           |   |   |  |
| TexStar                                 | 13,157,514            |   |   |  |
| Money Market Fund                       | <u>12,164,477</u>     |   |   |  |
|   | 163,526,278           |   |   |  |
| Investments Measured at Amortized Cost  |                       |   |   |  |
| TexPool                                 | 13,857,306            |   |   |  |
| TexPool Prime                           | <u>80,927,837</u>     |   |   |  |
|   | <u>94,785,143</u>     |   |   |  |
| Total Investments                       | <u>\$ 372,281,144</u> |   |   |  |

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

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

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2025, no investments here held by the City meeting the Level 3 hierarchy classification.

***Investment in State Investment Pools***

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

**Note 4. Ad Valorem Taxes**

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraised value less applicable exemptions authorized by the City Council. Appraised values are established by the Dallas Central Appraisal District and the Kaufman Central Appraisal District at 100% of estimated market value. The total assessed value for the tax roll of January 1, 2024, upon which the 2025 fiscal year levy was based, was \$15,315,595,549. 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, 2025, were \$100,033,560 or 99.6% 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, 2025, the City had a tax rate of \$0.69000 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**  
**September 30, 2025**

**Note 5. Receivables**

Receivables at September 30, 2025 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:

|                                    | <b>General</b>       | <b>Local Finance</b> | <b>Bond Finance</b> | <b>Other Grants</b> | <b>Nonmajor Governmental Funds</b> | <b>Total Governmental Funds</b> |
|------------------------------------|----------------------|----------------------|---------------------|---------------------|------------------------------------|---------------------------------|
| Receivables:                       |                      |                      |                     |                     |                                    |                                 |
| Accounts                           | \$ 16,698,126        | \$ 21,774            | \$ -                | \$ -                | \$ 395,395                         | \$ 17,115,295                   |
| Ad valorem taxes                   | 3,830,417            | -                    | -                   | -                   | -                                  | 3,830,417                       |
| Other taxes                        | 9,160,360            | -                    | -                   | -                   | 2,592,455                          | 11,752,815                      |
| Leases                             | 1,038,620            | 273,795              | -                   | -                   | -                                  | 1,312,415                       |
| Note receivable                    | 528,560              | 771,148              | -                   | -                   | -                                  | 1,299,708                       |
| Intergovernmental                  | -                    | -                    | -                   | 6,411,263           | -                                  | 6,411,263                       |
| Gross Receivables                  | 31,256,083           | 1,066,717            | -                   | 6,411,263           | 2,987,850                          | 41,721,913                      |
| Less: Allowance for Uncollectibles | (13,329,195)         | -                    | -                   | -                   | -                                  | (13,329,195)                    |
| Net Total Receivables              | <u>\$ 17,926,888</u> | <u>\$ 1,066,717</u>  | <u>\$ -</u>         | <u>\$ 6,411,263</u> | <u>\$ 2,987,850</u>                | <u>\$ 28,392,718</u>            |

|                                    | <b>Water and Sewer</b> | <b>Drainage Utility District</b> | <b>Solid Waste and Equipment Services</b> | <b>Nonmajor Enterprise Funds</b> | <b>Total Enterprise Funds</b> | <b>Governmental Activities Internal Service Funds</b> |
|------------------------------------|------------------------|----------------------------------|---|----------------------------------|-------------------------------|---|
| Receivables:                       |                        |                                  |   |                                  |                               |   |
| Accounts                           | \$ 16,121,735          | \$ 1,090,000                     | \$ 4,182,505                              | \$ 26,374                        | \$ 21,420,614                 | \$ 551,169  |
| Note receivable*                   | -                      | 2,542,951                        | -   | -                                | 2,542,951                     | -   |
| Gross Receivables                  | 16,121,735             | 3,632,951                        | 4,182,505                                 | 26,374                           | 23,963,565                    | 551,169   |
| Less: Allowance for Uncollectibles | (1,235,694)            | (120,079)                        | (284,325)                                 | (14,578)                         | (1,654,676)                   | (68,871)  |
| Net Total Receivables              | <u>\$ 14,886,041</u>   | <u>\$ 3,512,872</u>              | <u>\$ 3,898,180</u>                       | <u>\$ 11,796</u>                 | <u>\$ 22,308,889</u>          | <u>\$ 482,298</u>                                     |

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

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

The governmental funds report unavailable revenues from the following sources:

| Source of Revenue   | Total                           |
|---|---------------------------------|
| General fund - ambulance accounts receivable              | \$ 920,933                      |
| General fund - ad valorem taxes receivable                | 2,112,833                       |
| General fund - court fines receivable                     | 1,378,174                       |
| General fund - accounts receivable, grass and weed mowing | 679,846                         |
| General fund - miscellaneous accounts receivable          | 837,269                         |
| Local Finance capital projects fund - other receivable    | 18,600                          |
| Other Grants - intergovernmental receivable               | 5,959,613                       |
| Nonmajor funds - intergovernmental receivable             | <u>236,458</u>                  |
| <br>Total Unavailable Revenues for Governmental Funds     | <br><u><u>\$ 12,143,726</u></u> |

**Note 6. Capital, Lease, and Subscription Assets**

The following is a summary of the changes in capital, lease, and subscription assets for the fiscal year ended September 30, 2025:

|  | Beginning<br>Balance      | Additions                | Sales /<br>Disposals    | Transfers                  | Ending<br>Balance         |
|--|---------------------------|--------------------------|-------------------------|----------------------------|---------------------------|
| <b>Governmental Activities:</b>  |                           |                          |                         |                            |                           |
| Capital Assets, not Being Depreciated:   |                           |                          |                         |                            |                           |
| Land   | \$ 26,100,440             | \$ 85,300                | (53,179)                | \$ -                       | \$ 26,132,561             |
| Construction in progress   | 120,672,339               | 41,626,538               | (542,872)               | (67,021,652)               | 94,734,353                |
| <br>Total Capital Assets, not Being Depreciated  | <br>146,772,779           | <br>41,711,838           | <br>(596,051)           | <br>(67,021,652)           | <br>120,866,914           |
| Capital, Lease, and Subscription Assets, Being Depreciated/Amortized:                  |                           |                          |                         |                            |                           |
| Buildings  | 110,013,844               | 1,290,474                | (15,389)                | 708,568                    | 111,997,497               |
| Infrastructure   | 462,659,807               | 20,024,307               | -                       | 49,703,035                 | 532,387,149               |
| Improvements   | 36,764,345                | 2,196,694                | (47,734)                | 2,720,710                  | 41,634,015                |
| Equipment  | 97,103,175                | 9,352,875                | (2,576,052)             | 684,599                    | 104,564,597               |
| Lease assets   | 557,855                   | 12,644                   | (102,333)               | -                          | 468,166                   |
| Subscription assets  | 1,589,200                 | 5,669,672                | (275,758)               | -                          | 6,983,114                 |
| <br>Total Capital, Lease, and Subscription Assets,<br>Being Depreciated/Amortized:     | <br>708,688,226           | <br>38,546,666           | <br>(3,017,266)         | <br>53,816,912             | <br>798,034,538           |
| Less Accumulated Depreciation/Amortization for:  |                           |                          |                         |                            |                           |
| Buildings  | (50,111,166)              | (2,721,257)              | -                       | -                          | (52,832,423)              |
| Infrastructure   | (188,993,323)             | (8,194,275)              | -                       | -                          | (197,187,598)             |
| Improvements   | (19,605,287)              | (1,535,023)              | 47,734                  | -                          | (21,092,576)              |
| Equipment  | (67,546,274)              | (7,524,335)              | 2,383,206               | -                          | (72,687,403)              |
| Lease assets   | (273,572)                 | (100,916)                | 102,333                 | -                          | (272,155)                 |
| Subscription assets  | (685,154)                 | (1,457,605)              | 275,758                 | -                          | (1,867,001)               |
| <br>Total Accumulated Depreciation/Amortization  | <br>(327,214,776)         | <br>(21,533,411)         | <br>2,809,031           | <br>-                      | <br>(345,939,156)         |
| <br>Total Capital, Lease, and Subscription Assets,<br>Being Depreciated/Amortized, Net | <br>381,473,450           | <br>17,013,255           | <br>(208,235)           | <br>53,816,912             | <br>452,095,382           |
| <br>Governmental Activities Capital, Lease, and<br>Subscription Assets, Net            | <br><u>\$ 528,246,229</u> | <br><u>\$ 58,725,093</u> | <br><u>\$ (804,286)</u> | <br><u>\$ (13,204,740)</u> | <br><u>\$ 572,962,296</u> |

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

|  | Beginning<br>Balance  | Additions            | Sales /<br>Disposals  | Transfers            | Ending<br>Balance     |
|--|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| <b>Business-type Activities:</b>                                 |                       |                      |                       |                      |                       |
| Capital Assets, not Being Depreciated:                           |                       |                      |                       |                      |                       |
| Land   | \$ 13,338,876         | \$ 252,277           | \$ -                  | \$ -                 | \$ 13,591,153         |
| Construction in progress   | 29,494,131            | 17,477,406           | (3,167,570)           | (17,550,060)         | 26,253,907            |
| Total Capital Assets, Not Being Depreciated                      | <u>42,833,007</u>     | <u>17,729,683</u>    | <u>(3,167,570)</u>    | <u>(17,550,060)</u>  | <u>39,845,060</u>     |
| Capital and Lease Assets, Being Depreciated/Amortized:           |                       |                      |                       |                      |                       |
| Buildings  | 14,736,925            | 230,511              | -                     | 13,160,691           | 28,128,127            |
| Infrastructure   | 474,728,843           | 24,263,515           | -                     | 13,925,838           | 512,918,196           |
| Improvements   | 7,974,991             | 1,884,272            | -                     | 3,654,981            | 13,514,244            |
| Equipment  | 30,483,941            | 4,139,529            | (1,171,752)           | 13,290               | 33,465,008            |
| Lease assets   | 915,125               | -                    | -                     | -                    | 915,125               |
| Total Capital and Lease Assets, Being Depreciated/Amortized      | <u>528,839,825</u>    | <u>30,517,827</u>    | <u>(1,171,752)</u>    | <u>30,754,800</u>    | <u>588,940,700</u>    |
| Less Accumulated Depreciation/Amortization for:                  |                       |                      |                       |                      |                       |
| Buildings  | (4,644,508)           | (579,057)            | -                     | -                    | (5,223,565)           |
| Infrastructure   | (157,002,692)         | (9,757,651)          | -                     | -                    | (166,760,343)         |
| Improvements   | (3,064,089)           | (695,399)            | -                     | -                    | (3,759,488)           |
| Equipment  | (19,562,644)          | (2,759,594)          | 1,171,752             | -                    | (21,150,486)          |
| Lease assets   | (307,106)             | (218,880)            | -                     | -                    | (525,986)             |
| Total Accumulated Depreciation/Amortization                      | <u>(184,581,039)</u>  | <u>(14,010,581)</u>  | <u>1,171,752</u>      | <u>-</u>             | <u>(197,419,868)</u>  |
| Total Capital and Lease Assets, Being Depreciated/Amortized, Net | <u>344,258,786</u>    | <u>16,507,246</u>    | <u>-</u>              | <u>30,754,800</u>    | <u>391,520,832</u>    |
| Business-type Activities Capital and Lease Assets, Net           | <u>\$ 387,091,793</u> | <u>\$ 34,236,929</u> | <u>\$ (3,167,570)</u> | <u>\$ 13,204,740</u> | <u>\$ 431,365,892</u> |

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

**Governmental Activities:**

|                      |                  |
|----------------------|------------------|
| General government   | \$ 3,166,285     |
| Fire services        | 2,197,609        |
| Police services      | 4,118,037        |
| Public services      | 9,627,795        |
| Library services     | 117,802          |
| Parks and recreation | 2,305,883        |
|                      | <u>2,305,883</u> |

Total Governmental Activities \$ 21,533,411

**Business-type Activities:**

|                                    |                  |
|------------------------------------|------------------|
| Water and sewer                    | \$ 8,948,909     |
| Drainage utility                   | 2,053,776        |
| Municipal airport                  | 590,766          |
| Municipal golf course              | 390,386          |
| Solid waste and equipment services | 2,026,744        |
|                                    | <u>2,026,744</u> |

Total Business-type Activities \$ 14,010,581

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

**Construction Commitments**

The City has active construction projects as of September 30, 2025. 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<br/>Construction<br/>Commitments</u> |
|---|---|
| <b>Governmental Activities:</b>                     |   |
| Projects funded by general obligation bonds:        |   |
| Streets   | \$ 9,189  |
| Public safety                                       | 926,311   |
| Facility maintenance                                | 14,617  |
| Transportation                                      | 9,189   |
| Neighborhood services                               | 45,169  |
| Administration                                      | 42,738  |
| Information technology                              | 18,899  |
| Public works  | 260,679   |
| Projects funded by local finance sources:           |   |
| Municipal building                                  | 12,013  |
| Projects funded by general sales tax (4-B portion): |   |
| Transportation                                      | 9,189   |
| Public safety                                       | 73,523  |
| Parks and recreation                                | 21,194  |
| Projects funded by grant funds:                     |   |
| Animal shelter                                      | 70,818  |
| Projects funded by special revenue funds:           |   |
| Public safety                                       | 5,758   |
| Library   | 904   |
|   | <hr/>   |
| Total Governmental Activities                       | <u>\$ 1,520,190</u>                               |
| <b>Business-type Activities</b>                     |   |
| Projects funded by revenue bonds:                   |   |
| Water and sewer                                     | \$ 293,551  |
| Projects funded by general obligation bonds:        |   |
| Golf course   | <hr/> 15,825                                      |
|   | <hr/>   |
| Total Business-type Activities                      | <u>\$ 309,376</u>                                 |

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

**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. The amounts between the local finance fund and municipal airport fund related to funding to cover capital projects related to the purchase of two hangars. The Municipal Airport fund is budgeted to begin repayment on the loan to the Local Finance fund in \$100,000 installments beginning in fiscal year 2026. The composition of interfund balances as of September 30, 2025 is as follows:

| <b>Receivable Fund</b> | <b>Payable Fund</b>    | <b>Current</b>    | <b>Long-Term</b>  | <b>Total</b>      |
|------------------------|------------------------|-------------------|-------------------|-------------------|
| Local Finance Fund     | Municipal Airport Fund | \$ 100,000        | \$ 695,000        | \$ 795,000        |
|                        |                        | <u>\$ 100,000</u> | <u>\$ 695,000</u> | <u>\$ 795,000</u> |

***Transfers***

Transfers were as follows for the fiscal year ended September 30, 2025:

| <b>Fund</b>                        | <b>Transfers In</b>  | <b>Transfers Out</b> |
|------------------------------------|----------------------|----------------------|
| General                            | \$ 11,903,497        | \$ 29,793,716        |
| Local Finance                      | 2,750,000            | 3,125,731            |
| Bond Finance                       | 69,878               | 2,297,412            |
| Debt Service                       | 31,255,095           | -                    |
| Nonmajor Governmental Funds        | -                    | 2,779,376            |
| Water and Sewer                    | 1,380,000            | 6,235,654            |
| Drainage Utility District          | 559,330              | 700,468              |
| Solid Waste and Equipment Services | 1,897,927            | 6,977,698            |
| Nonmajor Enterprise Funds          | 415,036              | 320,708              |
| Internal Service Funds             | 2,000,000            | -                    |
|                                    | <u>\$ 52,230,763</u> | <u>\$ 52,230,763</u> |

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

The transfers were for the following purposes:

| Transfer from Fund / Purpose                              | Transfer to Fund                   | Amount                      |
|---|------------------------------------|-----------------------------|
| General Fund:   |                                    |                             |
| Property tax debt service levy                            | Debt Service                       | \$ 25,043,716               |
| Capital projects  | Local Finance                      | 2,750,000                   |
| Health Claims   | Group Medical Insurance            | <u>2,000,000</u>            |
|   |                                    | 29,793,716                  |
| Local Finance Fund:                                       |                                    |                             |
| Impact Fees (Water)                                       | Water and Sewer                    | 1,000,000                   |
| Impact Fees (Sewer)                                       | Water and Sewer                    | 380,000                     |
| TIRZ No. 9 Innovative Way & Executive Blvd.               | Debt Service                       | 924,850                     |
| TIRZ No. 2 Capital Projects                               | Debt Service                       | 246,000                     |
| TIRZ No.2 S. Mesquite Create Drainage                     | Drainage                           | 476,950                     |
| Airport Improvements                                      | Municipal Airport                  | <u>97,931</u>               |
|   |                                    | 3,125,731                   |
| Bond Finance Fund:  |                                    |                             |
| Drainage improvements                                     | Drainage                           | 82,380                      |
| Commercial solid waste equipment                          | Solid Waste and Equipment Services | 1,897,927                   |
| Golf capital improvements                                 | Golf                               | <u>317,105</u>              |
|   |                                    | 2,297,412                   |
| Nonmajor Governmental Funds:                              |                                    |                             |
| Hotel/Motel tax :   |                                    |                             |
| General obligation debt service                           | Debt Service                       | <u>400,945</u>              |
|   |                                    | 400,945                     |
| Mesquite Quality of Life Corporation (4B Sales Tax) Fund: |                                    |                             |
| General obligation debt service                           | Debt Service                       | <u>1,333,431</u>            |
|   |                                    | 1,333,431                   |
| Other Special Revenue:                                    |                                    |                             |
| 9-1-1 operations subsidy                                  | General                            | 855,000                     |
| Traffic enforcement                                       | General                            | 15,000                      |
| Child safety fees   | General                            | <u>175,000</u>              |
|   |                                    | 1,045,000                   |
| Water and Sewer Enterprise Fund:                          |                                    |                             |
| Convention center equipment                               | General                            | 10,637                      |
| W&S Debt Service/Transfer                                 | Debt Service                       | 537,007                     |
| Payment in lieu of taxes (PILOT)                          | General                            | <u>5,688,010</u>            |
|   |                                    | 6,235,654                   |
| Drainage Utility District Fund:                           |                                    |                             |
| Service center equipment                                  | Bond Finance                       | 69,878                      |
| Payment in lieu of taxes (PILOT)                          | General                            | <u>630,590</u>              |
|   |                                    | 700,468                     |
| Solid Waste and Equipment Services                        |                                    |                             |
| SW/ES Debt Service/Transfer                               | Debt Service                       | 2,448,438                   |
| Payment in lieu of taxes (PILOT)                          | General                            | <u>4,529,260</u>            |
|   |                                    | 6,977,698                   |
| Nonmajor Enterprise Fund:                                 |                                    |                             |
| Municipal airport   | Debt Service                       | <u>320,708</u>              |
|   |                                    | 320,708                     |
|   | Total                              | <u><u>\$ 52,230,763</u></u> |

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

**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 2030. During the fiscal year ended September 30, 2025, the City did not recognize any rental expense for variable payments not previously included in the measurement of the lease liability.

The City's proprietary funds have agreements for vehicles and equipment, the terms of which expire in various years through 2027. During the fiscal year ended September 30, 2025, 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, 2025:

| <b>Fiscal Year Ending September 30,</b> | <b>Governmental Activities</b> |                 |                   |
|---|--------------------------------|-----------------|-------------------|
|   | <b>Principal</b>               | <b>Interest</b> | <b>Total</b>      |
| 2026                                    | \$ 86,414                      | \$ 3,855        | \$ 90,269         |
| 2027                                    | 43,325                         | 2,490           | 45,815            |
| 2028                                    | 44,595                         | 1,215           | 45,810            |
| 2029                                    | 24,115                         | 154             | 24,269            |
| 2030                                    | 673                            | 3               | 676               |
| Total                                   | <u>\$ 199,122</u>              | <u>\$ 7,717</u> | <u>\$ 206,839</u> |

| <b>Fiscal Year Ending September 30,</b> | <b>Business-Type Activities</b> |                  |                   |
|---|---------------------------------|------------------|-------------------|
|   | <b>Principal</b>                | <b>Interest</b>  | <b>Total</b>      |
| 2026                                    | 222,048                         | 8,088            | 230,136           |
| 2027                                    | 187,172                         | 2,542            | 189,714           |
| Total                                   | <u>\$ 409,220</u>               | <u>\$ 10,630</u> | <u>\$ 419,850</u> |

***Leases Receivable***

The City's local finance fund leases building space to third parties, the terms of which expire through 2038, and the general fund leases land space and equipment to third parties, the terms of which expire between 2029 and 2047. The City recognized approximately \$25,000 of lease revenue and \$73,000 interest revenue during the current fiscal year related to the leases. As of September 30, 2025, the City's local finance fund and general fund receivable for lease payments was \$273,076 and \$975,919, respectively, and the balance of the deferred inflow of resources was \$249,461 and \$869,796, respectively. The City recognized \$421,773 in rental revenue for variable payments during the year.

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

The following is a schedule by year of receipts under the leases as of September 30, 2025:

| <u>Fiscal Year Ending September 30,</u> | <u>Governmental Activities</u> |                   |                     |
|---|--------------------------------|-------------------|---------------------|
|   | <u>Principal</u>               | <u>Interest</u>   | <u>Total</u>        |
| 2026                                    | \$ 59,943                      | \$ 71,109         | \$ 131,052          |
| 2027                                    | 68,657                         | 68,670            | 137,327             |
| 2028                                    | 77,891                         | 65,834            | 143,725             |
| 2029                                    | 87,675                         | 62,711            | 150,386             |
| 2030                                    | 33,184                         | 61,220            | 94,404              |
| 2031-2035                               | 223,873                        | 277,355           | 501,228             |
| 2036-2040                               | 273,379                        | 204,715           | 478,094             |
| 2041-2045                               | 304,643                        | 99,664            | 404,307             |
| 2046-2047                               | 119,750                        | 6,495             | 126,245             |
| Total                                   | <u>\$ 1,248,995</u>            | <u>\$ 917,773</u> | <u>\$ 2,166,768</u> |

***Regulated Leases***

***Business-Type Activities***

In accordance with GASB 87, the City does not recognize a lease receivable and a deferred inflow of resources for regulated leases in which the City is the lessor. Regulated leases are certain leases that are subject to external laws, regulation, or legal rulings, e.g., the U.S. Department of Transportation and the Federal Aviation Administration, between airports and air carriers and other aeronautical users. The City has regulated leases related to the City's regional airport. These leases are for use of the land and structures owned by the City. The tenant constructs or improves, owns, and maintains all the improvements on the land. The leases allow access to the land for aeronautical use for private purposes and does not qualify as public use. At the end of the ground lease, the improvements revert to City ownership. The City had 16 leases during the year that had terms exceeding one year. The revenue recognized by the business-type activities for the regulated leases during the fiscal year ended September 30, 2025 was approximately \$1,116,000, and approximately \$947,000 was related to variable lease payments received.

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

The future lease receipts for the City's regulated leases as of September 30, 2025 were as follows:

| <u>Fiscal Year Ending September 30,</u> | <u>Future<br/>Regulated<br/>Lease<br/>Receipts</u> |
|---|--|
| 2026                                    | \$ 118,806   |
| 2027                                    | 91,353   |
| 2028                                    | 87,803   |
| 2029                                    | 87,803   |
| 2030                                    | 87,803   |
| 2031-2035                               | 364,710  |
| 2036-2040                               | 105,800  |
| 2041-2045                               | 58,304   |
| 2046-2050                               | 12,250   |
| 2051-2054                               | <u>6,550</u>                                       |
| Total                                   | <u>\$ 1,021,182</u>                                |

**Note 9. Subscription Liability**

The City's general fund has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2029. During the fiscal year ended September 30, 2025, the City did not recognize any subscription expense for variable payments not previously included in the measurement of the subscription liability.

The following is a schedule by year of payments under the subscriptions as of September 30, 2025:

| <u>Fiscal Year Ending September 30,</u> | <u>Governmental Activities</u> |                   |                     |
|---|--------------------------------|-------------------|---------------------|
|   | <u>Principal</u>               | <u>Interest</u>   | <u>Total</u>        |
| 2026                                    | 1,306,387                      | 101,191           | 1,407,578           |
| 2027                                    | 1,341,920                      | 67,705            | 1,409,625           |
| 2028                                    | 1,350,389                      | 33,708            | 1,384,097           |
| 2029                                    | <u>1,121,875</u>               | <u>2,512</u>      | <u>1,124,387</u>    |
| Total                                   | <u>\$ 5,120,571</u>            | <u>\$ 205,116</u> | <u>\$ 5,325,687</u> |

## **Note 10. Long-term Liabilities**

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

- General obligation bonds have been issued in prior years pursuant to voter authorization for infrastructure and facility projects accounted for in a governmental capital project fund. There were no general obligation bonds issued in the current year.
- Certificate of obligation debt is similar to general obligation bonds in their usage and retirement but do not require voter authorization and are not used for refunding debt. The City issued \$29,975,000 of tax-exempt Certificates, with a premium of \$1,922,077, in August 2025 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 existing City buildings and facilities, including City Hall facilities, recreation facilities, service center facilities, police facilities, public safety training facilities, solid waste service facilities, arts facilities, field service facilities, and fire stations; (iv) acquisition of equipment and vehicles for various City services and departments, including police, animal services, parks and recreation, enforcement services, neighborhood services, public works, fire, and facilities maintenance services, (v) professional services incurred in connection with items (i) through (iv); and (vi) to pay the costs incurred in connection with the issuance of the Certificates.
- Special Assessment bonds are issued to provide funds for improvements within the City's Public Improvement Districts (PIDs). The City issued \$5,435,000 of special assessment revenue bonds, with a discount of \$19,207, in October 2024 for the Solterra PID.
- 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 \$16,475,000 of Waterworks and Sewer System Revenue Bonds, with a premium of \$891,902, in May 2025 for: (i) acquiring, constructing, installing and equipping additions, improvements and extensions to the City's waterworks and sewer system, (ii) funding the Reserve Fund requirement for the Series 2025 Bonds, and (iii) paying the costs incurred in connection with the issuance of the Series 2025 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 \$3,550,000 of Municipal Drainage Utility System Revenue Bonds with a premium of \$170,163, in May 2025 for: (i) providing funds for improvements, additions, and extensions to the drainage system, (ii) to 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 the Bonds.

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

Governmental activities long-term bonded debt at September 30, 2025, includes the following individual issues:

| <b>Governmental Activities</b>                      | <b>Issued Amount</b> | <b>Interest Rate (%)</b> | <b>Maturity Date</b> | <b>Amount Outstanding</b> | <b>Due Within One Year</b> |
|---|----------------------|--------------------------|----------------------|---------------------------|----------------------------|
| <b>General Obligation Bonds-</b>                    |                      |                          |                      |                           |                            |
| Series 2014 refunding                               | 9,080,000            | 3.00-4.00                | 2/15/2026            | 815,000                   | 815,000                    |
| Series 2016 refunding & improvement                 | 40,565,000           | 1.75-5.00                | 2/15/2036            | 21,380,000                | 2,390,000                  |
| Series 2017 refunding                               | 7,600,000            | 2.50-5.00                | 2/15/2029            | 4,170,000                 | 970,000                    |
| Series 2018 refunding & improvement                 | 31,475,000           | 4.00-5.00                | 2/15/2038            | 20,675,000                | 1,275,000                  |
| Series 2019 refunding                               | 27,685,000           | 2.00-3.00                | 2/15/2031            | 13,145,000                | 3,050,000                  |
| Series 2020   | 14,585,000           | 4.00-5.00                | 2/15/2040            | 12,225,000                | 575,000                    |
| Series 2022   | 15,700,000           | 4.50-5.00                | 2/15/2042            | 14,285,000                | 550,000                    |
| Series 2024   | 15,445,000           | 4.00-5.00                | 2/15/2044            | 14,915,000                | 485,000                    |
|   |                      |                          |                      | <u>101,610,000</u>        | <u>10,110,000</u>          |
| <b>Certificate of Obligation Bonds-</b>             |                      |                          |                      |                           |                            |
| Series 2012   | 7,235,000            | 2.00-3.375               | 2/15/2032            | 2,520,000                 | 330,000                    |
| Series 2013   | 5,450,000            | 2.00-3.00                | 2/15/2033            | 1,180,000                 | 130,000                    |
| Series 2014   | 9,715,000            | 3.00-4.00                | 2/15/2034            | 5,825,000                 | 230,000                    |
| Series 2015   | 14,835,000           | 2.00-5.00                | 2/15/2035            | 6,500,000                 | 290,000                    |
| Series 2016   | 11,815,000           | 2.00-5.00                | 2/15/2036            | 3,270,000                 | 830,000                    |
| Series 2017   | 8,285,000            | 1.00-3.67                | 2/15/2037            | 2,905,000                 | 455,000                    |
| Series 2018   | 16,050,000           | 4.00-5.00                | 2/15/2038            | 10,570,000                | 795,000                    |
| Series 2019   | 10,065,000           | 3.00-4.00                | 2/15/2039            | 5,365,000                 | 285,000                    |
| Series 2020   | 10,360,000           | 4.00-5.00                | 2/15/2040            | 8,685,000                 | 410,000                    |
| Series 2021   | 14,120,000           | 2.00-5.00                | 2/15/2041            | 8,080,000                 | 990,000                    |
| Series 2021-T                                       | 1,885,000            | 0.35-2.72                | 2/15/2041            | 1,560,000                 | 85,000                     |
| Series 2022A  | 24,185,000           | 4.00-5.00                | 2/15/2042            | 21,265,000                | 1,130,000                  |
| Series 2022B  | 5,105,000            | 4.00-5.00                | 2/15/2042            | 4,610,000                 | 185,000                    |
| Series 2023   | 56,485,000           | 4.00-5.00                | 2/15/2043            | 49,140,000                | 2,685,000                  |
| Series 2024   | 34,090,000           | 4.00-5.00                | 2/15/2044            | 30,600,000                | 1,085,000                  |
| Series 2025   | 29,975,000           | 5.00-5.25                | 2/15/2045            | 29,975,000                | 3,210,000                  |
|   |                      |                          |                      | <u>192,050,000</u>        | <u>13,125,000</u>          |
| <b>Special Assessment Bonds-</b>                    |                      |                          |                      |                           |                            |
| Series 2018 - Heartland Phase 1                     | 5,410,000            | 4.375-5.375              | 9/1/2048             | 4,905,000                 | 115,000                    |
| Series 2018 - Heartland Phase 2                     | 1,835,000            | 5.125-5.625              | 9/1/2048             | 1,645,000                 | 45,000                     |
| Series 2019 - Iron Horse                            | 10,050,000           | 6.5                      | 9/15/2049            | 9,380,000                 | 190,000                    |
| Series 2019 - Polo Ridge Phase 1                    | 7,040,000            | 4.25-5.125               | 9/15/2048            | 6,365,000                 | 150,000                    |
| Series 2019 - Polo Ridge Phases 2-6                 | 7,500,000            | 5.125-6.125              | 9/15/2048            | 6,870,000                 | 145,000                    |
| Series 2023 - Solterra A-1                          | 33,425,000           | 4.750-5.750              | 9/1/2053             | 4,800,000                 | 71,000                     |
| Series 2023 - Solterra C-1                          | 7,000,000            | 4.625-5.625              | 9/1/2053             | 32,636,000                | 520,000                    |
| Series 2023 - Solterra C-2                          | 3,525,000            | 4.625-5.670              | 9/1/2053             | 6,813,000                 | 114,000                    |
| Series 2023 - Heartland Phase 2                     | 4,939,000            | 4.625-5.670              | 9/1/2053             | 3,466,000                 | 62,000                     |
| Series 2024 - Solterra C-3                          | 5,435,000            | 4.25-5.25                | 9/1/2053             | 5,303,000                 | 90,000                     |
|   |                      |                          |                      | <u>82,183,000</u>         | <u>1,502,000</u>           |
| Total governmental activities long-term bonded debt |                      |                          |                      | 375,843,000               | 24,737,000                 |
| Add: Net premium/discounts on bonds                 |                      |                          |                      | 18,281,043                | -                          |
| Net governmental activities long-term bonded debt   |                      |                          |                      | <u>\$ 394,124,043</u>     | <u>\$ 24,737,000</u>       |

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

Business-type activities long-term bonded debt at September 30, 2025, includes the following individual issues:

| <b>Business-type Activities</b>               | <b>Issued Amount</b> | <b>Interest Rate (%)</b> | <b>Interest Date</b> | <b>Amount Outstanding</b> | <b>Due Within One Year</b> |
|---|----------------------|--------------------------|----------------------|---------------------------|----------------------------|
| <b>Water and Sewer Revenue Bonds-</b>         |                      |                          |                      |                           |                            |
| Series 2012 refunding and improvements        | \$ 7,945,000         | 2.00-3.375               | 3/1/2032             | \$ 1,970,000              | \$ 255,000                 |
| Series 2013 refunding and improvements        | 7,090,000            | 2.00-3.25                | 3/1/2033             | 2,405,000                 | 270,000                    |
| Series 2014 refunding and improvements        | 11,655,000           | 3.00-4.00                | 3/1/2034             | 3,575,000                 | 935,000                    |
| Series 2015 refunding and improvements        | 10,325,000           | 2.00-5.00                | 3/1/2035             | 3,610,000                 | 295,000                    |
| Series 2016 refunding and improvements        | 15,785,000           | 2.00-5.00                | 3/1/2036             | 6,470,000                 | 1,145,000                  |
| Series 2017 refunding and improvements        | 12,555,000           | 2.00-5.00                | 3/1/2037             | 7,700,000                 | 840,000                    |
| Series 2018 refunding and improvements        | 8,920,000            | 4.00-5.00                | 3/1/2038             | 6,100,000                 | 485,000                    |
| Series 2019 improvements                      | 15,260,000           | 3.00-5.00                | 3/1/2039             | 11,920,000                | 655,000                    |
| Series 2019A refunding                        | 9,035,000            | 2.00-3.00                | 3/1/2031             | 4,690,000                 | 810,000                    |
| Series 2020 improvements                      | 19,430,000           | 4.00-5.00                | 3/1/2040             | 16,320,000                | 770,000                    |
| Series 2021 improvements                      | 26,520,000           | 2.00-4.00                | 3/1/2041             | 22,015,000                | 1,280,000                  |
| Series 2022 improvements                      | 33,785,000           | 5.00-5.00                | 3/1/2042             | 30,365,000                | 1,380,000                  |
| Series 2023                                   | 31,045,000           | 4.00-5.00                | 3/1/2043             | 29,135,000                | 1,035,000                  |
| Series 2024                                   | 17,810,000           | 4.00-5.00                | 3/1/2044             | 17,235,000                | 565,000                    |
| Series 2025                                   | 16,475,000           | 5.00-5.00                | 3/1/2045             | 16,475,000                | 335,000                    |
|   |                      |                          |                      | <u>179,985,000</u>        | <u>11,055,000</u>          |
| <b>Drainage Utility System Revenue Bonds-</b> |                      |                          |                      |                           |                            |
| Series 2019 improvements                      | 7,910,000            | 2.00-4.00                | 3/1/2039             | 6,145,000                 | 345,000                    |
| Series 2022 improvements                      | 3,715,000            | 5.00-5.00                | 3/1/2042             | 3,395,000                 | 130,000                    |
| Series 2025 improvements                      | 3,550,000            | 5.00-5.00                | 3/1/2045             | 3,550,000                 | 70,000                     |
|   |                      |                          |                      | <u>13,090,000</u>         | <u>545,000</u>             |
| Total business-type activities long-term debt |                      |                          |                      | 193,075,000               | 11,600,000                 |
| Add: Net premium/discounts on bonds           |                      |                          |                      | <u>11,835,880</u>         | <u>-</u>                   |
| Net business-type activities long-term debt   |                      |                          |                      | <u>\$ 204,910,880</u>     | <u>\$ 11,600,000</u>       |

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

| <b>Fiscal Year Ending September 30,</b> | <b>Governmental Activities</b> |                       | <b>Business-type Activities</b> |                      |
|---|--------------------------------|-----------------------|---------------------------------|----------------------|
|   | <b>Principal</b>               | <b>Interest</b>       | <b>Principal</b>                | <b>Interest</b>      |
| 2026                                    | \$ 24,737,000                  | \$ 17,116,552         | \$ 11,600,000                   | \$ 8,268,163         |
| 2027                                    | 21,298,000                     | 16,169,137            | 11,640,000                      | 7,540,281            |
| 2028                                    | 21,846,000                     | 15,242,878            | 11,640,000                      | 7,015,659            |
| 2029                                    | 20,967,000                     | 14,319,883            | 11,615,000                      | 6,493,725            |
| 2030                                    | 20,532,000                     | 13,386,978            | 11,530,000                      | 5,985,819            |
| 2031-2035                               | 99,114,000                     | 52,909,972            | 58,900,000                      | 22,480,313           |
| 2036-2040                               | 82,095,000                     | 31,844,059            | 52,230,000                      | 10,468,050           |
| 2041-2045                               | 54,326,000                     | 15,213,044            | 23,920,000                      | 2,023,856            |
| 2046-2050                               | 20,693,000                     | 6,206,556             | -                               | -                    |
| 2051-2053                               | 10,235,000                     | 1,150,825             | -                               | -                    |
| Total                                   | <u>\$ 375,843,000</u>          | <u>\$ 183,559,884</u> | <u>\$ 193,075,000</u>           | <u>\$ 70,275,866</u> |

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

***Pledged Revenues***

The following is a summary of pledged revenues of the City for the year ended September 30, 2025:

| <b>Debt</b>                           | <b>Revenue Pledged</b>  | <b>Total Pledged Revenue</b> | <b>Current Year Debt Service Requirements</b> | <b>Percentage Portion of Pledged Revenue Stream</b> | <b>Remaining Principal and Interest</b> | <b>Period Revenue Will Not Be Available For Other Purposes</b> |
|---------------------------------------|---|------------------------------|---|---|---|--|
| Water and Sewer Revenue Bonds         | Net revenues of the City's waterworks and sewer system            | \$ 25,371,911                | \$ 17,695,216                                 | 69.7%   | \$ 245,033,748                          | Until 2044   |
| Drainage Utility System Revenue Bonds | Net revenues of the City's drainage utility system                | 2,952,319                    | 841,575                                       | 28.5%   | 18,317,118                              | Until 2042   |
| Special Assessment Bonds              | Assessments levied against assessable properties in the Districts | 6,701,192                    | 6,024,519                                     | 89.9%   | 159,054,190                             | Until 2053   |

***Compensated Absences***

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

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

Long-term liabilities activity for the year ended September 30, 2025 was as follows:

|                                 | <b>Beginning Balance</b> | <b>Additions</b>     | <b>Reductions</b>    | <b>Ending Balance</b> | <b>Due Within One Year</b> |
|---------------------------------|--------------------------|----------------------|----------------------|-----------------------|----------------------------|
| <b>Governmental Activities:</b> |                          |                      |                      |                       |                            |
| Bonds Payable:                  |                          |                      |                      |                       |                            |
| General obligation bonds        | \$ 112,185,000           | \$ -                 | \$ 10,575,000        | \$ 101,610,000        | \$ 10,110,000              |
| Certificates of obligation      | 174,465,000              | 29,975,000           | 12,390,000           | 192,050,000           | 13,125,000                 |
| Special assessment bonds        | 78,231,000               | 5,435,000            | 1,483,000            | 82,183,000            | 1,502,000                  |
| Total bonds payable             | 364,881,000              | 35,410,000           | 24,448,000           | 375,843,000           | 24,737,000                 |
| Add: net premium or discount    | 19,186,643               | 1,922,077            | 2,827,677            | 18,281,043            | -                          |
| Net bonds payable               | 384,067,643              | 37,332,077           | 27,275,677           | 394,124,043           | 24,737,000                 |
| Lease liability                 | 285,886                  | 12,644               | 99,408               | 199,122               | 86,414                     |
| Subscription liability          | 871,094                  | 5,669,672            | 1,420,195            | 5,120,571             | 1,306,387                  |
| Accrued compensated absences*   | 23,093,899               | -                    | 5,912,685            | 17,181,214            | 418,825                    |
| Estimated claims payable        | 3,413,427                | 24,946,033           | 24,750,190           | 3,609,270             | 2,127,013                  |
|                                 | <u>\$ 411,731,949</u>    | <u>\$ 67,960,426</u> | <u>\$ 59,458,155</u> | <u>\$ 420,234,220</u> | <u>\$ 28,675,639</u>       |

\*The change in accrued compensated absences is presented as a net amount, in accordance with GASB 101.

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

|                                  | <b>Beginning<br/>Balance</b> | <b>Additions</b>     | <b>Reductions</b>    | <b>Ending<br/>Balance</b> | <b>Due Within<br/>One Year</b> |
|----------------------------------|------------------------------|----------------------|----------------------|---------------------------|--------------------------------|
| <b>Business-type Activities:</b> |                              |                      |                      |                           |                                |
| Bonds Payable:                   |                              |                      |                      |                           |                                |
| Revenue bonds - water/sewer      | \$ 174,065,000               | \$ 16,475,000        | \$ 10,555,000        | \$ 179,985,000            | \$ 11,055,000                  |
| Revenue bonds - drainage         | 9,995,000                    | 3,550,000            | 455,000              | 13,090,000                | 545,000                        |
| Total revenue bonds payable      | 184,060,000                  | 20,025,000           | 11,010,000           | 193,075,000               | 11,600,000                     |
| Add: net premium or discount     | 12,246,142                   | 1,062,065            | 1,472,327            | 11,835,880                | -                              |
| Net revenue bonds payable        | 196,306,142                  | 21,087,065           | 12,482,327           | 204,910,880               | 11,600,000                     |
| Lease liability                  | 625,770                      | -                    | 216,550              | 409,220                   | 222,048                        |
| Accrued compensated absences*    | 2,023,382                    | -                    | 965,064              | 1,058,318                 | 155,904                        |
|                                  | <u>\$ 198,955,294</u>        | <u>\$ 21,087,065</u> | <u>\$ 13,663,941</u> | <u>\$ 206,378,418</u>     | <u>\$ 11,977,952</u>           |

\*The change in accrued compensated absences is presented as a net amount, in accordance with GASB 101.

**Note 11. Retirement Plans**

***Texas Municipal Retirement System (TMRS)***

***Plan Description***

The City participates as one of over 900 plans in the defined benefit cash balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://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.

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

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, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

|  |                     |
|--|---------------------|
| Inactive employees or beneficiaries currently receiving benefits | 1,018               |
| Inactive employees entitled to but not yet receiving benefits    | 718                 |
| Active employees   | <u>1,246</u>        |
|  | <u><u>2,982</u></u> |

**Contributions**

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 19.01% and 20.19% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$23,535,294, and were equal to the actuarially required contributions.

**Net Pension Liability**

The City's net pension liability was measured as of December 31, 2024, 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, 2024 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 |

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

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 as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

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

| <b>Asset Class</b>    | <b>Target Allocation</b> | <b>Long-term Expected Real Rate of Return (Arithmetic)</b> |
|-----------------------|--------------------------|--|
| Global Equity         | 35.00%                   | 7.10%  |
| Core Fixed Income     | 6.00%                    | 0.50%  |
| Non-Core Fixed Income | 6.00%                    | 0.68%  |
| Hedge Funds           | 5.00%                    | 0.64%  |
| Private Equity        | 13.00%                   | 0.85%  |
| Private Debt          | 13.00%                   | 0.82%  |
| Real Estate           | 12.00%                   | 0.67%  |
| Infrastructure        | 6.00%                    | 0.60%  |
| Other Private Markets | 4.00%                    | 0.73%  |
|                       | 100.00%                  |  |

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

**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.

**Changes in the Net Pension Liability**

|   | <b>Total Pension<br/>Liability</b> | <b>Plan Fiduciary<br/>Net Position</b> | <b>Net Pension<br/>Liability</b> |
|---|------------------------------------|--|----------------------------------|
| <b>Balance at September 30, 2024</b>                          | <u>\$ 692,368,322</u>              | <u>\$ 542,749,570</u>                  | <u>\$ 149,618,752</u>            |
| Changes for the year:   |                                    |  |                                  |
| Service cost  | 18,163,198                         | -                                      | 18,163,198                       |
| Interest (on the total pension liability)                     | 46,034,071                         | -                                      | 46,034,071                       |
| Difference between expected and actual experience             | 4,956,224                          | -                                      | 4,956,224                        |
| Benefit payments, including refunds of employee contributions | (38,927,369)                       | (38,927,369)                           |                                  |
| Administrative expense  | -                                  | (361,677)                              | 361,677                          |
| Contributions - member  | -                                  | 7,236,334                              | (7,236,334)                      |
| Contributions - employer                                      | -                                  | 21,709,004                             | (21,709,004)                     |
| Net investment income   | -                                  | 56,250,041                             | (56,250,041)                     |
| Other   | -                                  | (8,460)                                | 8,460                            |
|   | <u>30,226,124</u>                  | <u>45,897,873</u>                      | <u>(15,671,749)</u>              |
| Net Changes   |                                    |  |                                  |
|   | <u>\$ 722,594,446</u>              | <u>\$ 588,647,443</u>                  | <u>\$ 133,947,003</u>            |
| <b>Balance at September 30, 2025</b>                          |                                    |  |                                  |

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

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

|               | <b>1% Decrease<br/>5.75%</b> | <b>Current Rate<br/>Assumption<br/>6.75%</b> | <b>1% Increase<br/>7.75%</b> |
|---------------|------------------------------|--|------------------------------|
| Discount rate | \$ 227,731,572               | \$ 133,947,003                               | \$ 56,250,432                |

**Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2025, the City recognized pension expense of \$24,684,788.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

|   | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|---|---|--|
| Difference in expected and actual experience  | \$ 8,734,787                                  | \$ -   |
| Difference between projected and actual investment earnings on pension plan investments | -   | 5,413,460                                    |
| Changes in assumptions  | -   | 2,101,395                                    |
| Changes in proportion   | 3,453,093                                     | 3,453,093                                    |
| Employer contributions subsequent to the measurement date                               | <u>18,471,615</u>                             | <u>-</u>                                     |
|   | <u>\$ 30,659,495</u>                          | <u>\$ 10,967,948</u>                         |

\$18,471,615 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended September 30,</u> |                     |
|---------------------------------|---------------------|
| 2026                            | \$ 4,246,504        |
| 2027                            | 8,383,607           |
| 2028                            | (7,548,474)         |
| 2029                            | <u>(3,861,705)</u>  |
|                                 | <u>\$ 1,219,932</u> |

***Allocation of Pension Items***

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

***Deferred Compensation Plan***

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

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

**Note 12. Regional Systems for Water Supply and Wastewater Treatment**

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

***Water Supply***

On August 1, 1988, the City entered into a contract with the District whereby the District agreed to provide water supply for the benefit of the City. The provisions of this contract are similar in concept, essence, and intent to the provisions of the contract originally entered into on December 12, 1953. In return for this service, the City agreed to pay the District at a rate per 1,000-gallon basis, subject to minimum annual payments which approximated \$29.79 million for the fiscal year ended September 30, 2025.

***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, 2025, was approximately \$15.45 million.

**Note 13. Self-Insurance**

***Group Health Insurance***

The City established the Group Medical Insurance internal service fund in 1984 to account for the provision of group life and health insurance coverage for employees and their dependents. The City's health insurance program is a "self-insured" plan funded by both the City and participating employees. The City makes a predetermined contribution to the plan each biweekly payroll for group life and health insurance coverage for qualifying City employees and a subsidy toward employee dependent coverage. Employees contribute through payroll deductions for the balance of dependent health insurance coverage. The City's health insurance program includes stop loss coverage with a \$300,000 deductible per individual with an unlimited liability limit per claim. According to the Health Care Reform Act lifetime maximums are no longer allowed. The coverage is consistent with prior years and settled claims did exceed this self-insured coverage in fiscal year 2024 by \$53,065 and in fiscal year 2025 by \$778,463.

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

The estimated claims payable of \$1,385,885 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 2024 and 2025 were:

| Fiscal Year | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | End of Fiscal Year Liability |
|-------------|------------------------------------|--|----------------|------------------------------|
| 2024        | \$ 730,223                         | \$ 20,184,309                                | \$ 19,766,355  | \$ 1,148,177                 |
| 2025        | \$ 1,148,177                       | \$ 22,662,900                                | \$ 22,425,192  | \$ 1,385,885                 |

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

***General Liability Insurance***

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

- \$10,000 retention for each real and personal property claim and a scheduled limit on coverage
- \$10,000 retention for each mobile equipment claim and a scheduled limit on coverage
- \$10,000 retention for each auto physical damage claim and a \$1,000,000 limit on coverage

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

- \$100,000 retention for each auto catastrophe claim and a \$10,000,000 limit on coverage
- \$50,000 retention for each law enforcement claim and a \$5,000,000 limit on coverage with a \$10,000,000 annual aggregate
- \$50,000 retention for each general liability claim and a \$1,000,000 limit on coverage with a \$2,000,000 annual aggregate
- \$2,500 retention for each airport hangar-keeper claim and a \$1,000,000 limit on coverage
- \$50,000 retention for each auto liability claim and a \$1,000,000 limit on coverage
- \$5,000 retention for each error and omission claim with an aggregate \$250,000 limit per claim, and a \$5,000,000 limit on coverage with a \$10,000,000 annual aggregate
- \$300,000 retention for each worker’s compensation claim
- \$25,000 retention for each crime coverage claim with a \$500,000 limit on coverage
- \$10,000 retention for each storage tank pollution claim with a \$1,000,000 limit on coverage with a \$2,000,000 annual aggregate

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

The estimated claims payable of \$2,223,385 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 2024 and 2025 were:

| <b>Fiscal Year</b> | <b>Beginning of Fiscal Year Liability</b> | <b>Current Year Claims and Changes in Estimates</b> | <b>Claim Payments</b> | <b>End of Fiscal Year Liability</b> |
|--------------------|---|---|-----------------------|-------------------------------------|
| 2024               | \$ 2,248,882                              | \$ 1,792,469  | \$ 1,776,101          | \$ 2,265,250                        |
| 2025               | \$ 2,265,250                              | \$ 2,283,133  | \$ 2,324,998          | \$ 2,223,385                        |

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

**Note 14. Other Postemployment Benefits (OPEB)**

***Plan Description***

In addition to the pension benefits described in *Note 11*, the City provides postretirement healthcare benefits to retirees and their dependents through a single-employer defined benefit healthcare. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75. The plan does not issue a separate financial report.

***Benefits Provided***

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

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

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

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

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

***Employees Covered by Benefit Terms***

At the September 30, 2024 actuarial valuation date, the following employees were covered by the benefit terms:

|  |                     |
|--|---------------------|
| Inactive employees or beneficiaries currently receiving benefits | 337                 |
| Inactive employees entitled to but not yet receiving benefits    | -                   |
| Active employees   | <u>1,208</u>        |
|  | <u><u>1,545</u></u> |

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

**Total OPEB Liability**

The City's total OPEB liability of \$30,330,120 was measured as of September 30, 2025 and was determined by an actuarial valuation as of September 30, 2024.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability measured as of September 30, 2025 determined by an actuarial valuation as of September 30, 2024, 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                         | 3.00%, including inflation  |
| Discount rate                            | 4.50%   |
| Prior year discount rate                 | 4.06%   |
| Healthcare cost trend rates - pre-65     | 6.5% for 2025, decreasing annually, to an ultimate rate of 4.04% for 2078 and later years           |
| Healthcare cost trend rates - post-65    | No increases are assumed. All premium increases are assumed to be paid by retirees.                 |
| Retirees' share of benefit-related costs | Future contributions for pre-65 retirees are assumed to increase at the same rate as medical trend. |

The discount rate of 4.50% was based on the September 30, 2025, S&P Municipal Bond 20 Year High Grade Index yield. The prior year discount rate was 4.06%, based on the S&P Municipal Bond 20 Year High Grade Index 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.

**Changes in the Total OPEB Liability**

|  | <b>Total OPEB<br/>Liability</b> |
|--|---------------------------------|
| <b>Balance as of October 1, 2024</b>               | \$ 31,610,826                   |
| Changes for the year                               |                                 |
| Service cost                                       | 1,448,564                       |
| Interest   | 1,312,995                       |
| Differences between expected and actual experience | (2,703,061)                     |
| Changes in assumptions/inputs                      | 45,795                          |
| Benefit payments                                   | <u>(1,384,999)</u>              |
| Net changes  | <u>(1,280,706)</u>              |
| <b>Balance at September 30, 2025</b>               | <u><u>\$ 30,330,120</u></u>     |

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

***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 (3.50%) or 1-percentage-point higher (5.50%) than the current discount rate:

| <b>1% Decrease<br/>(3.50%)</b> | <b>Discount Rate<br/>(4.50%)</b> | <b>1% Increase<br/>(5.50%)</b> |
|--------------------------------|----------------------------------|--------------------------------|
| \$ 33,248,844                  | \$ 30,330,120                    | \$ 27,712,661                  |

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

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

| <b>1% Decrease</b> | <b>Healthcare<br/>Cost Trend</b> | <b>1% Increase</b> |
|--------------------|----------------------------------|--------------------|
| \$ 27,279,603      | \$ 30,330,120                    | \$ 33,996,232      |

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$2,292,369. At September 30, 2025, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

|  | <b>Deferred<br/>Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows<br/>of Resources</b> |
|--|---|--|
| Difference in expected and actual experience | \$ -  | \$ 2,732,170                                 |
| Changes in assumptions                       | 131,103                                       | 489,581                                      |
| Changes in proportion                        | 1,048,621                                     | 1,048,621                                    |
|  | <u>\$ 1,179,724</u>                           | <u>\$ 4,270,372</u>                          |

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

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

| <u>Year Ended September 30,</u> |                       |
|---------------------------------|-----------------------|
| 2026                            | \$ (469,192)          |
| 2027                            | (469,192)             |
| 2028                            | (469,192)             |
| 2029                            | (283,469)             |
| 2030                            | (283,469)             |
| Thereafter                      | <u>(1,116,134)</u>    |
| Total                           | <u>\$ (3,090,648)</u> |

***Allocation of OPEB Items***

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

**Note 15. Commitments and Contingent Liabilities**

***Encumbrances***

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

| <u>Fund/Program</u>                | <u>Encumbrance</u>   |
|------------------------------------|----------------------|
| General                            | \$ 206,439           |
| 4B                                 | 2,320,639            |
| Confiscated - State                | 50,229               |
| Confiscated - Federal              | 128,181              |
| Grants                             | 116,773              |
| Grants - Disasters                 | 4,865,448            |
| Reserve Fee                        | 5,758                |
| Contribution                       | 904                  |
| Citizen Contribution 50/50 Program | 45,112               |
| TIRZ 2 Town Centre                 | 15,978               |
| TIRZ Skyline                       | 287,932              |
| Local Finance                      | 559,623              |
| Bond Finance                       | 27,530,863           |
| Water/Sewer                        | 24,156,927           |
| Solid Waste and Equipment Services | 17,537               |
| Drainage Utility District          | 4,728,582            |
| Group Medical Insurance            | 3,000                |
| General Liability                  | 159,611              |
|                                    | <u>\$ 65,199,536</u> |

***Pending Litigation***

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

***Arbitrage Rebate Requirements***

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

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

---

***Federal and State Grants***

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) and multihousing developments (Mesquite Housing Finance Corporation). The bonds are secured by the property financed and are payable solely from payments received on the underlying debt obligations. Even though some of the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit debt by component unit at September 30, 2025, is as follows.

| Series | Mesquite Housing<br>Finance<br>Corporation | Mesquite Health<br>Facilities<br>Corporation |
|--------|--|--|
| 2014   | \$ -                                       | \$ 27,815,000                                |
| 2016   | -  | 21,315,000                                   |
| 2024   | 37,000,000                                 | -  |
| 2024A  | 41,700,000                                 | -  |
| Total  | <u>\$ 78,700,000</u>                       | <u>\$ 49,130,000</u>                         |

***Contingent Liability for Service Agreement***

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

**City of Mesquite, Texas**  
**Notes to Financial Statements**  
**September 30, 2025**

**Note 16. Fund Balances**

***Minimum Fund Balance Policy***

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

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

| Description   | General Fund         | Local Finance        | Bond Finance         | Debt Service        | Other Grants          | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------|----------------------|---------------------|-----------------------|-----------------------------|--------------------------|
| <b>Nonspendable:</b>                                  |                      |                      |                      |                     |                       |                             |                          |
| Prepays   | \$ 772,830           | \$ -                 | \$ -                 | \$ -                | \$ -                  | \$ 7,001                    | \$ 779,831               |
| Inventory   | 1,694,160            | -                    | -                    | -                   | -                     | -                           | 1,694,160                |
| Long-term note receivable                             | 528,560              | 771,148              | -                    | -                   | -                     | -                           | 1,299,708                |
| Total Nonspendable                                    | <u>2,995,550</u>     | <u>771,148</u>       | <u>-</u>             | <u>-</u>            | <u>-</u>              | <u>7,001</u>                | <u>3,773,699</u>         |
| <b>Restricted:</b>                                    |                      |                      |                      |                     |                       |                             |                          |
| Debt service  | -                    | -                    | -                    | 2,624,865           | -                     | -                           | 2,624,865                |
| Housing and community services                        | -                    | -                    | -                    | -                   | -                     | 3,961,831                   | 3,961,831                |
| 4B sales tax projects                                 | -                    | -                    | -                    | -                   | -                     | 17,651,492                  | 17,651,492               |
| Promotion of tourism                                  | -                    | -                    | -                    | -                   | -                     | 2,708,910                   | 2,708,910                |
| Historic preservation activities                      | -                    | -                    | -                    | -                   | -                     | 937,324                     | 937,324                  |
| Preservation activities                               | -                    | -                    | -                    | -                   | -                     | 109,199                     | 109,199                  |
| Law enforcement                                       | -                    | -                    | -                    | -                   | -                     | 3,363,834                   | 3,363,834                |
| Capital projects                                      | -                    | -                    | 71,666,954           | -                   | -                     | -                           | 71,666,954               |
| Community access projects                             | -                    | -                    | -                    | -                   | -                     | 715,172                     | 715,172                  |
| Road surface repairs                                  | -                    | 21,801,449           | -                    | -                   | -                     | -                           | 21,801,449               |
| Tax Increment Financing Districts                     | -                    | 9,362,864            | -                    | -                   | -                     | -                           | 9,362,864                |
| Public Improvement Districts                          | -                    | 11,439,031           | -                    | -                   | -                     | -                           | 11,439,031               |
| Hike and Bike Trail                                   | -                    | 47,531               | -                    | -                   | -                     | -                           | 47,531                   |
| Developer's deposits                                  | -                    | 1,955,361            | -                    | -                   | -                     | -                           | 1,955,361                |
| Capital replacement                                   | -                    | 1,422,449            | -                    | -                   | -                     | -                           | 1,422,449                |
| Citizen 50/50 plan and parks improvement              | -                    | -                    | -                    | -                   | -                     | 1,982,790                   | 1,982,790                |
| Local finance capital projects                        | -                    | 2,220,816            | -                    | -                   | -                     | -                           | 2,220,816                |
| Public safety, notification, & technology improvement | -                    | -                    | -                    | -                   | -                     | 1,949,932                   | 1,949,932                |
| Total Restricted                                      | <u>-</u>             | <u>48,249,501</u>    | <u>71,666,954</u>    | <u>2,624,865</u>    | <u>-</u>              | <u>33,380,484</u>           | <u>155,921,804</u>       |
| <b>Assigned:</b>                                      |                      |                      |                      |                     |                       |                             |                          |
| Other general government                              | 206,439              | -                    | -                    | -                   | -                     | -                           | 206,439                  |
| Other local finance capital projects                  | -                    | 17,828,830           | -                    | -                   | -                     | -                           | 17,828,830               |
| Other special revenue                                 | -                    | -                    | -                    | -                   | -                     | 1,042,445                   | 1,042,445                |
| Total Assigned  | <u>206,439</u>       | <u>17,828,830</u>    | <u>-</u>             | <u>-</u>            | <u>-</u>              | <u>1,042,445</u>            | <u>19,077,714</u>        |
| <b>Unassigned</b>                                     | <u>36,407,885</u>    | <u>-</u>             | <u>-</u>             | <u>-</u>            | <u>(2,309,112)</u>    | <u>-</u>                    | <u>34,098,773</u>        |
| Total Fund Balances (Deficit)                         | <u>\$ 39,609,874</u> | <u>\$ 66,849,479</u> | <u>\$ 71,666,954</u> | <u>\$ 2,624,865</u> | <u>\$ (2,309,112)</u> | <u>\$ 34,429,930</u>        | <u>\$ 212,871,990</u>    |

**Note 17. Tax Abatement Disclosures**

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

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

For the fiscal year ended September 30, 2025, the City of Mesquite had twenty-six economic development agreements that included sales and/or property tax abatement provisions. In total, \$367,044 in sales tax and \$1,490,287 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 50% of the ad valorem taxes paid and 100% of the Net City sales taxes paid for development of a 80,000 square foot industrial building with a 3,500 square foot restaurant/tap room/pavilion.
- The City has agreed to reimburse 100% of the net City sales taxes paid for capital investment of \$2.4M to operate a family-oriented restaurant with 30 employees.
- The City has agreed to reimburse 50% of the business personal property taxes for facility improvements of \$10M and installation of \$128M of business personal property at a 332,000 square foot industrial building.

**Note 18: Subsequent Events**

In November 2025, the City issued \$31,098,000 Special Assessment Revenue Bonds, Series 2025 for Solterra Public Improvement District Area A-2-A-4. The purpose of the Special Assessment Revenue Bonds, Series 2025 are for the funding a portion of improvement project costs, funding the Bond Reserve Account for the Reserve Fund, and paying the costs of issuance of the Bonds.

In November 2025, the City issued \$13,581,000 Special Assessment Revenue Bonds, Series 2025 for Solterra Public Improvement District Area C-4. The purpose of the Special Assessment Revenue Bonds, Series 2025 are for the funding a portion of improvement project costs, funding the Bond Reserve Account for the Reserve Fund, and paying the costs of issuance of the Bonds.

Subsequent events have been evaluated through February 20, 2026, which is the date the financial statements were issued.

**MESQUITE**

T E X A S

Real. Texas. Flavor.

**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,   | 2015                  | 2016                  | 2017                  |
|---|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability:</b>   |                       |                       |                       |
| Service cost  | \$ 11,282,680         | \$ 11,607,011         | \$ 15,375,279         |
| Interest (on the Total Pension Liability)                                     | 33,164,585            | 33,628,738            | 35,019,294            |
| Difference between expected and actual experience                             | (721,632)             | (265,481)             | (3,377,576)           |
| Change in assumptions   | 3,677,030             | -                     | -                     |
| Benefit payments, including refunds of employee contributions                 | <u>(22,598,587)</u>   | <u>(23,683,590)</u>   | <u>(28,823,538)</u>   |
| <b>Net Change in Total Pension Liability</b>                                  | 24,804,076            | 21,286,678            | 18,193,459            |
| <b>Total Pension Liability - Beginning</b>                                    | <u>479,437,734</u>    | <u>504,241,810</u>    | <u>525,528,488</u>    |
| <b>Total Pension Liability - Ending</b>                                       | <u>504,241,810</u>    | <u>525,528,488</u>    | <u>543,721,947</u>    |
| <b>Plan Fiduciary Net Position:</b>   |                       |                       |                       |
| Contributions - employer  | 7,390,890             | 7,083,990             | 8,804,273             |
| Contributions - employee  | 4,872,185             | 4,819,479             | 5,010,566             |
| Net investment income   | 584,061               | 26,059,766            | 55,376,389            |
| Benefit payments, including refunds of employee contributions                 | (22,598,587)          | (23,683,590)          | (28,823,538)          |
| Administrative expense  | (355,783)             | (294,412)             | (287,093)             |
| Other   | <u>(17,572)</u>       | <u>(15,862)</u>       | <u>(14,550)</u>       |
| <b>Net Change in Plan Fiduciary Net Position</b>                              | (10,124,806)          | 13,969,371            | 40,066,047            |
| <b>Plan Fiduciary Net Position - Beginning</b>                                | <u>395,857,753</u>    | <u>385,732,947</u>    | <u>399,702,318</u>    |
| <b>Plan Fiduciary Net Position - Ending</b>                                   | <u>385,732,947</u>    | <u>399,702,318</u>    | <u>439,768,365</u>    |
| <b>Net Pension Liability - Ending</b>   | <u>\$ 118,508,863</u> | <u>\$ 125,826,170</u> | <u>\$ 103,953,582</u> |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b> | 76.50%                | 76.06%                | 80.88%                |
| <b>Covered Payroll</b>  | \$ 69,261,386         | \$ 68,843,479         | \$ 71,579,511         |
| <b>Net Pension Liability as a Percentage of Covered Payroll</b>               | 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.

For the 2023 valuation, actuarial studies were updated through December 31, 2022.

This schedule is presented to illustrate the requirement to show information for 10 years.

| 2018                  | 2019                  | 2020                  | 2021                 | 2022                  | 2023                  | 2024                  |
|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| \$ 12,586,575         | \$ 12,997,794         | \$ 13,645,453         | \$ 14,316,113        | \$ 14,760,055         | \$ 15,827,293         | \$ 18,163,198         |
| 36,211,912            | 37,502,061            | 39,075,390            | 40,422,535           | 42,462,653            | 44,489,647            | 46,034,071            |
| (2,963,966)           | 572,628               | (1,726,074)           | 8,784,694            | 7,427,828             | 2,805,308             | 4,956,224             |
| -                     | 276,896               | -                     | -                    | -                     | (3,920,787)           | -                     |
| <u>(27,084,928)</u>   | <u>(26,768,688)</u>   | <u>(29,960,583)</u>   | <u>(32,784,202)</u>  | <u>(34,258,490)</u>   | <u>(36,050,742)</u>   | <u>(38,927,369)</u>   |
| 18,749,593            | 24,580,691            | 21,034,186            | 30,739,140           | 30,392,046            | 23,150,719            | 30,226,124            |
| <u>543,721,947</u>    | <u>562,471,540</u>    | <u>587,052,231</u>    | <u>608,086,417</u>   | <u>638,825,557</u>    | <u>669,217,603</u>    | <u>692,368,322</u>    |
| <u>562,471,540</u>    | <u>587,052,231</u>    | <u>608,086,417</u>    | <u>638,825,557</u>   | <u>669,217,603</u>    | <u>692,368,322</u>    | <u>722,594,446</u>    |
| 10,072,245            | 12,712,890            | 15,701,042            | 15,101,244           | 16,361,781            | 18,446,723            | 21,709,004            |
| 5,222,645             | 5,390,080             | 5,559,847             | 5,846,721            | 6,028,927             | 6,456,355             | 7,236,334             |
| (13,163,050)          | 64,021,550            | 35,598,854            | 64,614,181           | (39,989,027)          | 57,385,013            | 56,250,041            |
| <u>(27,084,928)</u>   | <u>(26,768,688)</u>   | <u>(29,960,583)</u>   | <u>(32,784,202)</u>  | <u>(34,258,490)</u>   | <u>(36,050,742)</u>   | <u>(38,927,369)</u>   |
| (254,593)             | (362,128)             | (230,619)             | (299,297)            | (346,577)             | (365,854)             | (361,677)             |
| <u>(13,301)</u>       | <u>(10,878)</u>       | <u>(8,998)</u>        | <u>2,049</u>         | <u>413,570</u>        | <u>(2,557)</u>        | <u>(8,460)</u>        |
| <u>(25,220,982)</u>   | <u>54,982,826</u>     | <u>26,659,543</u>     | <u>52,480,696</u>    | <u>(51,789,816)</u>   | <u>45,868,938</u>     | <u>45,897,873</u>     |
| <u>439,768,365</u>    | <u>414,547,383</u>    | <u>469,530,209</u>    | <u>496,189,752</u>   | <u>548,670,448</u>    | <u>496,880,632</u>    | <u>542,749,570</u>    |
| <u>414,547,383</u>    | <u>469,530,209</u>    | <u>496,189,752</u>    | <u>548,670,448</u>   | <u>496,880,632</u>    | <u>542,749,570</u>    | <u>588,647,443</u>    |
| <u>\$ 147,924,157</u> | <u>\$ 117,522,022</u> | <u>\$ 111,896,665</u> | <u>\$ 90,155,109</u> | <u>\$ 172,336,971</u> | <u>\$ 149,618,752</u> | <u>\$ 133,947,003</u> |
| 73.70%                | 79.98%                | 81.60%                | 85.89%               | 74.25%                | 78.39%                | 81.46%                |
| \$ 74,609,215         | \$ 77,001,149         | \$ 79,426,386         | \$ 83,524,582        | \$ 86,114,671         | \$ 92,233,643         | \$ 103,376,197        |
| 198.27%               | 152.62%               | 140.88%               | 107.94%              | 200.12%               | 162.22%               | 129.57%               |

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

| Fiscal Year Ended<br>September 30,                                     | 2016             | 2017             | 2018             | 2019              |
|--|------------------|------------------|------------------|-------------------|
| Actuarially determined contribution                                    | \$ 7,128,122     | \$ 8,324,268     | \$ 9,712,228     | \$ 11,983,043     |
| Contribution in relation of the<br>actuarially determined contribution | <u>7,128,122</u> | <u>8,324,268</u> | <u>9,712,228</u> | <u>11,983,043</u> |
| Contribution deficiency (excess)                                       | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>       |
| Covered payroll  | \$ 68,679,246    | \$ 70,725,844    | \$ 73,676,746    | \$ 76,307,643     |
| Contributions as a percentage of<br>covered payroll                    | 10.38%           | 11.77%           | 13.18%           | 15.70%            |

**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 | 21 Years (longest amortization ladder)   |
| Asset Valuation Method        | 10 Year smoothed market; 12% soft corridor   |
| Inflation                     | 2.50%  |
| Salary Increases              | 3.60% to 11.85%, including inflation   |
| Investment Rate of Return     | 6.75%  |
| Retirement Age                | Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.   |
| Mortality                     | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).<br>Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). |

**Other Information:**

Notes Granted 50% retroactive ad hoc COLA

This schedule is presented to illustrate the requirement to show information for 10 years.

---

| <b>2019</b>       | <b>2020</b>       | <b>2021</b>           | <b>2022</b>       | <b>2023</b>       | <b>2024</b>       | <b>2025</b>       |
|-------------------|-------------------|-----------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 11,983,043     | \$ 13,357,350     | \$ 14,936,043         | \$ 16,424,780     | \$ 17,989,932     | \$ 21,037,734     | \$ 23,535,294     |
| <u>11,983,043</u> | <u>13,357,350</u> | <u>16,936,043</u>     | <u>16,424,780</u> | <u>17,989,932</u> | <u>21,037,734</u> | <u>23,535,294</u> |
| <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ (2,000,000)</u> | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       |
| \$ 76,307,643     | \$ 86,871,793     | \$ 85,188,559         | \$ 92,951,624     | \$ 102,939,468    | \$ 112,775,636    | \$ 118,125,853    |
| 15.70%            | 15.38%            | 19.88%                | 17.67%            | 17.48%            | 18.65%            | 19.92%            |

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

| Measurement Date December 31,   | 2018                 | 2019                 | 2020                 | 2021                 | 2022                 | 2023                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Total OPEB Liability:</b>  |                      |                      |                      |                      |                      |                      |
| Service cost  | \$ 748,034           | \$ 770,475           | \$ 909,005           | \$ 1,005,581         | \$ 879,226           | \$ 533,890           |
| Interest (on the Total OPEB Liability)                                  | 1,349,945            | 969,513              | 896,300              | 866,914              | 857,976              | 1,382,919            |
| Difference between expected and actual experience                       | (674,886)            | (2,617,929)          | (5,978,499)          | 1,666,631            | 924,298              | (135,173)            |
| Change in assumptions   | -                    | 4,251,618            | 4,786,230            | 1,171,007            | (8,928,353)          | (979,162)            |
| Benefit payments  | (1,906,839)          | (928,850)            | (2,160,396)          | (1,700,850)          | (1,050,563)          | (1,365,814)          |
| <b>Net Change in Total OPEB Liability</b>                               | <b>(483,746)</b>     | <b>2,444,827</b>     | <b>(1,547,360)</b>   | <b>3,009,283</b>     | <b>(7,317,416)</b>   | <b>(563,340)</b>     |
| <b>Total OPEB Liability - Beginning</b>                                 | <b>35,451,985</b>    | <b>34,968,239</b>    | <b>37,413,066</b>    | <b>35,865,706</b>    | <b>38,874,989</b>    | <b>31,557,573</b>    |
| <b>Total OPEB Liability - Ending</b>                                    | <b>\$ 34,968,239</b> | <b>\$ 37,413,066</b> | <b>\$ 35,865,706</b> | <b>\$ 38,874,989</b> | <b>\$ 31,557,573</b> | <b>\$ 30,994,233</b> |
| <b>Covered Employee Payroll</b>   | <b>\$ 64,280,893</b> | <b>\$ 66,209,320</b> | <b>\$ 67,962,447</b> | <b>\$ 70,001,320</b> | <b>\$ 74,955,604</b> | <b>\$ 77,204,272</b> |
| <b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b> | <b>54.40%</b>        | <b>56.51%</b>        | <b>52.77%</b>        | <b>55.53%</b>        | <b>42.10%</b>        | <b>40.15%</b>        |

**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% |
| 2023 | 4.63% |
| 2024 | 4.06% |
| 2025 | 4.50% |

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 - 2025 | 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).

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

---

|    | <u>2024</u>        | <u>2025</u>          |
|----|--------------------|----------------------|
| \$ | 524,168            | \$ 1,448,564         |
|    | 1,431,059          | 1,312,995            |
|    | (289,785)          | (2,703,061)          |
|    | 112,360            | 45,795               |
|    | <u>(1,161,209)</u> | <u>(1,384,999)</u>   |
|    | 616,593            | (1,280,706)          |
|    | <u>30,994,233</u>  | <u>31,610,826</u>    |
| \$ | <u>31,610,826</u>  | \$ <u>30,330,120</u> |
| \$ | 89,509,754         | \$ 92,195,047        |
|    | 35.32%             | 32.90%               |

**MESQUITE**

T E X A S

Real. Texas. Flavor.

**Combining and Individual Fund Statements and Schedules  
(Unaudited)**

**MESQUITE**

T E X A S

Real. Texas. Flavor.

**City of Mesquite, Texas**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual - Debt Service Fund**  
**Year Ended September 30, 2025**

|  | <b>Budgeted Amounts</b> |                     | <b>Actual Amounts</b> | <b>Variance with Final Budget</b> |
|--|-------------------------|---------------------|-----------------------|-----------------------------------|
|  | <b>Original</b>         | <b>Final</b>        |                       |                                   |
| <b>Revenues</b>                                  |                         |                     |                       |                                   |
| Investment income                                | \$ 400,000              | \$ 575,000          | \$ 482,036            | \$ (92,964)                       |
| Total revenues                                   | 400,000                 | 575,000             | 482,036               | (92,964)                          |
| <b>Expenditures</b>                              |                         |                     |                       |                                   |
| Debt service:                                    |                         |                     |                       |                                   |
| Principal  | 22,745,000              | 22,965,000          | 22,965,000            | -                                 |
| Interest and fiscal charges                      | 12,188,660              | 11,971,961          | 11,966,136            | 5,825                             |
| Bond issuance costs                              | 11,000                  | 11,000              | 27,638                | (16,638)                          |
| Total expenditures                               | 34,944,660              | 34,947,961          | 34,958,774            | (10,813)                          |
| <b>Deficiency of Revenues Under Expenditures</b> | <b>(34,544,660)</b>     | <b>(34,372,961)</b> | <b>(34,476,738)</b>   | <b>(82,151)</b>                   |
| <b>Other Financing Sources (uses)</b>            |                         |                     |                       |                                   |
| Transfers in                                     | 34,872,448              | 36,019,950          | 31,255,095            | (4,764,855)                       |
| Total other financing sources (uses)             | 34,872,448              | 36,019,950          | 31,255,095            | 4,764,855                         |
| <b>Net Change in Fund Balance</b>                | <b>\$ 327,788</b>       | <b>\$ 1,646,989</b> | <b>(3,221,643)</b>    | <b>\$ 4,682,704</b>               |
| <b>Fund Balance at Beginning of Year</b>         |                         |                     | <b>5,846,508</b>      |                                   |
| <b>Fund Balance at End of Year</b>               |                         |                     | <b>\$ 2,624,865</b>   |                                   |

**City of Mesquite, Texas**  
**Nonmajor Governmental Funds**

---

**Special Revenue Funds**

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

Individual nonmajor special revenue funds maintained are as follows:

- Hotel/Motel Tax Fund - to account for funds received from a tax on the cost of occupancy in area hotels and motels, the revenues of which may be expended to promote tourism and the convention and hotel industry.
- Confiscated Drug Fund - to account for funds awarded as a result of court forfeitures of contraband pursuant to Chapter 59 of the Texas Code of Criminal Procedure. The law provides for a special fund to be established and to be used solely for law enforcement purposes.
- Mesquite Quality of Life Corporation (4B Sales Tax) Fund - to account for funds received from a one-half of one percent general sales tax, which can be utilized for public safety, transportation or parks and recreation purposes.
- Other Special Revenue Funds - to account for other miscellaneous nonmajor special revenue activities including 9-1-1 emergency service, court technology, recreation user programs, donation accounts, and blended component unit activities related to preserving historic City-owned properties and activities related to City initiatives to preserve the beauty of the City.
- The Housing Grants special revenue fund is used to account for funds awarded the City by the United States Department of Housing and Urban Development (HUD) under their housing assistance program (HAP).

**MESQUITE**

T E X A S

Real. Texas. Flavor.

**City of Mesquite, Texas**  
**Combining Balance Sheet**  
**Governmental Funds - Nonmajor Governmental Funds**  
**September 30, 2025**

|   | <b>Hotel/Motel<br/>Tax</b> | <b>Confiscated<br/>Drug</b> | <b>Mesquite<br/>Quality of Life<br/>Corporation<br/>(4B Sales Tax)</b> | <b>Other Special<br/>Revenue</b> |
|---|----------------------------|-----------------------------|--|----------------------------------|
| <b>Assets</b>   |                            |                             |  |                                  |
| Pooled cash and investments   | \$ 2,747,850               | \$ 2,290,265                | \$ 15,897,509  | \$ 7,761,003                     |
| Receivables (net of allowance for uncollectibles):                            |                            |                             |  |                                  |
| Accounts receivable   | 26,671                     | -                           | -  | 132,266                          |
| Other taxes receivable  | -                          | -                           | 2,544,947  | 47,508                           |
| Prepays and other assets  | -                          | 7,001                       | -  | -                                |
| Accrued interest  | 4,717                      | 4,313                       | 28,533   | 12,284                           |
| <b>Total assets</b>   | <b><u>\$ 2,779,238</u></b> | <b><u>\$ 2,301,579</u></b>  | <b><u>\$ 18,470,989</u></b>  | <b><u>\$ 7,953,061</u></b>       |
| <b>Liabilities, Deferred Inflows of Resources<br/>and Fund Balances</b>       |                            |                             |  |                                  |
| <b>Liabilities</b>  |                            |                             |  |                                  |
| Accounts payable  | \$ 70,328                  | \$ 141,677                  | \$ 636,851   | \$ 3,769                         |
| Retainage payable   | -                          | -                           | 182,646  | 1,497                            |
| Unearned revenue  | -                          | -                           | -  | -                                |
| <b>Total liabilities</b>  | <b><u>70,328</u></b>       | <b><u>141,677</u></b>       | <b><u>819,497</u></b>  | <b><u>5,266</u></b>              |
| <b>Deferred Inflows of Resources</b>  |                            |                             |  |                                  |
| Unavailable revenue   | -                          | -                           | -  | -                                |
| <b>Total deferred inflows of resources</b>                                    | <b><u>-</u></b>            | <b><u>-</u></b>             | <b><u>-</u></b>  | <b><u>-</u></b>                  |
| <b>Fund Balances</b>  |                            |                             |  |                                  |
| Nonspendable  | -                          | 7,001                       | -  | -                                |
| Restricted  | 2,708,910                  | 2,152,901                   | 17,651,492   | 6,905,350                        |
| Assigned  | -                          | -                           | -  | 1,042,445                        |
| <b>Total fund balances</b>  | <b><u>2,708,910</u></b>    | <b><u>2,159,902</u></b>     | <b><u>17,651,492</u></b>   | <b><u>7,947,795</u></b>          |
| <b>Total liabilities, deferred inflows of<br/>resources and fund balances</b> | <b><u>\$ 2,779,238</u></b> | <b><u>\$ 2,301,579</u></b>  | <b><u>\$ 18,470,989</u></b>  | <b><u>\$ 7,953,061</u></b>       |

---

| <b>Housing<br/>Grants</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|---------------------------|--|
| \$ 5,041,331              | \$ 33,737,958  |
| 236,458                   | 395,395  |
| -                         | 2,592,455  |
| -                         | 7,001  |
| <u>7,629</u>              | <u>57,476</u>  |
| <u>\$ 5,285,418</u>       | <u>\$ 36,790,285</u>                                 |
|                           |  |
| \$ 38,178                 | \$ 890,803   |
| -                         | 184,143  |
| <u>1,048,951</u>          | <u>1,048,951</u>                                     |
| <u>1,087,129</u>          | <u>2,123,897</u>                                     |
|                           |  |
| <u>236,458</u>            | <u>236,458</u>                                       |
| <u>236,458</u>            | <u>236,458</u>                                       |
|                           |  |
| -                         | 7,001  |
| 3,961,831                 | 33,380,484   |
| -                         | 1,042,445  |
| <u>3,961,831</u>          | <u>34,429,930</u>                                    |
| <u>\$ 5,285,418</u>       | <u>\$ 36,790,285</u>                                 |

**City of Mesquite, Texas**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - Nonmajor Governmental Funds**  
**Year Ended September 30, 2025**

|  | Hotel/Motel<br>Tax  | Confiscated<br>Drug | Mesquite<br>Quality of Life<br>Corporation<br>(4B Sales Tax) | Other Special<br>Revenue |
|--|---------------------|---------------------|--|--------------------------|
| <b>Revenues</b>  |                     |                     |  |                          |
| Sales tax  | \$ 1,717,534        | \$ -                | \$ 15,941,141  | \$ 145,034               |
| Licenses and permits   | -                   | -                   | -  | 696,700                  |
| Fines and forfeitures  | -                   | 1,301,428           | -  | 790,177                  |
| Investment income  | 112,609             | 103,223             | 708,287  | 259,354                  |
| Charges for services   | -                   | -                   | -  | 1,329,858                |
| Special assessments  | -                   | -                   | -  | 323,915                  |
| Intergovernmental  | -                   | -                   | -  | -                        |
| Other revenues   | -                   | -                   | -  | 334,605                  |
| <b>Total revenues</b>  | <u>1,830,143</u>    | <u>1,404,651</u>    | <u>16,649,428</u>  | <u>3,879,643</u>         |
| <b>Expenditures</b>  |                     |                     |  |                          |
| Current:   |                     |                     |  |                          |
| General government   | 1,241,403           | -                   | 477,000  | 237,541                  |
| Fire services  | -                   | -                   | 146,642  | 79,940                   |
| Police services  | -                   | 1,132,619           | -  | 223,004                  |
| Public works   | -                   | -                   | 293,679  | 130,784                  |
| Planning and community development                                   | 195,965             | -                   | -  | 254,976                  |
| Library services   | -                   | -                   | -  | 5,079                    |
| Parks and recreation   | -                   | -                   | 7,146,536  | 42,626                   |
| Housing and community services                                       | -                   | -                   | -  | 19,488                   |
| Capital outlay   | -                   | 217,199             | 9,254,415  | 926,648                  |
| Debt Service:  |                     |                     |  |                          |
| Principal  | -                   | 53,272              | -  | -                        |
| Interest and fiscal charges  | -                   | 486                 | -  | -                        |
| <b>Total expenditures</b>  | <u>1,437,368</u>    | <u>1,403,576</u>    | <u>17,318,272</u>  | <u>1,920,086</u>         |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <u>392,775</u>      | <u>1,075</u>        | <u>(668,844)</u>   | <u>1,959,557</u>         |
| <b>Other Financing Sources (Uses)</b>                                |                     |                     |  |                          |
| Transfers out  | (400,945)           | -                   | (1,333,431)  | (1,045,000)              |
| Proceeds from sale of general capital assets                         | -                   | 418,725             | -  | -                        |
| <b>Total other financing sources (uses)</b>                          | <u>(400,945)</u>    | <u>418,725</u>      | <u>(1,333,431)</u>   | <u>(1,045,000)</u>       |
| <b>Net Change in Fund Balances</b>                                   | (8,170)             | 419,800             | (2,002,275)  | 914,557                  |
| <b>Fund Balances, Beginning of Year</b>                              | <u>2,717,080</u>    | <u>1,740,102</u>    | <u>19,653,767</u>  | <u>7,033,238</u>         |
| <b>Fund Balances, End of Year</b>                                    | <u>\$ 2,708,910</u> | <u>\$ 2,159,902</u> | <u>\$ 17,651,492</u>   | <u>\$ 7,947,795</u>      |

---

| <b>Housing<br/>Grants</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|---------------------------|--|
| \$ -                      | \$ 17,803,709  |
| -                         | 696,700  |
| -                         | 2,091,605  |
| 265,383                   | 1,448,856  |
| -                         | 1,329,858  |
| -                         | 323,915  |
| 24,184,203                | 24,184,203   |
| <u>64,767</u>             | <u>399,372</u>                                       |
| <u>24,514,353</u>         | <u>48,278,218</u>                                    |
| -                         | 1,955,944  |
| -                         | 226,582  |
| -                         | 1,355,623  |
| -                         | 424,463  |
| -                         | 450,941  |
| -                         | 5,079  |
| -                         | 7,189,162  |
| 24,184,203                | 24,203,691   |
| -                         | 10,398,262   |
| -                         | 53,272   |
| -                         | <u>486</u>   |
| <u>24,184,203</u>         | <u>46,263,505</u>                                    |
| <u>330,150</u>            | <u>2,014,713</u>                                     |
| -                         | (2,779,376)  |
| -                         | <u>418,725</u>                                       |
| -                         | <u>(2,360,651)</u>                                   |
| 330,150                   | (345,938)  |
| <u>3,631,681</u>          | <u>34,775,868</u>                                    |
| <u>\$ 3,961,831</u>       | <u>\$ 34,429,930</u>                                 |

**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, 2025**  
**With Comparative Actual Totals for Year Ended September 30, 2024**

|  | 2025                |                     |                     |                                  | 2024<br>Actual<br>Amounts |
|--|---------------------|---------------------|---------------------|----------------------------------|---------------------------|
|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance<br>with Final<br>Budget |                           |
|  | Original            | Final               |                     |                                  |                           |
| <b>Revenues</b>  |                     |                     |                     |                                  |                           |
| Hotel/Motel Sales Tax  | \$ 2,016,310        | \$ 1,825,000        | \$ 1,717,534        | \$ (107,466)                     | \$ 1,990,388              |
| Investment income  | 75,000              | \$ 110,000          | 112,609             | 2,609                            | 146,276                   |
| Miscellaneous  | -                   | 7,500               | -                   | (7,500)                          | -                         |
| Total revenues   | <u>2,091,310</u>    | <u>1,942,500</u>    | <u>1,830,143</u>    | <u>(112,357)</u>                 | <u>2,136,664</u>          |
| <b>Expenditures</b>  |                     |                     |                     |                                  |                           |
| Current:   |                     |                     |                     |                                  |                           |
| General government   | 1,554,019           | 1,440,000           | 1,241,403           | 198,597                          | 1,386,085                 |
| Planning and community development                                   | 240,570             | 235,000             | 195,965             | 39,035                           | 229,355                   |
| Total expenditures   | <u>1,794,589</u>    | <u>1,675,000</u>    | <u>1,437,368</u>    | <u>237,632</u>                   | <u>1,615,440</u>          |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <u>296,721</u>      | <u>267,500</u>      | <u>392,775</u>      | <u>125,275</u>                   | <u>521,224</u>            |
| <b>Other Financing Sources (uses)</b>                                |                     |                     |                     |                                  |                           |
| Transfer out   | <u>(398,890)</u>    | <u>(400,945)</u>    | <u>(400,945)</u>    | <u>-</u>                         | <u>(398,890)</u>          |
| Total other financing sources (uses)                                 | <u>(398,890)</u>    | <u>(400,945)</u>    | <u>(400,945)</u>    | <u>-</u>                         | <u>(398,890)</u>          |
| <b>Net Change in Fund Balance</b>                                    | <u>\$ (102,169)</u> | <u>\$ (133,445)</u> | <u>(8,170)</u>      | <u>\$ 125,275</u>                | <u>122,334</u>            |
| <b>Fund Balance at Beginning of Year</b>                             |                     |                     | <u>2,717,080</u>    |                                  | <u>2,594,746</u>          |
| <b>Fund Balance at End of Year</b>                                   |                     |                     | <u>\$ 2,708,910</u> |                                  | <u>\$ 2,717,080</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, 2025**  
**With Comparative Actual Totals for Year Ended September 30, 2024**

|  | 2025             |              |                     |                                  | 2024<br>Actual<br>Amounts |
|--|------------------|--------------|---------------------|----------------------------------|---------------------------|
|  | Budgeted Amounts |              | Actual<br>Amounts   | Variance<br>with Final<br>Budget |                           |
|  | Original         | Final        |                     |                                  |                           |
| <b>Revenues</b>  |                  |              |                     |                                  |                           |
| Fines and forfeitures  | \$ 200,000       | \$ 750,000   | \$ 1,301,428        | \$ 551,428                       | \$ 1,089,384              |
| Investment income (loss)   | 8,090            | 97,000       | 103,223             | 6,223                            | 138,373                   |
| Miscellaneous  | -                | 69,000       | -                   | (69,000)                         | -                         |
| Total revenues   | 208,090          | 916,000      | 1,404,651           | 488,651                          | 1,227,757                 |
| <b>Expenditures</b>  |                  |              |                     |                                  |                           |
| Police services  | 352,300          | 755,300      | 1,132,619           | (377,319)                        | 935,699                   |
| Debt Service:  |                  |              |                     |                                  |                           |
| Principal  | -                | -            | 53,272              | (53,272)                         | 52,423                    |
| Interest and fiscal charges  | -                | -            | 486                 | (486)                            | 884                       |
| Capital outlay   | -                | 400,000      | 217,199             | 182,801                          | 190,000                   |
| Total expenditures   | 352,300          | 1,155,300    | 1,403,576           | (248,276)                        | 1,179,006                 |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | (144,210)        | (239,300)    | 1,075               | 240,375                          | 48,751                    |
| <b>Other Financing Sources (Uses)</b>                                |                  |              |                     |                                  |                           |
| Proceeds from sale of general capital assets                         | -                | -            | 418,725             | 418,725                          | -                         |
| Total other financing sources (Uses)                                 | -                | -            | 418,725             | 418,725                          | -                         |
| <b>Net Change in Fund Balance</b>                                    | \$ (144,210)     | \$ (239,300) | 419,800             | \$ 659,100                       | 48,751                    |
| <b>Fund Balance at Beginning of Year</b>                             |                  |              | 1,740,102           |                                  | 1,691,351                 |
| <b>Fund Balance at End of Year</b>                                   |                  |              | <u>\$ 2,159,902</u> |                                  | <u>\$ 1,740,102</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, 2025**  
**With Comparative Actual Totals for Year Ended September 30, 2024**

|  | 2025             |                 |                   |                                  | 2024<br>Actual<br>Amounts |
|--|------------------|-----------------|-------------------|----------------------------------|---------------------------|
|  | Budgeted Amounts |                 | Actual<br>Amounts | Variance<br>with Final<br>Budget |                           |
|  | Original         | Final           |                   |                                  |                           |
| <b>Revenues</b>  |                  |                 |                   |                                  |                           |
| Sales tax  | \$ 15,150,000    | \$ 15,800,000   | \$ 15,941,141     | \$ 141,141                       | \$ 15,234,416             |
| Investment income  | 735,000          | 800,000         | 708,287           | (91,713)                         | 869,752                   |
| Other revenues   | -                | 377,316         | -                 | (377,316)                        | -                         |
| Total revenues   | 15,885,000       | 16,977,316      | 16,649,428        | (327,888)                        | 16,104,168                |
| <b>Expenditures</b>  |                  |                 |                   |                                  |                           |
| Current:   |                  |                 |                   |                                  |                           |
| General government   | 477,000          | 477,000         | 477,000           | -                                | 460,000                   |
| Fire services  | -                | -               | 146,642           | (146,642)                        | 7,205                     |
| Public works   | -                | -               | 293,679           | (293,679)                        | 203,204                   |
| Parks and recreation   | 9,057,880        | 16,567,871      | 7,146,536         | 9,421,335                        | 6,458,760                 |
| Capital outlay   | 4,858,000        | 8,619,442       | 9,254,415         | (634,973)                        | 5,510,864                 |
| Total expenditures   | 14,392,880       | 25,664,313      | 17,318,272        | 8,346,041                        | 12,640,033                |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | 1,492,120        | (8,686,997)     | (668,844)         | 8,018,153                        | 3,464,135                 |
| <b>Other Financing Sources (uses)</b>                                |                  |                 |                   |                                  |                           |
| Transfers out  | (1,383,430)      | (1,333,431)     | (1,333,431)       | -                                | (1,385,610)               |
| Total other financing sources (uses)                                 | (1,383,430)      | (1,333,431)     | (1,333,431)       | -                                | (1,385,610)               |
| <b>Net Change in Fund Balance</b>                                    | \$ 108,690       | \$ (10,020,428) | (2,002,275)       | \$ 8,018,153                     | 2,078,525                 |
| <b>Fund Balance at Beginning of Year</b>                             |                  |                 | 19,653,767        |                                  | 17,575,242                |
| <b>Fund Balance at End of Year</b>                                   |                  |                 | \$ 17,651,492     |                                  | \$ 19,653,767             |

**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, 2025**  
**With Comparative Actual Totals for Year Ended September 30, 2024**

|  | 2025              |                   |                     |                                  | 2024<br>Actual<br>Amounts |
|--|-------------------|-------------------|---------------------|----------------------------------|---------------------------|
|  | Budgeted Amounts  |                   | Actual<br>Amounts   | Variance<br>with Final<br>Budget |                           |
|  | Original          | Final             |                     |                                  |                           |
| <b>Revenues</b>                          |                   |                   |                     |                                  |                           |
| Fines and forfeitures                    | \$ -              | \$ -              | \$ -                | \$ -                             | \$ 11,516                 |
| Investment income                        | 82,000            | 230,000           | 265,383             | 35,383                           | 211,492                   |
| Intergovernmental                        | 20,866,010        | 20,866,010        | 24,184,203          | 3,318,193                        | 22,678,753                |
| Other revenues                           | -                 | -                 | 64,767              | 64,767                           | 24,454                    |
| Total revenues                           | <u>20,948,010</u> | <u>21,096,010</u> | <u>24,514,353</u>   | <u>3,418,343</u>                 | <u>22,926,215</u>         |
| <b>Expenditures</b>                      |                   |                   |                     |                                  |                           |
| Housing and community services           | 20,695,196        | 20,698,530        | 24,184,203          | (3,485,673)                      | 21,994,628                |
| Capital Outlay                           | -                 | -                 | -                   | -                                | -                         |
| Total expenditures                       | <u>20,695,196</u> | <u>20,698,530</u> | <u>24,184,203</u>   | <u>(3,485,673)</u>               | <u>21,994,628</u>         |
| <b>Net Change in Fund Balance</b>        | <u>\$ 252,814</u> | <u>\$ 397,480</u> | 330,150             | <u>\$ (67,330)</u>               | 931,587                   |
| <b>Fund Balance at Beginning of Year</b> |                   |                   | 3,631,681           |                                  | 2,700,094                 |
| <b>Fund Balance at End of Year</b>       |                   |                   | <u>\$ 3,961,831</u> |                                  | <u>\$ 3,631,681</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.

**MESQUITE**

T E X A S

Real. Texas. Flavor.

**City of Mesquite, Texas**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**September 30, 2025**

|   | <b>Municipal<br/>Airport</b> | <b>Municipal<br/>Golf Course</b> | <b>Total<br/>Nonmajor<br/>Enterprise<br/>Funds</b> |
|---|------------------------------|----------------------------------|--|
| <b>Assets</b>   |                              |                                  |  |
| <b>Current assets</b>   |                              |                                  |  |
| Pooled cash and investments   | \$ 528,805                   | \$ 640,078                       | \$ 1,168,883                                       |
| Receivables (net of allowance for uncollectibles)                   | 4,386                        | 7,410                            | 11,796   |
| Inventory   | 33,207                       | 11,461                           | 44,668   |
| Accrued interest  | 876                          | 1,224                            | 2,100  |
| Total current assets  | <u>567,274</u>               | <u>660,173</u>                   | <u>1,227,447</u>                                   |
| <b>Noncurrent assets</b>  |                              |                                  |  |
| 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) | 9,160,448                    | 2,314,342                        | 11,474,790   |
| Total noncurrent assets   | <u>16,788,913</u>            | <u>3,722,774</u>                 | <u>20,511,687</u>                                  |
| Total assets  | <u>17,356,187</u>            | <u>4,382,947</u>                 | <u>21,739,134</u>                                  |
| <b>Deferred Outflows of Resources</b>                               |                              |                                  |  |
| Deferred outflows of resources - pension                            | 136,032                      | 136,032                          | 272,064  |
| Deferred outflows of resources - OPEB                               | 656                          | 656                              | 1,312  |
| Total deferred outflows of resources                                | <u>136,688</u>               | <u>136,688</u>                   | <u>273,376</u>                                     |
| <b>Liabilities</b>  |                              |                                  |  |
| <b>Current liabilities</b>  |                              |                                  |  |
| Accounts payable  | 116,758                      | 42,242                           | 159,000  |
| Due to other funds  | -                            | -                                | -  |
| Interfund Note Payable  | 100,000                      | -                                | 100,000  |
| Deposits and other liabilities                                      | 76,878                       | -                                | 76,878   |
| Accrued compensated absences  | 3,266                        | 30,250                           | 33,516   |
| Lease liability   | 34,575                       | 130,574                          | 165,149  |
| Total other postemployment benefit liability                        | 6,520                        | 6,520                            | 13,040   |
| Retainage payable   | 41,496                       | -                                | 41,496   |
| Accrued interest payable  | -                            | -                                | -  |
| Interfund Note Payable  | 695,000                      | -                                | 695,000  |
| Total current liabilities   | <u>1,074,493</u>             | <u>209,586</u>                   | <u>1,284,079</u>                                   |

**City of Mesquite, Texas**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**September 30, 2025**

(Continued)

|  | <b>Municipal<br/>Airport</b> | <b>Municipal<br/>Golf Course</b> | <b>Total<br/>Nonmajor<br/>Enterprise<br/>Funds</b> |
|--|------------------------------|----------------------------------|--|
| <b>Noncurrent liabilities</b>                |                              |                                  |  |
| Lease liability                              | 5,648                        | 122,994                          | 128,642  |
| Accrued compensated absences                 | 25,751                       | 21,090                           | 46,841   |
| Net pension liability                        | 669,735                      | 669,735                          | 1,339,470  |
| Total other postemployment benefit liability | <u>145,131</u>               | <u>145,131</u>                   | <u>290,262</u>                                     |
| Total noncurrent liabilities                 | <u>846,265</u>               | <u>958,950</u>                   | <u>1,805,215</u>                                   |
| Total liabilities                            | <u>1,920,758</u>             | <u>1,168,536</u>                 | <u>3,089,294</u>                                   |
| <b>Deferred Inflows of Resources</b>         |                              |                                  |  |
| Deferred inflows of resources - pension      | 37,574                       | 37,574                           | 75,148   |
| Deferred inflows of resources - OPEB         | <u>16,109</u>                | <u>16,109</u>                    | <u>32,218</u>                                      |
| Total deferred inflows of resources          | <u>53,683</u>                | <u>53,683</u>                    | <u>107,366</u>                                     |
| <b>Net Position</b>                          |                              |                                  |  |
| Net investment in capital assets             | 16,707,194                   | 3,469,206                        | 20,176,400   |
| Unrestricted                                 | <u>(1,188,760)</u>           | <u>(171,790)</u>                 | <u>(1,360,550)</u>                                 |
| Total net position                           | <u>\$ 15,518,434</u>         | <u>\$ 3,297,416</u>              | <u>\$ 18,815,850</u>                               |

**City of Mesquite, Texas**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Nonmajor Enterprise Funds**  
**For the Year Ended September 30, 2025**

|   | <u>Municipal<br/>Airport</u> | <u>Municipal<br/>Golf Course</u> | <u>Total<br/>Nonmajor<br/>Enterprise<br/>Funds</u> |
|---|------------------------------|----------------------------------|--|
| <b>Operating Revenues</b>               |                              |                                  |  |
| Customer charges                        | \$ 3,043,755                 | \$ 1,832,096                     | \$ 4,875,851                                       |
| Total operating revenues                | <u>3,043,755</u>             | <u>1,832,096</u>                 | <u>4,875,851</u>                                   |
| <b>Operating Expenses</b>               |                              |                                  |  |
| Personnel services                      | 832,450                      | 900,943                          | 1,733,393  |
| Supplies                                | 1,270,498                    | 252,520                          | 1,523,018  |
| Contractual services                    | 402,840                      | 433,099                          | 835,939  |
| Depreciation and amortization           | <u>590,766</u>               | <u>390,386</u>                   | <u>981,152</u>                                     |
| Total operating expenses                | <u>3,096,554</u>             | <u>1,976,948</u>                 | <u>5,073,502</u>                                   |
| <b>Operating Loss</b>                   | <u>(52,799)</u>              | <u>(144,852)</u>                 | <u>(197,651)</u>                                   |
| <b>Nonoperating Revenues (Expenses)</b> |                              |                                  |  |
| Investment income                       | 15,928                       | 28,036                           | 43,964   |
| Gain or loss on sale of capital assets  | -                            | 37                               | 37   |
| Other nonoperating income               | 100,000                      | -                                | 100,000  |
| Interest expense and fiscal charges     | <u>(425)</u>                 | <u>(8,868)</u>                   | <u>(9,293)</u>                                     |
| Total nonoperating revenues (expenses)  | <u>115,503</u>               | <u>19,205</u>                    | <u>134,708</u>                                     |
| <b>Income (Loss) Before Transfers</b>   | <u>62,704</u>                | <u>(125,647)</u>                 | <u>(62,943)</u>                                    |
| Capital contributions                   | 44,049                       | -                                | 44,049   |
| Transfers in                            | 97,931                       | 317,105                          | 415,036  |
| Transfers out                           | <u>(320,708)</u>             | <u>-</u>                         | <u>(320,708)</u>                                   |
| <b>Change in Net Position</b>           | (116,024)                    | 191,458                          | 75,434   |
| <b>Net Position, Beginning of Year</b>  | <u>15,634,458</u>            | <u>3,105,958</u>                 | <u>18,740,416</u>                                  |
| <b>Net Position, End of Year</b>        | <u>\$ 15,518,434</u>         | <u>\$ 3,297,416</u>              | <u>\$ 18,815,850</u>                               |

**City of Mesquite, Texas**  
**Combining Statement of Cash Flows – Nonmajor Enterprise Funds**  
**Year Ended September 30, 2025**

|  | <b>Municipal<br/>Airport</b> | <b>Municipal<br/>Golf Course</b> | <b>Total<br/>Nonmajor<br/>Enterprise<br/>Funds</b> |
|--|------------------------------|----------------------------------|--|
| <b>Cash Flows From Operating Activities:</b>                           |                              |                                  |  |
| Receipts from customers and users                                      | \$ 3,121,276                 | \$ 1,824,686                     | \$ 4,945,962                                       |
| Payments to suppliers and service providers                            | (1,565,620)                  | (1,003,625)                      | (2,569,245)  |
| Payments to employees for salaries and benefits                        | (846,754)                    | (994,914)                        | (1,841,668)  |
| Net Cash Provided by (Used for) Operating Activities                   | <u>708,902</u>               | <u>(173,853)</u>                 | <u>535,049</u>                                     |
| <b>Cash Flows From Noncapital<br/>Financing Activities:</b>            |                              |                                  |  |
| Transfers to other funds   | (320,708)                    | -                                | (320,708)  |
| Payments from nonoperating grants                                      | 100,000                      | -                                | 100,000  |
| Net Cash (Used for) Noncapital<br>Financing Activities                 | <u>(220,708)</u>             | <u>-</u>                         | <u>(220,708)</u>                                   |
| <b>Cash Flows From Capital and<br/>Related Financing Activities:</b>   |                              |                                  |  |
| Acquisition and construction of capital assets                         | (100,597)                    | (86,689)                         | (187,286)  |
| Principal payments on capital debt and leases                          | (34,315)                     | (126,920)                        | (161,235)  |
| Interest payments on capital debt and leases                           | (425)                        | (9,461)                          | (9,886)  |
| Proceeds from sale of capital assets                                   | -                            | 37                               | 37   |
| Net Cash (Used for) Capital and<br>Related Financing Activities        | <u>(135,337)</u>             | <u>(223,033)</u>                 | <u>(358,370)</u>                                   |
| <b>Cash Flows From Investing Activities:</b>                           |                              |                                  |  |
| Investment income on cash and cash equivalents                         | 15,477                       | 27,888                           | 43,365   |
| Net Cash Provided by Investing Activities                              | <u>15,477</u>                | <u>27,888</u>                    | <u>43,365</u>                                      |
| <b>Net Increase (Decrease) in Pooled Cash and<br/>Cash Equivalents</b> | 368,334                      | (368,998)                        | (664)  |
| <b>Pooled Cash and Cash Equivalents<br/>at Beginning of Year</b>       | <u>160,471</u>               | <u>1,009,076</u>                 | <u>1,169,547</u>                                   |
| <b>Pooled Cash and Cash Equivalents at<br/>End of Year</b>             | <u>\$ 528,805</u>            | <u>\$ 640,078</u>                | <u>\$ 1,168,883</u>                                |

**City of Mesquite, Texas**  
**Combining Statement of Cash Flows – Nonmajor Enterprise Funds**  
**Year Ended September 30, 2025**

---

|   | <b>Municipal<br/>Airport</b> | <b>Municipal<br/>Golf Course</b> | <b>Total<br/>Nonmajor<br/>Enterprise<br/>Funds</b> |
|---|------------------------------|----------------------------------|--|
| <b>Reconciliation of Operating Loss</b>   |                              |                                  |  |
| <b>to Net Cash Provided by Operating</b>  |                              |                                  |  |
| <b>Activities:</b>  |                              |                                  |  |
| Operating loss  | \$ (52,799)                  | \$ (144,852)                     | \$ (197,651)                                       |
| Adjustments to reconcile operating loss to net cash provided by operating activities: |                              |                                  |  |
| Depreciation and amortization   | 590,766                      | 390,386                          | 981,152  |
| Changes in operating assets and liabilities:  |                              |                                  |  |
| Receivables, net  | 67,401                       | (7,410)                          | 59,991   |
| Inventories (supplies)  | 17,633                       | (3,050)                          | 14,583   |
| Deferred outflows of resources - pension  | 90,063                       | 90,063                           | 180,126  |
| Deferred outflows of resources - OPEB   | (150)                        | (150)                            | (300)  |
| Accounts payable and accrued liabilities  | 94,153                       | (309,420)                        | (215,267)  |
| Customer deposits   | 10,120                       | -                                | 10,120   |
| Deferred inflows of resources - pension   | (5,956)                      | (5,956)                          | (11,912)   |
| Deferred inflows of resources - OPEB  | 11,090                       | 11,090                           | 22,180   |
| Compensated absences  | (28,657)                     | (109,792)                        | (138,449)  |
| Net pension liability   | (78,359)                     | (78,359)                         | (156,718)  |
| Total OPEB liability  | (6,403)                      | (6,403)                          | (12,806)   |
| Total adjustments   | <u>761,701</u>               | <u>(29,001)</u>                  | <u>732,700</u>                                     |
| Net Cash Provided by (Used for) Operating Activities                                  | <u>\$ 708,902</u>            | <u>\$ (173,853)</u>              | <u>\$ 535,049</u>                                  |

**MESQUITE**

T E X A S

Real. Texas. Flavor.

**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.

**MESQUITE**

T E X A S

Real. Texas. Flavor.

**City of Mesquite, Texas**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**September 30, 2025**  
**With Comparative Totals for September 30, 2024**

|                                | Group<br>Medical<br>Insurance | General<br>Liability | Totals              |                     |
|--------------------------------|-------------------------------|----------------------|---------------------|---------------------|
|                                |                               |                      | 2025                | 2024                |
| <b>Assets</b>                  |                               |                      |                     |                     |
| <b>Current assets:</b>         |                               |                      |                     |                     |
| Pooled cash and investments    | \$ 2,500,754                  | \$ 6,701,717         | \$ 9,202,471        | \$ 6,358,043        |
| Accounts receivable            | 286,292                       | 196,006              | 482,298             | 508,597             |
| Prepays and other assets       | -                             | 265,117              | 265,117             | 243,000             |
| Accrued interest               | 2,364                         | 11,409               | 13,773              | 8,674               |
| Total assets                   | <u>2,789,410</u>              | <u>7,174,249</u>     | <u>9,963,659</u>    | <u>7,118,314</u>    |
| <b>Liabilities</b>             |                               |                      |                     |                     |
| <b>Current liabilities:</b>    |                               |                      |                     |                     |
| Accounts payable               | 3,900,211                     | -                    | 3,900,211           | 292,572             |
| Estimated claims payable       | 1,385,885                     | 741,128              | 2,127,013           | 1,903,260           |
| Total current liabilities      | <u>5,286,096</u>              | <u>741,128</u>       | <u>6,027,224</u>    | <u>2,195,832</u>    |
| <b>Noncurrent liabilities:</b> |                               |                      |                     |                     |
| Estimated claims payable       | -                             | 1,482,257            | 1,482,257           | 1,510,167           |
| Total noncurrent liabilities   | <u>-</u>                      | <u>1,482,257</u>     | <u>1,482,257</u>    | <u>1,510,167</u>    |
| Total liabilities              | <u>5,286,096</u>              | <u>2,223,385</u>     | <u>7,509,481</u>    | <u>3,705,999</u>    |
| <b>Net Position (Deficit)</b>  |                               |                      |                     |                     |
| Unrestricted                   | <u>(2,496,686)</u>            | <u>4,950,864</u>     | <u>2,454,178</u>    | <u>3,412,315</u>    |
| Total net position (deficit)   | <u>\$ (2,496,686)</u>         | <u>\$ 4,950,864</u>  | <u>\$ 2,454,178</u> | <u>\$ 3,412,315</u> |



**City of Mesquite, Texas**  
**Combining Statement of Cash Flows – Internal Service Funds**  
**Year Ended September 30, 2025**  
**With Comparative Totals for Year Ended September 30, 2024**

|  | Group<br>Medical<br>Insurance | General<br>Liability | Totals         |                |
|--|-------------------------------|----------------------|----------------|----------------|
|  |                               |                      | 2025           | 2024           |
| <b>Cash Flows From Operating Activities:</b>   |                               |                      |                |                |
| Receipts from interfund charges for services   | \$ 16,802,988                 | \$ 5,620,728         | \$ 22,423,716  | \$ 22,924,168  |
| Other operating receipts   | 778,463                       | 60,306               | 838,769        | 920,185        |
| Receipts from employees and retirees   | 3,900,167                     | -                    | 3,900,167      | 4,080,059      |
| Payments to suppliers and service providers  | (21,929,565)                  | (5,113,453)          | (27,043,018)   | (29,943,394)   |
| Net Cash Provided by (Used for) Operating Activities   | (447,947)                     | 567,581              | 119,634        | (2,018,982)    |
| <b>Cash Flows From Noncapital Financing Activities:</b>  |                               |                      |                |                |
| Transfers from other funds   | 2,000,000                     | -                    | 2,000,000      | -              |
| Net Cash Provided by Noncapital Financing Activities   | 2,000,000                     | -                    | 2,000,000      | -              |
| <b>Cash Flows from Capital and Related Financing Activities:</b>                               |                               |                      |                |                |
| Insurance proceeds   | -                             | 415,711              | 415,711        | -              |
| Net Cash Provided by Noncapital Financing Activities   | -                             | 415,711              | 415,711        | -              |
| <b>Cash Flows From Investing Activities:</b>   |                               |                      |                |                |
| Investment income on cash and cash equivalents   | 48,069                        | 261,014              | 309,083        | 439,915        |
| Net Cash Provided by Investing Activities  | 48,069                        | 261,014              | 309,083        | 439,915        |
| <b>Net Increase (Decrease) in Pooled Cash and Investments</b>                                  | 1,600,122                     | 1,244,306            | 2,844,428      | (1,579,067)    |
| <b>Pooled Cash and Investments at Beginning of Year</b>  | 900,632                       | 5,457,411            | 6,358,043      | 7,937,110      |
| <b>Pooled Cash and Investments at End of Year</b>  | \$ 2,500,754                  | \$ 6,701,717         | \$ 9,202,471   | \$ 6,358,043   |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b> |                               |                      |                |                |
| Operating income (loss)  | \$ (4,264,556)                | \$ 576,526           | \$ (3,688,030) | \$ (728,871)   |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities  |                               |                      |                |                |
| Other income   | -                             | -                    | -              | 953,856        |
| Changes in assets and liabilities-   |                               |                      |                |                |
| (Increase) decrease in accounts receivable   | (34,007)                      | 60,306               | 26,299         | (303,287)      |
| (Increase) decrease in prepaid items   | 77,633                        | -                    | 77,633         | 124,706        |
| Increase (decrease) in accounts payable  | 3,535,275                     | (43,754)             | 3,491,521      | (2,499,708)    |
| Increase (decrease) in claims payable  | 237,708                       | (25,497)             | 212,211        | 434,322        |
| Total Adjustments  | 3,816,609                     | (8,945)              | 3,807,664      | (1,290,111)    |
| <b>Net Cash Provided by (Used for) Operating Activities</b>                                    | \$ (447,947)                  | \$ 567,581           | \$ 119,634     | \$ (2,018,982) |

**MESQUITE**

T E X A S

Real. Texas. Flavor.

**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, which ended on February 1, 2024. Any remaining balances included in the Tax Collection Fund relates to amounts to be remitted during the next fiscal year, which is when the fund is anticipated to be fully closed out.
- Seized Asset Fund - to account for funds seized from court cases that are held in escrow until judgment.

**MESQUITE**

T E X A S

Real. Texas. Flavor.

**City of Mesquite, Texas**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds - Custodial Funds**  
**September 30, 2025**

|  | <b>Custodial Funds</b>    |                          |                   |
|--|---------------------------|--------------------------|-------------------|
|  | <b>Tax<br/>Collection</b> | <b>Seized<br/>Assets</b> | <b>Total</b>      |
| <b>Assets</b>  |                           |                          |                   |
| Pooled cash and investments  | \$ -                      | \$ 903,434               | \$ 903,434        |
| Taxes receivable levied for other governments<br>(net of allowance for uncollectibles) | <u>24,662</u>             | <u>-</u>                 | <u>24,662</u>     |
| Total assets   | <u>\$ 24,662</u>          | <u>\$ 903,434</u>        | <u>\$ 928,096</u> |
| <b>Liabilities</b>   |                           |                          |                   |
| Accounts payable   | \$ 24,662                 | \$ -                     | \$ 24,662         |
| Total liabilities  | <u>24,662</u>             | <u>-</u>                 | <u>24,662</u>     |
| <b>Net Position</b>  |                           |                          |                   |
| Restricted for individuals, organizations,<br>other governments                        | <u>-</u>                  | <u>903,434</u>           | <u>903,434</u>    |
| Total net position   | <u>\$ -</u>               | <u>\$ 903,434</u>        | <u>\$ 903,434</u> |

**City of Mesquite, Texas**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds - Custodial Funds**  
**Year Ended September 30, 2025**

---

|  | <b>Custodial Funds</b> |                   |
|--|------------------------|-------------------|
|  | <b>Seized Assets</b>   | <b>Total</b>      |
| <b>Additions</b>                             |                        |                   |
| Seizures                                     | \$ 700,634             | \$ 700,634        |
| Total additions                              | <u>700,634</u>         | <u>700,634</u>    |
| <b>Deductions</b>                            |                        |                   |
| Seizures forfeited or returned to defendants | <u>559,276</u>         | <u>559,276</u>    |
| Total deductions                             | <u>559,276</u>         | <u>559,276</u>    |
| <b>Net Change in Fiduciary Net Position</b>  | 141,358                | 141,358           |
| <b>Net Position, Beginning of Year</b>       | <u>762,076</u>         | <u>762,076</u>    |
| <b>Net Position, End of Year</b>             | <u>\$ 903,434</u>      | <u>\$ 903,434</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.

| <b>Contents</b>  | <b>Pages</b> |
|--|--------------|
| Financial Trends<br><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>  | 133          |
| Revenue Capacity<br><i>These schedules contain information to help the reader assess the City’s most significant local revenue sources – sales and property tax.</i>   | 143          |
| Debt Capacity<br><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>                            | 154          |
| Demographic and Economic Information<br><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>                                    | 160          |
| Operating Information<br><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> | 162          |

**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                                 | 2016              | 2017              | 2018 (1)          | 2019              |
|---|-------------------|-------------------|-------------------|-------------------|
| <b>Governmental Activities:</b>             |                   |                   |                   |                   |
| Net Investment in capital assets            | \$ 119,854        | \$ 119,708        | \$ 131,473        | \$ 144,527        |
| Restricted                                  | 9,199             | 23,620            | 27,208            | 27,940            |
| Unrestricted                                | <u>(65,812)</u>   | <u>(90,141)</u>   | <u>(128,928)</u>  | <u>(137,491)</u>  |
| Total Governmental Activities Net Position  | <u>\$ 63,241</u>  | <u>\$ 53,187</u>  | <u>\$ 29,753</u>  | <u>\$ 34,976</u>  |
| <b>Business-type Activities:</b>            |                   |                   |                   |                   |
| Net Investment in capital assets            | \$ 131,551        | \$ 139,837        | \$ 148,215        | \$ 151,897        |
| Restricted                                  | 3,387             | 3,507             | 3,210             | 3,798             |
| Unrestricted                                | <u>18,647</u>     | <u>23,386</u>     | <u>25,970</u>     | <u>30,146</u>     |
| Total Business-type Activities Net Position | <u>\$ 153,585</u> | <u>\$ 166,730</u> | <u>\$ 177,395</u> | <u>\$ 185,841</u> |
| <b>Primary Government:</b>                  |                   |                   |                   |                   |
| Net Investment in capital assets            | \$ 251,405        | \$ 259,545        | \$ 279,688        | \$ 296,424        |
| Restricted                                  | 12,586            | 27,127            | 30,418            | 31,738            |
| Unrestricted                                | <u>(47,165)</u>   | <u>(66,755)</u>   | <u>(102,958)</u>  | <u>(107,345)</u>  |
| Total Primary Government Net Position       | <u>\$ 216,826</u> | <u>\$ 219,917</u> | <u>\$ 207,148</u> | <u>\$ 220,817</u> |

Notes:

- (1) 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**

| <b>2020</b>       | <b>2021</b>       | <b>2022</b>       | <b>2023</b>       | <b>2024</b>       | <b>2025</b>       |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 160,736        | \$ 166,093        | \$ 177,922        | \$ 188,826        | \$ 220,862        | \$ 255,702        |
| 23,493            | 27,214            | 41,738            | 50,548            | 67,839            | 79,809            |
| <u>(130,091)</u>  | <u>(116,672)</u>  | <u>(91,611)</u>   | <u>(88,068)</u>   | <u>(93,625)</u>   | <u>(85,892)</u>   |
| <u>\$ 54,138</u>  | <u>\$ 76,635</u>  | <u>\$ 128,049</u> | <u>\$ 151,306</u> | <u>\$ 195,076</u> | <u>\$ 249,619</u> |
| <br>              |                   |                   |                   |                   |                   |
| \$ 158,038        | \$ 166,219        | \$ 168,729        | \$ 201,459        | \$ 247,076        | \$ 286,640        |
| 5,579             | 7,381             | 12,199            | 15,199            | 15,588            | 17,807            |
| <u>40,890</u>     | <u>49,993</u>     | <u>60,932</u>     | <u>81,042</u>     | <u>95,194</u>     | <u>100,457</u>    |
| <u>\$ 204,507</u> | <u>\$ 223,593</u> | <u>\$ 241,860</u> | <u>\$ 297,700</u> | <u>\$ 357,858</u> | <u>\$ 404,904</u> |
| <br>              |                   |                   |                   |                   |                   |
| \$ 318,774        | \$ 332,312        | \$ 346,651        | \$ 390,285        | \$ 467,939        | \$ 542,342        |
| 29,072            | 34,595            | 53,937            | 65,746            | 83,427            | 97,616            |
| <u>(89,201)</u>   | <u>(66,679)</u>   | <u>(30,679)</u>   | <u>(7,026)</u>    | <u>1,568</u>      | <u>14,565</u>     |
| <u>\$ 258,645</u> | <u>\$ 300,228</u> | <u>\$ 369,909</u> | <u>\$ 449,005</u> | <u>\$ 552,934</u> | <u>\$ 654,523</u> |

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

| Fiscal Year                            | 2016              | 2017              | 2018              | 2019              |
|--|-------------------|-------------------|-------------------|-------------------|
| <b>Expenses:</b>                       |                   |                   |                   |                   |
| Governmental Activities:               |                   |                   |                   |                   |
| General government                     | \$ 35,751         | \$ 38,015         | \$ 31,854         | \$ 30,100         |
| Fire services                          | 27,167            | 28,820            | 28,918            | 30,502            |
| Police services                        | 35,089            | 36,382            | 36,952            | 40,496            |
| Public works                           | 19,722            | 20,007            | 20,675            | 23,490            |
| Planning and community development     | 2,991             | 3,294             | 3,532             | 3,301             |
| Housing and community services         | 15,425            | 15,981            | 16,942            | 17,962            |
| Library services                       | 2,064             | 2,168             | 2,264             | 2,157             |
| Parks and recreation                   | 12,252            | 9,805             | 10,481            | 11,400            |
| Interest on long-term debt             | 5,093             | 6,081             | 5,711             | 8,892             |
| Total Governmental Activities          | <u>155,554</u>    | <u>160,553</u>    | <u>157,329</u>    | <u>168,300</u>    |
| Business-type Activities:              |                   |                   |                   |                   |
| Water and sewer                        | 49,822            | 51,545            | 55,859            | 62,786            |
| Drainage utility                       | 1,876             | 1,829             | 2,196             | 2,832             |
| Municipal airport                      | 1,900             | 1,997             | 2,018             | 2,018             |
| Golf course (2)                        | -                 | 943               | 1,582             | 1,529             |
| Solid waste and equipment services (3) | -                 | -                 | -                 | -                 |
| Total Business-type Activities         | <u>53,598</u>     | <u>56,314</u>     | <u>61,655</u>     | <u>69,165</u>     |
| Total Primary Government               | <u>\$ 209,152</u> | <u>\$ 216,867</u> | <u>\$ 218,984</u> | <u>\$ 237,465</u> |
| <b>Program Revenues:</b>               |                   |                   |                   |                   |
| Governmental Activities:               |                   |                   |                   |                   |
| Charges for services                   |                   |                   |                   |                   |
| General government                     | \$ 7,921          | \$ 7,158          | \$ 4,985          | \$ 7,103          |
| Fire services                          | -                 | -                 | -                 | -                 |
| Police services                        | -                 | -                 | -                 | -                 |
| Public works                           | -                 | -                 | -                 | -                 |
| Planning and community development     | 6,603             | 7,759             | 8,146             | 3,056             |
| Housing and community services         | -                 | -                 | -                 | -                 |
| Library services                       | -                 | -                 | -                 | -                 |
| Parks and recreation                   | -                 | -                 | -                 | -                 |
| Other charges for services             | 19,412            | 18,668            | 18,400            | 25,070            |
| Operating grants and contributions     | 14,052            | 14,995            | 15,899            | 16,414            |
| Capital grants and contributions       | 603               | 1,125             | 4,322             | 5,755             |
| Total Governmental Activities          | <u>48,591</u>     | <u>49,705</u>     | <u>51,752</u>     | <u>57,398</u>     |
| Business-type Activities:              |                   |                   |                   |                   |
| Charges for services:                  |                   |                   |                   |                   |
| Water and sewer                        | 59,677            | 63,465            | 67,609            | 69,274            |
| Drainage utility                       | 3,795             | 3,965             | 3,966             | 4,055             |
| Municipal airport                      | 1,548             | 1,644             | 1,809             | 1,665             |
| Golf course (2)                        | -                 | 1,037             | 1,089             | 1,025             |
| Solid waste and equipment services (3) | -                 | -                 | -                 | -                 |
| Operating grants and contributions (1) | 23                | 67                | 283               | 53                |
| Capital grants and contributions       | 674               | 1,025             | 3,830             | 982               |
| Total Business-type Activities         | <u>65,717</u>     | <u>71,203</u>     | <u>78,586</u>     | <u>77,054</u>     |
| Total Primary Government               | <u>\$ 114,308</u> | <u>\$ 120,908</u> | <u>\$ 130,338</u> | <u>\$ 134,452</u> |

**Schedule 2**

| 2020              | 2021              | 2022              | 2023              | 2024              | 2025              |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 14,755         | \$ 26,234         | \$ 19,656         | \$ 26,237         | \$ 32,120         | \$ 20,456         |
| 32,319            | 32,329            | 32,371            | 41,143            | 42,267            | 48,157            |
| 43,434            | 41,849            | 42,744            | 53,248            | 55,440            | 65,043            |
| 22,681            | 23,275            | 23,103            | 29,057            | 17,592            | 19,662            |
| 3,817             | 9,543             | 4,542             | 10,669            | 9,209             | 7,100             |
| 19,934            | 21,826            | 22,789            | 24,827            | 28,206            | 31,711            |
| 2,358             | 2,469             | 2,338             | 3,157             | 3,045             | 3,208             |
| 11,938            | 11,713            | 12,104            | 13,338            | 14,285            | 15,473            |
| 7,222             | 7,817             | 8,110             | 14,195            | 13,972            | 15,254            |
| <u>158,458</u>    | <u>177,055</u>    | <u>167,757</u>    | <u>215,871</u>    | <u>216,136</u>    | <u>226,064</u>    |
| 64,605            | 58,935            | 61,274            | 68,538            | 76,698            | 87,035            |
| 3,457             | 2,734             | 2,986             | 3,595             | 3,612             | 5,087             |
| 2,054             | 2,261             | 1,108             | 3,102             | 3,089             | 3,097             |
| 1,520             | 1,520             | 1,494             | 1,615             | 1,767             | 1,986             |
| -                 | -                 | -                 | -                 | 20,473            | 24,129            |
| <u>71,636</u>     | <u>65,450</u>     | <u>66,862</u>     | <u>76,850</u>     | <u>105,639</u>    | <u>121,334</u>    |
| <u>\$ 230,094</u> | <u>\$ 242,505</u> | <u>\$ 234,619</u> | <u>\$ 292,721</u> | <u>\$ 321,775</u> | <u>\$ 347,398</u> |
| \$ 2,498          | \$ 1,762          | \$ 1,817          | \$ 3,623          | \$ 5,529          | \$ 6,299          |
| 2,387             | 3,065             | 2,631             | 2,848             | 3,364             | 3,045             |
| 2,823             | 4,184             | 5,247             | 440               | 2,375             | 1,246             |
| 14,387            | 14,801            | 25,029            | 19,995            | 11,601            | 435               |
| 2,487             | 2,839             | 5,457             | 3,336             | 3,430             | 12,257            |
| 251               | 320               | 206               | 162               | 771               | 1,054             |
| 29                | 64                | 64                | 88                | 37                | 35                |
| 756               | 1,541             | 1,709             | 1,779             | 3,059             | 2,888             |
| -                 | -                 | -                 | -                 | -                 | -                 |
| 26,236            | 27,901            | 25,363            | 26,842            | 40,230            | 43,989            |
| 7,749             | 6,364             | 3,574             | 14,027            | 11,012            | 8,663             |
| <u>59,603</u>     | <u>62,841</u>     | <u>71,097</u>     | <u>73,140</u>     | <u>81,408</u>     | <u>79,911</u>     |
| 73,739            | 70,873            | 78,325            | 88,124            | 97,996            | 95,941            |
| 4,778             | 4,865             | 5,371             | 5,082             | 5,471             | 5,570             |
| 1,964             | 2,287             | 3,075             | 2,855             | 3,041             | 3,044             |
| 1,009             | 1,235             | 1,398             | 1,531             | 1,574             | 1,832             |
| -                 | -                 | -                 | -                 | 22,077            | 30,839            |
| 50                | 89                | 68                | 74                | 455               | 475               |
| 7,676             | 5,873             | 3,730             | 31,133            | 26,419            | 19,674            |
| <u>89,216</u>     | <u>85,222</u>     | <u>91,967</u>     | <u>128,799</u>    | <u>157,033</u>    | <u>157,375</u>    |
| <u>\$ 148,819</u> | <u>\$ 148,063</u> | <u>\$ 163,064</u> | <u>\$ 201,939</u> | <u>\$ 238,441</u> | <u>\$ 237,286</u> |

(Continued Next Page)

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

| Fiscal Year   | 2016               | 2017               | 2018               | 2019                |
|---|--------------------|--------------------|--------------------|---------------------|
| <b>Net (Expenses)/Program Revenues</b>                    |                    |                    |                    |                     |
| Governmental activities                                   | \$ (106,963)       | \$ (110,848)       | \$ (105,577)       | \$ (110,901)        |
| Business-type activities                                  | 12,119             | 14,889             | 16,931             | 7,890               |
| Total Primary Government Net Expenses                     | <u>\$ (94,844)</u> | <u>\$ (95,959)</u> | <u>\$ (88,646)</u> | <u>\$ (103,011)</u> |
| <b>General Revenues and Other Changes in Net Position</b> |                    |                    |                    |                     |
| Governmental Activities:                                  |                    |                    |                    |                     |
| Ad valorem taxes  | \$ 38,328          | \$ 44,479          | \$ 49,921          | \$ 57,413           |
| Gross receipts taxes                                      | 7,806              | 7,698              | 7,988              | 7,810               |
| Sales taxes   | 44,761             | 45,476             | 45,700             | 46,869              |
| Grants not restricted to specific programs                | -                  | -                  | -                  | -                   |
| Investment income (loss)                                  | 392                | 741                | 1,330              | 2,687               |
| Gain (loss) on sale of capital assets                     | -                  | 257                | 268                | 549                 |
| Miscellaneous   | -                  | -                  | -                  | -                   |
| Transfers   | 5,235              | 2,143              | 4,537              | 797                 |
| Total Governmental Activities                             | <u>96,522</u>      | <u>100,794</u>     | <u>109,744</u>     | <u>116,125</u>      |
| Business-type Activities:                                 |                    |                    |                    |                     |
| Investment income   | 179                | 339                | 799                | 1,344               |
| Gain on sale of capital assets                            | 38                 | 60                 | 124                | 14                  |
| Miscellaneous   | -                  | -                  | -                  | -                   |
| Transfers   | (5,235)            | (2,143)            | (4,537)            | (797)               |
| Total Business-type Activities                            | <u>(5,018)</u>     | <u>(1,744)</u>     | <u>(3,614)</u>     | <u>561</u>          |
| Total Primary Government                                  | <u>\$ 91,504</u>   | <u>\$ 99,050</u>   | <u>\$ 106,130</u>  | <u>\$ 116,686</u>   |
| Change in Net Position                                    |                    |                    |                    |                     |
| Governmental activities                                   | \$ (10,441)        | \$ (10,054)        | \$ 4,167           | \$ 5,224            |
| Business-type activities                                  | 7,101              | 13,145             | 13,317             | 8,451               |
| Total Primary Government                                  | <u>\$ (3,340)</u>  | <u>\$ 3,091</u>    | <u>\$ 17,484</u>   | <u>\$ 13,675</u>    |

**Notes:**

- (1) Operating grants and contributions for business-type activities presented separately starting with fiscal year 2016.
- (2) The golf course became a separate fund beginning in fiscal year 2017. It was previously included as part of parks and recreation in the governmental activities.
- (3) The solid waste and equipment services fund became a separate fund beginning in fiscal year 2024. It was previously included as part of general government in the governmental activities.

## Schedule 2

| 2020        | 2021         | 2022        | 2023         | 2024         | 2025         |
|-------------|--------------|-------------|--------------|--------------|--------------|
| \$ (98,855) | \$ (114,214) | \$ (96,660) | \$ (138,765) | \$ (134,727) | \$ (146,153) |
| 17,580      | 19,772       | 25,105      | 51,950       | 51,396       | 36,041       |
| \$ (81,275) | \$ (94,442)  | \$ (71,555) | \$ (86,815)  | \$ (83,331)  | \$ (110,112) |
|             |              |             |              |              |              |
| \$ 62,495   | \$ 64,831    | \$ 71,023   | \$ 76,638    | \$ 89,842    | \$ 100,843   |
| 7,186       | 7,435        | 8,054       | 8,104        | 6,631        | 6,678        |
| 47,192      | 53,317       | 60,138      | 63,582       | 63,387       | 65,945       |
| -           | -            | 610         | 1,655        | 3,329        | 17,860       |
| 1,288       | 143          | (381)       | 8,982        | 12,356       | 10,198       |
| -           | 4,520        | 168         | 1,165        | 202          | -            |
| -           | 2,411        | 1,853       | 307          | 2,297        | 2,395        |
| (145)       | 4,702        | 6,610       | 1,602        | 7,468        | (3,223)      |
| 118,016     | 137,359      | 148,075     | 162,035      | 185,512      | 200,696      |
|             |              |             |              |              |              |
| 942         | 84           | (260)       | 5,279        | 8,377        | 7,480        |
| -           | -            | -           | 213          | 71           | 51           |
| -           | 963          | 31          | -            | 768          | 252          |
| 145         | (4,702)      | (6,610)     | (1,602)      | (7,468)      | 3,223        |
| 1,087       | (3,655)      | (6,839)     | 3,890        | 1,748        | 11,006       |
| \$ 119,103  | \$ 133,704   | \$ 141,236  | \$ 165,925   | \$ 187,260   | \$ 211,702   |
|             |              |             |              |              |              |
| \$ 19,161   | \$ 23,145    | \$ 51,415   | \$ 23,270    | \$ 50,785    | \$ 54,543    |
| 18,667      | 16,117       | 18,266      | 55,840       | 53,144       | 47,047       |
| \$ 37,828   | \$ 39,262    | \$ 69,681   | \$ 79,110    | \$ 103,929   | \$ 101,590   |

**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                               | 2016             | 2017             | 2018             | 2019             |
|---|------------------|------------------|------------------|------------------|
| <b>General Fund:</b>                      |                  |                  |                  |                  |
| Nonspendable                              | \$ 1,183         | \$ 1,813         | \$ 1,919         | \$ 1,926         |
| Assigned                                  | 90               | 105              | 98               | 56               |
| Unassigned                                | 17,003           | 18,312           | 18,896           | 20,713           |
| Total General Fund                        | <u>\$ 18,276</u> | <u>\$ 20,230</u> | <u>\$ 20,913</u> | <u>\$ 22,695</u> |
| <b>All Other Governmental Funds:</b>      |                  |                  |                  |                  |
| Nonspendable for:                         |                  |                  |                  |                  |
| Prepays                                   | \$ -             | \$ -             | \$ 146           | \$ 27            |
| Cemetery trust principal                  | 101              | 101              | 101              | 101              |
| Note receivable                           | -                | -                | -                | -                |
| Restricted for:                           |                  |                  |                  |                  |
| Debt Retirement                           | 85               | 599              | 46               | 4                |
| Purpose of grantors, trustees, and donors | 2,418            | 2,691            | 2,610            | 3,086            |
| Grant activities                          | -                | -                | -                | -                |
| 4B Sales Tax projects                     | 8,025            | 6,087            | 2,506            | 2,903            |
| Promotion of Tourism                      | 753              | 1,238            | 1,719            | -                |
| Law Enforcement                           | 4,127            | 3,139            | 2,043            | 1,388            |
| Capital Projects                          | 44,978           | 25,433           | 49,456           | 37,188           |
| Community Access Projects                 | 658              | 745              | 623              | 620              |
| Road Surface Repairs                      | 219              | 521              | 239              | 220              |
| Tax Increment Financing Districts         | 9,778            | 12,126           | 14,441           | 12,314           |
| Public Improvement Districts              | -                | -                | 7,203            | 27,385           |
| Hike and Bike Trail                       | 457              | 460              | 40               | -                |
| Developer's Deposits                      | 1,621            | 1,594            | 1,647            | 1,694            |
| Capital Replacement                       | 321              | 505              | 700              | 585              |
| Other Purposes                            | 557              | 608              | 585              | 2,490            |
| Assigned to:                              |                  |                  |                  |                  |
| Other Capital Projects                    | 1,176            | 1,524            | 1,384            | 1,208            |
| Other Purposes                            | 1,124            | 469              | 1,308            | 539              |
| Unassigned                                | -                | -                | -                | -                |
| Total All Other Governmental Funds        | <u>\$ 76,398</u> | <u>\$ 57,840</u> | <u>\$ 86,797</u> | <u>\$ 91,752</u> |

Schedule 3

| 2020             | 2021             | 2022              | 2023              | 2024              | 2025              |
|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 1,923         | \$ 1,987         | \$ 2,642          | \$ 3,425          | \$ 3,114          | \$ 2,996          |
| 226              | 119              | 511               | 126               | 212               | 206               |
| 25,159           | 25,914           | 30,950            | 31,727            | 35,188            | 36,408            |
| <u>\$ 27,308</u> | <u>\$ 28,020</u> | <u>\$ 34,103</u>  | <u>\$ 35,278</u>  | <u>\$ 38,514</u>  | <u>\$ 39,610</u>  |
| \$ 5             | \$ -             | \$ 85             | \$ 48             | \$ 58             | \$ 7              |
| 101              | -                | -                 | -                 | -                 | -                 |
| -                | -                | -                 | 833               | 793               | 771               |
| 821              | 1,414            | 1,475             | 3,653             | 5,847             | 2,625             |
| 2,443            | 3,751            | 2,821             | 3,469             | 3,613             | 3,962             |
| -                | -                | -                 | -                 | -                 | -                 |
| 2,586            | 6,165            | 12,998            | 17,574            | 19,654            | 17,651            |
| 2,385            | 2,095            | 2,541             | 2,613             | 2,705             | 2,709             |
| 2,024            | 2,011            | 1,552             | 2,625             | 3,322             | 3,364             |
| 46,601           | 39,335           | 68,823            | 89,388            | 74,647            | 71,667            |
| 646              | 641              | 693               | 678               | 678               | 715               |
| 635              | 1,019            | 7,734             | 8,118             | 14,258            | 21,801            |
| 6,012            | 4,087            | 7,648             | 6,424             | 5,897             | 9,363             |
| 18,014           | 8,737            | 6,474             | 9,791             | 5,510             | 11,439            |
| 41               | 42               | 41                | 43                | 46                | 48                |
| 1,547            | 1,595            | 1,588             | 1,676             | 1,780             | 1,955             |
| 397              | 452              | 533               | 701               | 1,015             | 1,422             |
| 585              | 558              | 1,363             | 1,893             | 5,349             | 7,201             |
| 6,952            | 10,865           | 16,588            | 20,816            | 16,740            | 17,829            |
| 583              | 676              | 785               | 801               | 917               | 1,042             |
| (77)             | -                | -                 | -                 | (4,205)           | (2,309)           |
| <u>\$ 92,301</u> | <u>\$ 83,443</u> | <u>\$ 133,742</u> | <u>\$ 171,144</u> | <u>\$ 158,624</u> | <u>\$ 173,262</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   | 2016             | 2017               | 2018             | 2019            |
|---|------------------|--------------------|------------------|-----------------|
| <b>Revenues:</b>  |                  |                    |                  |                 |
| Taxes   | \$ 90,911        | \$ 97,633          | \$ 103,468       | \$ 112,214      |
| Licenses and permits                                    | 2,236            | 2,399              | 2,281            | 2,598           |
| Fines and forfeitures                                   | 3,586            | 3,772              | 3,295            | 4,087           |
| Investment income                                       | 388              | 733                | 1,304            | 2,645           |
| Charges for services                                    | 20,926           | 21,302             | 16,672           | 18,605          |
| Special Assessments                                     | -                | -                  | -                | -               |
| Intergovernmental                                       | 14,299           | 15,204             | 19,936           | 18,279          |
| Contributions and donations                             | 313              | 346                | 1,703            | 1,658           |
| Other revenues  | 2,421            | 1,537              | 1,730            | 4,139           |
| <b>Total Revenues</b>                                   | <b>135,080</b>   | <b>142,926</b>     | <b>150,389</b>   | <b>164,225</b>  |
| <b>Expenditures:</b>                                    |                  |                    |                  |                 |
| General government                                      | 15,330           | 15,316             | 16,737           | 14,463          |
| Fire services   | 25,631           | 27,573             | 28,082           | 29,529          |
| Police services   | 33,267           | 36,907             | 37,060           | 38,551          |
| Public works  | 13,158           | 14,189             | 14,316           | 15,592          |
| Planning and community development                      | 2,874            | 3,173              | 3,535            | 3,318           |
| Library services  | 1,917            | 2,055              | 2,083            | 2,056           |
| Parks and recreation                                    | 10,437           | 8,126              | 8,662            | 9,753           |
| Housing and community services                          | 15,268           | 16,001             | 16,711           | 17,770          |
| Capital outlay  | 16,879           | 33,453             | 36,255           | 39,229          |
| Debt service - principal                                | 9,019            | 11,185             | 13,383           | 14,080          |
| Debt service - interest                                 | 4,628            | 6,278              | 6,340            | 8,162           |
| Debt service - bond issuance costs                      | 586              | 279                | 489              | 2,112           |
| <b>Total Expenditures</b>                               | <b>148,994</b>   | <b>174,535</b>     | <b>183,653</b>   | <b>194,615</b>  |
| <b>Deficiency of Revenues Under Expenditures</b>        | <b>(13,914)</b>  | <b>(31,609)</b>    | <b>(33,264)</b>  | <b>(30,390)</b> |
| <b>Other Financing Sources (Uses)</b>                   |                  |                    |                  |                 |
| Transfer in   | 21,099           | 24,375             | 26,728           | 23,501          |
| Transfers out   | (15,823)         | (18,383)           | (22,692)         | (22,704)        |
| Leases issued   | -                | -                  | -                | -               |
| Subscriptions issued                                    | -                | -                  | -                | -               |
| Bond proceeds   | 35,085           | 8,285              | 53,810           | 34,655          |
| Proceeds of refunding bonds                             | 17,295           | 7,600              | 960              | -               |
| Premium on debt   | 5,232            | 1,477              | 5,136            | 565             |
| Payment to refunded bond agent                          | (19,907)         | (8,607)            | (1,039)          | -               |
| Sale of general capital assets                          | -                | 257                | -                | 1,111           |
| <b>Total Other Financing Sources (Uses)</b>             | <b>42,981</b>    | <b>15,004</b>      | <b>62,903</b>    | <b>37,128</b>   |
| <b>Net Change in Fund Balances</b>                      | <b>\$ 29,067</b> | <b>\$ (16,605)</b> | <b>\$ 29,639</b> | <b>\$ 6,738</b> |
| Debt service as a percentage of noncapital expenditures | 10.33%           | 12.38%             | 13.38%           | 14.31%          |

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

## Schedule 4

|    | 2020            | 2021            | 2022           | 2023            | 2024            | 2025            |
|----|-----------------|-----------------|----------------|-----------------|-----------------|-----------------|
| \$ | 116,797         | \$ 125,478      | \$ 139,060     | \$ 148,018      | \$ 159,807      | \$ 173,769      |
|    | 3,037           | 3,252           | 5,959          | 4,500           | 6,298           | 6,142           |
|    | 4,416           | 3,970           | 4,523          | 4,459           | 5,882           | 5,847           |
|    | 1,266           | 141             | (375)          | 8,743           | 12,003          | 9,941           |
|    | 19,736          | 21,270          | 31,029         | 26,220          | 17,836          | 15,958          |
|    | -               | 2,552           | 2,734          | 2,917           | 6,453           | 7,025           |
|    | 27,217          | 26,895          | 25,225         | 24,267          | 35,126          | 50,007          |
|    | 1,326           | 803             | 415            | 399             | 100             | 168             |
|    | 3,232           | 2,952           | 5,685          | 2,740           | 2,297           | 2,396           |
|    | <u>177,027</u>  | <u>187,313</u>  | <u>214,255</u> | <u>222,263</u>  | <u>245,802</u>  | <u>271,253</u>  |
|    | 10,568          | 25,226          | 18,358         | 22,669          | 26,124          | 22,239          |
|    | 30,725          | 32,542          | 34,250         | 37,701          | 41,674          | 45,281          |
|    | 40,842          | 41,906          | 44,932         | 48,737          | 54,452          | 60,033          |
|    | 15,715          | 16,580          | 16,752         | 20,490          | 9,637           | 9,879           |
|    | 3,762           | 9,672           | 4,811          | 10,294          | 9,305           | 7,003           |
|    | 2,340           | 2,539           | 2,493          | 2,951           | 2,964           | 3,033           |
|    | 10,221          | 10,194          | 10,876         | 11,380          | 12,393          | 13,049          |
|    | 19,639          | 21,756          | 22,941         | 24,429          | 28,343          | 31,544          |
|    | 41,525          | 36,304          | 29,515         | 83,776          | 92,873          | 71,596          |
|    | 14,970          | 13,665          | 18,128         | 18,220          | 23,725          | 25,968          |
|    | 8,324           | 9,271           | 9,150          | 10,864          | 15,187          | 16,641          |
|    | 685             | 257             | 586            | 4,742           | 587             | 1,046           |
|    | <u>199,316</u>  | <u>219,912</u>  | <u>212,792</u> | <u>296,253</u>  | <u>317,264</u>  | <u>307,312</u>  |
|    | <u>(22,289)</u> | <u>(32,599)</u> | <u>1,463</u>   | <u>(73,990)</u> | <u>(71,462)</u> | <u>(36,059)</u> |
|    | 30,261          | 33,184          | 41,940         | 42,578          | 43,331          | 45,978          |
|    | (31,405)        | (31,343)        | (35,880)       | (40,976)        | (35,863)        | (37,996)        |
|    | -               | -               | 56             | 44              | 202             | 13              |
|    | -               | -               | -              | 194             | -               | 5,670           |
|    | 24,945          | 16,005          | 44,990         | 105,374         | 49,535          | 35,410          |
|    | 27,685          | -               | -              | -               | -               | -               |
|    | 5,373           | 1,355           | 3,285          | 3,920           | 4,524           | 1,922           |
|    | (29,665)        | -               | -              | -               | -               | -               |
|    | 256             | 5,900           | 529            | 1,415           | 464             | 796             |
|    | <u>27,450</u>   | <u>25,101</u>   | <u>54,920</u>  | <u>112,549</u>  | <u>62,193</u>   | <u>51,793</u>   |
| \$ | <u>5,161</u>    | <u>(7,498)</u>  | <u>56,383</u>  | <u>38,559</u>   | <u>(9,269)</u>  | <u>15,734</u>   |
|    | 14.76%          | 12.49%          | 14.88%         | 13.69%          | 13.69%          | 18.52%          |

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

| Year Ended<br>September | Total   | Ad Valorem<br>Taxes | Sales Taxes |        |             |
|-------------------------|---------|---------------------|-------------|--------|-------------|
|                         |         |                     | General     | Liquor | Hotel/Motel |
| 2017                    | 90,911  | 38,345              | 43,191      | 274    | 1,296       |
| % Total                 | 100.0   | 42.2                | 47.5        | 0.3    | 1.4         |
| 2018                    | 97,633  | 44,459              | 43,664      | 273    | 1,539       |
| % Total                 | 100.0   | 45.5                | 44.7        | 0.3    | 1.6         |
| 2019                    | 103,468 | 49,780              | 43,790      | 279    | 1,630       |
| % Total                 | 100.0   | 48.1                | 42.3        | 0.3    | 1.6         |
| 2020                    | 112,214 | 57,535              | 44,575      | 284    | 2,010       |
| % Total                 | 100.0   | 51.3                | 39.7        | 0.3    | 1.8         |
| 2021                    | 116,797 | 62,420              | 45,522      | 228    | 1,442       |
| % Total                 | 100.0   | 53.4                | 39.0        | 0.2    | 1.2         |
| 2022                    | 125,478 | 64,726              | 51,478      | 280    | 1,559       |
| % Total                 | 100.0   | 51.6                | 41.0        | 0.2    | 1.2         |
| 2023                    | 139,059 | 70,868              | 58,028      | 308    | 1,802       |
| % Total                 | 100.0   | 51.0                | 41.7        | 0.2    | 1.3         |
| 2023                    | 148,019 | 76,332              | 61,372      | 341    | 1,870       |
| % Total                 | 100.0   | 51.6                | 41.5        | 0.2    | 1.3         |
| 2024                    | 159,795 | 89,780              | 61,086      | 310    | 1,990       |
| % Total                 | 100.0   | 87.60               | 10.7        | 0.1    | 1.2         |
| 2025                    | 173,735 | 101,146             | 63,943      | 285    | 1,718       |
| % Total                 | 100.0   | 87.6                | 36.8        | 0.2    | 1.0         |

**Schedule 5**

| <b>Gross Receipts Taxes</b> |            |                  |                 |                   |              |  |
|-----------------------------|------------|------------------|-----------------|-------------------|--------------|--|
| <b>Electrical</b>           | <b>Gas</b> | <b>Telephone</b> | <b>Cable TV</b> | <b>Sanitation</b> | <b>Other</b> |  |
| 4,007                       | 943        | -                | 1,510           | 1,001             | 344          |  |
| 4.4                         | 1.0        | -                | 1.7             | 1.1               | 0.4          |  |
| 4,051                       | 1,072      | -                | 1,259           | 1,022             | 294          |  |
| 4.1                         | 1.1        | -                | 1.3             | 1.0               | 0.3          |  |
| 4,146                       | 1,255      | -                | 1,230           | 1,079             | 279          |  |
| 4.0                         | 1.2        | -                | 1.2             | 1.0               | 0.3          |  |
| 3,961                       | 1,144      | -                | 1,230           | 1,189             | 286          |  |
| 3.5                         | 1.0        | -                | 1.1             | 1.1               | 0.3          |  |
| 3,961                       | 993        | -                | 868             | 1,314             | 49           |  |
| 3.4                         | 0.9        | -                | 0.7             | 1.1               | 0.0          |  |
| 3,859                       | 1,370      | -                | 778             | 1,374             | 54           |  |
| 3.1                         | 1.1        | -                | 0.6             | 1.1               | 0.0          |  |
| 4,065                       | 1,606      | -                | 750             | 1,577             | 55           |  |
| 2.9                         | 1.2        | -                | 0.5             | 1.1               | 0.0          |  |
| 4,013                       | 1,620      | -                | 672             | 1,745             | 54           |  |
| 2.7                         | 1.1        | -                | 0.5             | 1.2               | 0.0          |  |
| 4,253                       | 1,743      | -                | 581             | -                 | 52           |  |
| 1.2                         | 0.2        | -                | 0.1             | -                 | 0.0          |  |
| 4,210                       | 1,919      | -                | 476             | -                 | 39           |  |
| 2.4                         | 1.1        | -                | 0.3             | -                 | -            |  |

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

|  | <u>2016</u>         | <u>2017</u>         | <u>2018</u>         | <u>2019</u>         |
|--|---------------------|---------------------|---------------------|---------------------|
| General Merchandise Stores                         | \$ 282,485          | \$ 284,451          | \$ 298,272          | \$ 280,841          |
| Eating and Drinking Establishments                 | 273,022             | 281,283             | 286,661             | 290,527             |
| Clothing and Apparel Stores                        | 198,003             | 212,609             | 190,250             | 206,658             |
| Building Materials, Garden Equipment, and Supplies | 155,725             | 149,725             | 127,790             | 149,031             |
| Home Furnishings and Appliances                    | 152,402             | 138,242             | 158,791             | 132,850             |
| Automotive Dealers, Service, and Supplies          | 68,707              | 67,741              | 64,476              | 86,346              |
| Food and Grocery Stores (2)                        | 56,981              | 59,041              | 67,033              | 42,939              |
| Gas Stations                                       | 48,377              | 49,944              | 51,453              | 56,808              |
| Other Retail Stores                                | 181,988             | 185,967             | 191,585             | 189,601             |
| All Other Outlets                                  | <u>746,715</u>      | <u>775,586</u>      | <u>818,658</u>      | <u>822,433</u>      |
| Total Taxable Sales (1)                            | <u>\$ 2,164,405</u> | <u>\$ 2,204,589</u> | <u>\$ 2,254,969</u> | <u>\$ 2,258,034</u> |
| City Direct Sales Tax Rate                         | 2.0%                | 2.0%                | 2.0%                | 2.0%                |

Notes:

(1) Sales tax filing information obtained from Texas Comptroller of Public Accounts. Taxable sales calculated by dividing sales taxes reported by the City's direct sales tax rate.

(2) General grocery items are not taxable; the sales tax applies only to prepared food items and nonfood items.

(3) Data subject to change as more precise reporting becomes available. Total sales tax received in FY25 will not tie to the financial statements from this schedule due to taxpayers' amended returns and late filers.

## Schedule 6

|    | 2019             | 2020           | 2021             | 2022             | 2023             | 2024             | 2025 (3)         |    |                  |    |                  |    |                  |
|----|------------------|----------------|------------------|------------------|------------------|------------------|------------------|----|------------------|----|------------------|----|------------------|
| \$ | 280,841          | \$             | 261,938          | \$               | 284,172          | \$               | 332,495          | \$ | 317,286          | \$ | 300,450          | \$ | 305,986          |
|    | 290,527          | 278,764        | 323,796          | 369,260          | 376,632          | 390,349          | 410,486          |    |                  |    |                  |    |                  |
|    | 206,658          | 186,787        | 253,369          | 253,387          | 247,089          | 232,982          | 231,177          |    |                  |    |                  |    |                  |
|    | 149,031          | 152,098        | 167,056          | 199,594          | 193,839          | 184,720          | 184,208          |    |                  |    |                  |    |                  |
|    | 132,850          | 134,323        | 181,259          | 187,555          | 184,289          | 164,733          | 161,116          |    |                  |    |                  |    |                  |
|    | 86,346           | 89,447         | 99,215           | 79,116           | 81,683           | 75,958           | 71,225           |    |                  |    |                  |    |                  |
|    | 42,939           | 95,888         | 83,020           | 120,906          | 93,068           | 92,797           | 90,088           |    |                  |    |                  |    |                  |
|    | 56,808           | 50,335         | 52,878           | 69,209           | 67,571           | 76,713           | 81,202           |    |                  |    |                  |    |                  |
|    | 189,601          | 219,692        | 294,652          | 326,119          | 377,745          | 404,617          | 403,540          |    |                  |    |                  |    |                  |
|    | <u>822,433</u>   | <u>787,669</u> | <u>777,640</u>   | <u>1,005,398</u> | <u>1,096,986</u> | <u>1,140,661</u> | <u>1,226,296</u> |    |                  |    |                  |    |                  |
| \$ | <u>2,258,034</u> | \$             | <u>2,256,941</u> | \$               | <u>2,517,057</u> | \$               | <u>2,943,039</u> | \$ | <u>3,036,188</u> | \$ | <u>3,063,980</u> | \$ | <u>3,165,324</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**

|                                     | <b>2025</b>             |                      | <b>2016</b>             |                      |
|-------------------------------------|-------------------------|----------------------|-------------------------|----------------------|
|                                     | <b>Number of Filers</b> | <b>Tax Liability</b> | <b>Number of Filers</b> | <b>Tax Liability</b> |
| Retail Trade                        | 3,696                   | \$ 38,780,555        | 1,885                   | \$ 28,037,941        |
| Services                            | 2,844                   | 6,521,700            | 1,806                   | 6,124,610            |
| Transportation and Utilities        | 140                     | 5,099,790            | 107                     | 6,223,699            |
| Wholesale Trade                     | 1,675                   | 5,087,984            | 1,221                   | 2,012,634            |
| Manufacturing                       | 1,519                   | 3,539,213            | 927                     | 1,919,426            |
| Construction                        | 879                     | 3,198,906            | 807                     | 1,084,021            |
| Finance, Insurance, and Real Estate | 374                     | 1,028,851            | 358                     | 807,956              |
| Agricultural                        | 13                      | 3,818                | 6                       | 3,301                |
| Mining                              | 7                       | 2,894                | 7                       | 3,296                |
| Public Administration               | 11                      | 42,762               | 9                       | 71,121               |
| <b>Total</b>                        | <b>11,158</b>           | <b>\$ 63,306,473</b> | <b>7,133</b>            | <b>\$ 46,288,005</b> |

Source: Texas Comptroller of Public Accounts

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

**Schedule 8**

| <b>City of Mesquite</b> |                                  |                            |                     |                  |                       |                             |
|-------------------------|----------------------------------|----------------------------|---------------------|------------------|-----------------------|-----------------------------|
| <b>Fiscal Year</b>      | <b>Economic Development - 4B</b> | <b>Property Tax Relief</b> | <b>Regular Rate</b> | <b>Total COM</b> | <b>State of Texas</b> | <b>Total Sales Tax Rate</b> |
| 2016                    | 0.50%                            | 0.50%                      | 1.00%               | 2.00%            | 6.25%                 | 8.25%                       |
| 2017                    | 0.50%                            | 0.50%                      | 1.00%               | 2.00%            | 6.25%                 | 8.25%                       |
| 2018                    | 0.50%                            | 0.50%                      | 1.00%               | 2.00%            | 6.25%                 | 8.25%                       |
| 2019                    | 0.50%                            | 0.50%                      | 1.00%               | 2.00%            | 6.25%                 | 8.25%                       |
| 2020                    | 0.50%                            | 0.50%                      | 1.00%               | 2.00%            | 6.25%                 | 8.25%                       |
| 2021                    | 0.50%                            | 0.50%                      | 1.00%               | 2.00%            | 6.25%                 | 8.25%                       |
| 2022                    | 0.50%                            | 0.50%                      | 1.00%               | 2.00%            | 6.25%                 | 8.25%                       |
| 2023                    | 0.50%                            | 0.50%                      | 1.00%               | 2.00%            | 6.25%                 | 8.25%                       |
| 2024                    | 0.50%                            | 0.50%                      | 1.00%               | 2.00%            | 6.25%                 | 8.25%                       |
| 2025                    | 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 |                      |
| 2016        | 4,254,661                                 | 1,983,357                | 209,767             | 109,107                     | 833,635           | 7,390,527            |
| 2017        | 4,784,452                                 | 2,111,684                | 207,429             | 113,444                     | 895,405           | 8,112,414            |
| 2018        | 5,433,038                                 | 2,252,673                | 206,414             | 114,705                     | 966,735           | 8,973,565            |
| 2019        | 6,167,059                                 | 2,412,704                | 253,364             | 133,646                     | 1,035,854         | 10,002,627           |
| 2020        | 6,528,588                                 | 2,766,119                | 239,948             | 142,322                     | 1,093,135         | 10,770,112           |
| 2021        | 6,942,391                                 | 2,622,980                | 250,263             | 140,857                     | 1,030,762         | 10,987,253           |
| 2022        | 7,988,907                                 | 3,202,630                | 292,943             | 181,473                     | 1,108,444         | 12,774,397           |
| 2023        | 9,549,637                                 | 3,463,643                | 332,135             | 154,239                     | 1,339,458         | 14,839,112           |
| 2024        | 10,793,172                                | 3,919,725                | 340,662             | 156,534                     | 1,553,067         | 16,763,160           |
| 2025        | 12,166,583                                | 4,713,776                | 377,916             | 186,012                     | 1,593,032         | 19,037,319           |

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 \$1,052,912. 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. (\$14,262,684 + \$1,052,912= \$15,315,596).

(4) Tax rate is per \$100 assessed valuation.

**Schedule 9**

| <b>Less: Exemptions, Abatements, and TIFs (2)</b> |                           |  |                             |  |                         |  |
|---|---------------------------|--|-----------------------------|--|-------------------------|--|
| <b>Exemptions<br/>Granted</b>                     | <b>Tax<br/>Abatements</b> | <b>Tax Incentive<br/>Financing<br/>Districts (TIF)</b> | <b>Total<br/>Exemptions</b> | <b>Total<br/>Taxable<br/>Valuation (3)</b> | <b>Tax<br/>Rate (4)</b> |  |
| 1,253,159   | -                         | 174,807  | 1,427,966                   | 5,962,561                                  | 0.64000                 |  |
| 1,384,473   | -                         | 200,471  | 1,584,944                   | 6,527,470                                  | 0.68700                 |  |
| 1,651,691   | -                         | 222,549  | 1,874,240                   | 7,099,325                                  | 0.68700                 |  |
| 1,938,037   | -                         | 232,249  | 2,170,286                   | 7,832,341                                  | 0.73400                 |  |
| 2,090,556   | -                         | 306,111  | 2,396,667                   | 8,373,445                                  | 0.73400                 |  |
| 2,147,512   | -                         | 353,849  | 2,501,361                   | 8,485,892                                  | 0.70862                 |  |
| 2,476,372   | -                         | 390,078  | 2,866,450                   | 9,907,947                                  | 0.70858                 |  |
| 3,084,809   | -                         | 836,126  | 3,920,935                   | 10,918,177                                 | 0.65814                 |  |
| 3,218,002   | -                         | 1,185,473  | 4,403,475                   | 12,359,685                                 | 0.69000                 |  |
| 3,721,723   | -                         | 1,052,912  | 4,774,635                   | 14,262,684                                 | 0.69000                 |  |

**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 |                                  |
| 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      | 0.70863 | 0.22790               | 0.25500                         | 0.12350                           | 0.01000                           | 1.31200                              | 2.63703                          |
| 2022        | 0.50128          | 0.20730      | 0.70858 | 0.22794               | 0.25500                         | 0.12350                           | 0.01000                           | 1.31200                              | 2.63702                          |
| 2023        | 0.45410          | 0.20404      | 0.65814 | 0.21795               | 0.23580                         | 0.11590                           | 0.01000                           | 1.28000                              | 2.51779                          |
| 2024        | 0.48920          | 0.20080      | 0.69000 | 0.21572               | 0.21950                         | 0.11000                           | -                                 | 1.10000                              | 2.33522                          |
| 2025        | 0.48920          | 0.20080      | 0.69000 | 0.21550               | 0.21200                         | 0.10560                           | -                                 | 1.10000                              | 2.32310                          |

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                             | 2025                     |      |   | 2016                    |      |   |
|--------------------------------------|--------------------------|------|---|-------------------------|------|---|
|                                      | Taxable Assessed Value   | Rank | Percent of Total Taxable Assessed Valuation | Taxable Assessed Value  | Rank | Percent of Total Taxable Assessed Valuation |
| Ashley Furniture Ind                 | \$ 138,429,330           | 1    | 0.97%                                       |                         |      |   |
| Town East Mall                       | 133,156,490              | 2    | 0.93%                                       | 133,690,990             | 1    | 2.24%                                       |
| DG Mesquite Airport                  | 133,513,750              | 3    | 0.94%                                       |                         |      |   |
| Mesquite Owner LLC                   | 99,163,490               | 4    | 0.70%                                       |                         |      |   |
| SRPF C/Trinity Point Phase I LP      | 96,975,000               | 5    | 0.68%                                       |                         |      |   |
| Oncor Electric Delivery              | 88,991,830               | 6    | 0.62%                                       | 47,605,660              | 3    | 0.80%                                       |
| SF II CS Mesquite Venture LLC        | 87,550,230               | 7    | 0.61%                                       |                         |      |   |
| Canadian Solar US Module Manufacture | 83,624,490               | 8    | 0.59%                                       |                         |      |   |
| Bixby IF Finance 3 LLC               | 70,091,850               | 9    | 0.49%                                       |                         |      |   |
| BDPF Alcott Logistics LP             | 56,565,400               | 10   | 0.40%                                       |                         |      |   |
| Market East Associates LLC           |                          |      |   | 57,000,000              | 2    | 0.96%                                       |
| Pepsi Cola                           |                          |      |   | 47,624,720              | 4    | 0.80%                                       |
| Ocean Barons LP                      |                          |      |   | 43,100,000              | 5    | 0.72%                                       |
| BRE DDR Marketplace                  |                          |      |   | 33,750,000              | 6    | 0.57%                                       |
| United Parcel Service                |                          |      |   | 33,302,980              | 7    | 0.56%                                       |
| CURCI Mesquite Prop LP               |                          |      |   | 31,945,840              | 8    | 0.54%                                       |
| Advenir @ Mission Ranch              |                          |      |   | 28,008,000              | 9    | 0.47%                                       |
| Intergerman Place LP                 |                          |      |   | <u>27,692,500</u>       | 10   | 0.46%                                       |
| Total                                | <u>988,061,860</u>       |      | 6.93%                                       | <u>483,720,690</u>      |      |   |
| Total Taxable Assessed Valuation     | <u>\$ 14,262,684,000</u> |      |   | <u>\$ 5,962,561,376</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<br>Ended<br>September 30 | Adjusted<br>Current<br>Tax Levy | Collected within the<br>Fiscal Year of the Levy |                    | Collections<br>in Subsequent<br>Years | Total Collections to Date |                    | Outstanding<br>Delinquent<br>Taxes |
|--------------------------------------|---------------------------------|---|--------------------|---------------------------------------|---------------------------|--------------------|------------------------------------|
|                                      |                                 | Amount (1)                                      | Percent of<br>Levy |                                       | Amount                    | Percent<br>of Levy |                                    |
| 2016                                 | 37,960,913                      | 37,517,675                                      | 98.83              | 186,695                               | 37,704,370                | 99.32              | 256,543                            |
| 2017                                 | 43,954,143                      | 43,411,278                                      | 98.76              | 256,839                               | 43,668,117                | 99.35              | 286,026                            |
| 2018                                 | 48,024,985                      | 47,447,876                                      | 98.80              | 236,133                               | 47,684,009                | 99.29              | 340,976                            |
| 2019                                 | 55,708,582                      | 54,944,161                                      | 98.63              | 303,773                               | 55,247,934                | 99.17              | 460,648                            |
| 2020                                 | 60,103,187                      | 59,289,630                                      | 98.65              | 509,235                               | 59,798,865                | 99.49              | 304,322                            |
| 2021                                 | 62,336,159                      | 61,682,155                                      | 98.95              | 449,481                               | 62,131,636                | 99.67              | 204,523                            |
| 2022                                 | 68,496,653                      | 67,479,777                                      | 98.52              | 169,263                               | 67,649,040                | 98.76              | 847,613                            |
| 2023                                 | 72,816,166                      | 71,543,792                                      | 98.25              | 157,249                               | 71,701,041                | 98.47              | 1,115,125                          |
| 2024                                 | 92,155,575                      | 89,935,953                                      | 97.59              | 1,121,974                             | 91,057,927                | 98.81              | 1,097,648                          |
| 2025                                 | 100,427,432                     | 100,033,560                                     | 99.61              | -                                     | 100,033,560               | 99.61              | 393,872                            |

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

(1) Collection amount excludes amounts related to local finance assessments

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

**Schedule 13**

| Fiscal Year | Governmental Activities  |                             |                          |                                      |   |               |                   |                   | Total       |
|-------------|--------------------------|-----------------------------|--------------------------|--------------------------------------|---|---------------|-------------------|-------------------|-------------|
|             | General Obligation Bonds | Certificates of Obligations | Special Assessment Bonds | Net Premium/ (Discount) on Bonds (2) | Public Property Finance Contractual Obligations | Notes Payable | Lease Obligations | SBITA Obligations |             |
| 2016        | 79,340,000               | 74,945,000                  | -                        | 8,521,721                            | -   | 1,166,008     | -                 | -                 | 163,972,729 |
| 2017        | 82,210,000               | 69,235,000                  | -                        | 9,385,301                            | -   | 578,096       | -                 | -                 | 161,408,397 |
| 2018        | 108,940,000              | 76,200,000                  | 7,245,000                | 12,808,171                           | -   | -             | -                 | -                 | 205,193,171 |
| 2019        | 100,740,000              | 80,385,000                  | 31,835,000               | 11,634,912                           | -   | -             | -                 | -                 | 224,594,912 |
| 2020        | 122,010,000              | 67,685,000                  | 31,835,000               | 14,613,527                           | -   | -             | -                 | -                 | 236,143,527 |
| 2021        | 112,855,000              | 79,550,000                  | 31,465,000               | 14,022,079                           | -   | -             | -                 | -                 | 237,892,079 |
| 2022        | 118,710,000              | 101,225,000                 | 30,930,000               | 15,042,845                           | -   | -             | 343,957           | -                 | 266,251,802 |
| 2023        | 107,785,000              | 151,520,000                 | 79,254,000               | 16,914,132                           | -   | -             | 230,854           | 1,235,886         | 356,939,872 |
| 2024        | 112,185,000              | 174,465,000                 | 78,231,000               | 19,186,643                           | -   | -             | 285,886           | 871,094           | 385,224,623 |
| 2025        | 101,610,000              | 192,050,000                 | 82,183,000               | 18,281,043                           | -   | -             | 199,122           | 5,120,571         | 399,443,736 |

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 Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(Unaudited)**

**Schedule 13**

| Fiscal Year | Business-Type Activities  |   |                                      |                   |                   | Total       | Total Primary Government | Percentage of Effective Buying Income (1) | Per Capita (1) |
|-------------|---------------------------|---|--------------------------------------|-------------------|-------------------|-------------|--------------------------|---|----------------|
|             | Water/Sewer Revenue Bonds | Drainage Utility District Revenue Bonds | Net Premium/ (Discount) on Bonds (2) | Lease Obligations | SBITA Obligations |             |                          |   |                |
| 2016        | 73,105,000                | 2,060,000                               | 3,344,683                            | -                 | -                 | 78,509,683  | 242,482,412              | 9.04%                                     | 1,696.27       |
| 2017        | 75,100,000                | 1,625,000                               | 4,376,177                            | -                 | -                 | 81,101,177  | 242,509,574              | 8.74%                                     | 1,695.16       |
| 2018        | 76,525,000                | 1,175,000                               | 4,773,464                            | -                 | -                 | 82,473,464  | 287,666,635              | 10.18%                                    | 2,006.74       |
| 2019        | 85,650,000                | 8,725,000                               | 5,642,059                            | -                 | -                 | 100,017,059 | 324,611,971              | 10.82%                                    | 2,238.24       |
| 2020        | 98,140,000                | 8,140,000                               | 7,983,134                            | -                 | -                 | 114,263,134 | 350,406,661              | 11.52%                                    | 2,409.78       |
| 2021        | 117,875,000               | 7,630,000                               | 9,490,914                            | -                 | -                 | 134,995,914 | 372,887,993              | 10.37%                                    | 2,484.13       |
| 2022        | 143,695,000               | 10,820,000                              | 11,650,904                           | 278,813           | -                 | 166,444,717 | 432,696,519              | 13.38%                                    | 2,846.31       |
| 2023        | 166,375,000               | 10,435,000                              | 12,350,310                           | 836,453           | -                 | 189,996,763 | 546,936,635              | 17.00%                                    | 3,550.55       |
| 2024        | 174,065,000               | 9,995,000                               | 12,246,142                           | 625,770           | -                 | 196,931,912 | 582,156,535              | 18.53%                                    | 3,888.56       |
| 2025        | 179,985,000               | 13,090,000                              | 11,835,880                           | 409,220           | -                 | 205,320,100 | 604,763,836              | 14.62%                                    | 3,841.33       |

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

**Schedule 14**

| <b>Fiscal Year</b> | <b>Population (1)</b> | <b>Taxable Assessed Value (in 000s) (2)</b> | <b>General Bonded Debt</b> | <b>Less: Amounts Available in Debt Service Fund</b> | <b>Net General Bonded Debt</b> | <b>Percentage of Taxable Value of Property</b> | <b>Net General Bonded Debt Per Capita</b> |
|--------------------|-----------------------|---|----------------------------|---|--------------------------------|--|---|
| 2016               | 142,950               | 5,962,562                                   | 163,972,729                | 85,167  | \$ 163,887,562                 | 2.75%  | 1,146.47                                  |
| 2017               | 143,060               | 6,527,470                                   | 161,408,397                | 599,175   | \$ 160,809,222                 | 2.46%  | 1,124.07                                  |
| 2018               | 143,350               | 7,099,325                                   | 197,948,171                | 45,694  | \$ 197,902,477                 | 2.79%  | 1,380.55                                  |
| 2019               | 145,030               | 7,832,341                                   | 192,759,912                | 4,167   | \$ 192,755,745                 | 2.46%  | 1,329.07                                  |
| 2020               | 145,410               | 8,373,445                                   | 204,308,527                | 821,500   | \$ 203,487,027                 | 2.43%  | 1,399.40                                  |
| 2021               | 150,108               | 8,485,892                                   | 206,427,079                | 1,413,685   | \$ 205,013,394                 | 2.42%  | 1,365.77                                  |
| 2022               | 152,020               | 9,907,947                                   | 234,977,845                | 1,475,223   | \$ 233,502,622                 | 2.36%  | 1,536.00                                  |
| 2023               | 154,043               | 10,918,177                                  | 276,219,132                | 3,653,715   | \$ 272,565,417                 | 2.50%  | 1,769.41                                  |
| 2024               | 155,382               | 12,359,685                                  | 305,836,643                | 5,846,508   | \$ 299,990,135                 | 2.43%  | 1,930.66                                  |
| 2025               | 157,436               | 14,262,684                                  | 311,941,043                | 2,624,865   | \$ 309,316,178                 | 2.17%  | 1,964.71                                  |

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, 2025**  
**(Unaudited)**

**Schedule 15**

| Taxing Jurisdiction                                | Total<br>Outstanding<br>Debt (1) | Estimated<br>Percent<br>Applicable (2) | Direct and<br>Estimated<br>Overlapping Debt |
|--|----------------------------------|--|---|
| Direct:  |                                  |  |   |
| City of Mesquite                                   | \$ 399,443,736                   | 100.00%                                | \$ 399,443,736                              |
| Overlapping:                                       |                                  |  |   |
| Dallas County                                      | 179,530,000                      | 3.28%                                  | 5,888,584                                   |
| Dallas County Community College District           | 247,115,000                      | 3.28%                                  | 8,105,372                                   |
| Dallas County Hospital District                    | 511,285,000                      | 3.28%                                  | 16,770,148                                  |
| Kaufman County                                     | 208,605,000                      | 1.23%                                  | 2,565,842                                   |
| Crandall Independent School District               | 285,825,000                      | 0.54%                                  | 1,543,455                                   |
| Mesquite Independent School District               | 1,063,220,402                    | 85.02%                                 | 903,949,986                                 |
| Dallas Independent School District                 | 4,613,765,000                    | 0.14%                                  | 6,459,271                                   |
| Forney Independent School District                 | 1,264,769,911                    | 2.45%                                  | 30,986,863                                  |
| Garland Independent School District                | 977,345,000                      | 0.02%                                  | 195,469                                     |
|  | <u>9,351,460,313</u>             |  | <u>976,464,990</u>                          |
| Total overlapping                                  |                                  |  |   |
|  | <u>9,351,460,313</u>             |  | <u>976,464,990</u>                          |
| Total direct and estimated overlapping bonded debt | <u>\$ 9,750,904,049</u>          |  | <u>\$ 1,375,908,726</u>                     |

Ratio, direct and estimated overlapping debt to fiscal 2025 taxable assessed valuation (3) 9.65%

Per capita direct and estimated overlapping bonded debt (4) \$ 8,739

Notes:

(1) Including bonds payable, notes payable, leases and SBITAs. Source is most recent Texas Municipal Reports, publication of the Municipal Advisory Council of Texas

(2) The methodology for deriving overlapping percentages is to determine the estimated shared assessed valuation of the overlapping taxing body(s) and the City's; divide the shared value by the total assessed value of the overlapping taxing body.

(3) Fiscal 2025 taxable assessed valuation (Net of TIF \$14,262,684)

(4) Based on 2025 population of 157,436.

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, 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, 2025, is \$0.6900 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<br>September      | Operating<br>Revenue<br>and Other (1) | Less:<br>Operating<br>Expense<br>and Other (2) | Net<br>Available<br>Revenue | Total Debt<br>Payments<br>Required (3) | Years<br>Remaining | Average<br>Annual Debt<br>Payment | Coverage (4) |
|------------------------------|---------------------------------------|--|-----------------------------|--|--------------------|-----------------------------------|--------------|
| <b>Water and Sewer Bonds</b> |                                       |  |                             |  |                    |                                   |              |
| 2016(5)                      | 59,870,312                            | 46,899,920                                     | 12,970,392                  | 93,973,373                             | 20                 | 4,698,669                         | 2.8          |
| 2017                         | 63,876,537                            | 49,921,956                                     | 13,954,581                  | 97,269,491                             | 20                 | 4,863,475                         | 2.9          |
| 2018                         | 68,430,178                            | 52,242,775                                     | 16,187,403                  | 99,859,175                             | 20                 | 4,992,959                         | 3.2          |
| 2019                         | 70,519,694                            | 54,779,163                                     | 15,740,531                  | 111,838,664                            | 20                 | 5,591,933                         | 2.8          |
| 2020                         | 74,595,801                            | 56,492,038                                     | 18,103,763                  | 130,118,840                            | 20                 | 6,505,942                         | 2.8          |
| 2021                         | 71,914,724                            | 54,222,142                                     | 17,692,582                  | 153,137,668                            | 20                 | 7,656,883                         | 2.3          |
| 2022                         | 78,324,996                            | 57,447,375                                     | 20,877,621                  | 193,214,625                            | 20                 | 9,660,731                         | 1.5          |
| 2023                         | 92,958,536                            | 61,947,329                                     | 31,011,207                  | 226,047,906                            | 20                 | 11,302,395                        | 2.7          |
| 2024                         | 98,306,316                            | 70,845,154                                     | 27,461,162                  | 236,412,299                            | 20                 | 11,820,615                        | 2.3          |
| 2025                         | 96,315,935                            | 77,924,380                                     | 18,391,555                  | 245,033,748                            | 20                 | 12,251,687                        | 1.5          |

**Drainage Utility District Bonds**

|         |           |           |           |            |    |         |     |
|---------|-----------|-----------|-----------|------------|----|---------|-----|
| 2016(5) | 3,818,308 | 888,855   | 2,929,453 | 2,739,938  | 6  | 373,850 | 7.8 |
| 2017    | 4,013,757 | 1,039,904 | 2,973,853 | 2,243,100  | 5  | 349,511 | 8.5 |
| 2018    | 4,062,964 | 1,139,921 | 2,923,043 | 1,747,556  | 4  | 312,436 | 9.4 |
| 2019    | 4,168,327 | 1,385,229 | 2,783,098 | 1,249,744  | 20 | 586,073 | 4.7 |
| 2020    | 4,861,275 | 1,778,341 | 3,082,934 | 11,721,457 | 19 | 567,815 | 5.4 |
| 2021    | 4,870,622 | 1,629,262 | 3,241,360 | 10,788,494 | 18 | 556,307 | 5.8 |
| 2022    | 5,370,679 | 2,655,656 | 2,715,023 | 10,013,519 | 20 | 758,592 | 3.6 |
| 2023    | 5,723,090 | 2,182,414 | 3,540,676 | 15,171,843 | 19 | 754,332 | 4.7 |
| 2024    | 5,409,076 | 3,258,157 | 2,150,919 | 13,488,200 | 18 | 749,344 | 2.9 |
| 2025    | 5,570,141 | 3,857,538 | 1,712,603 | 18,317,118 | 20 | 915,856 | 1.9 |

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

**Special Assessment Bonds**

|          |            |               |    |              |     |
|----------|------------|---------------|----|--------------|-----|
| 2019 (6) | \$ 865,155 | \$ 66,460,128 | 30 | \$ 2,215,338 | 0.4 |
| 2020     | 406,175    | 64,573,276    | 29 | 2,226,665    | 0.2 |
| 2021     | 2,552,381  | 62,442,732    | 28 | 2,230,098    | 1.1 |
| 2022     | 2,661,987  | 60,164,944    | 27 | 2,228,331    | 1.2 |
| 2023     | 2,917,123  | 57,797,583    | 26 | 2,228,331    | 1.2 |
| 2024     | 6,046,606  | 78,231,000    | 25 | 3,129,240    | 1.9 |
| 2025     | 6,701,192  | 82,183,000    | 28 | 2,935,107    | 2.3 |

**Notes:**

(1) Includes operating and nonoperating revenues.

(2) Includes operating and non-operating expenses exclusive of depreciation, amortization, interest expense, and bond issuance costs.

(3) Includes principal and interest of revenue bonds only. Principal and interest amounts represent the amounts payable in subsequent fiscal years.

(4) The Water and Sewer Bond coverage requirement is 1.5 and the Drainage Utility District Bond coverage requirement is 1.25. The coverage calculation is Net Revenue Available divided by the Average Annual Debt Payment.

(5) Effective with Fiscal Year 2016, transfers out are included in the Operating Expense and Other amounts.

(6) 2018 was the year of issuance. Accordingly, no principal payments were scheduled. Further, there was not any special assessment debt outstanding in the previous years that was secured by pledged revenue.

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

**Schedule 18**

| <b>Fiscal Year</b> | <b>Population (1)</b> | <b>Total Retail Sales (in thousands of dollars) (2)</b> | <b>Effective Buying Income (EBI) (in thousands of dollars) (2)</b> | <b>Median Household EBI (2)</b> | <b>Number of Households (2)</b> | <b>School Enrollment (3)</b> | <b>Unemployment Unemployment Rate (4)</b> |
|--------------------|-----------------------|---|--|---------------------------------|---------------------------------|------------------------------|---|
| 2016               | 142,950               | N/A   | 2,683,515  | 52,395                          | 51,217                          | 41,067                       | 3.9%                                      |
| 2017               | 143,060               | N/A   | 2,774,535  | 54,440                          | 50,965                          | 41,025                       | 3.2%                                      |
| 2018               | 143,350               | N/A   | 2,824,625  | 55,890                          | 50,539                          | 41,022                       | 3.7%                                      |
| 2019               | 145,030               | N/A   | 2,999,387  | 59,149                          | 50,709                          | 39,638                       | 3.5%                                      |
| 2020               | 145,410               | N/A   | 3,042,094  | 61,047                          | 49,832                          | 38,533                       | 8.1%                                      |
| 2021               | 150,108               | N/A   | 3,595,191  | 68,229                          | 52,693                          | 38,359                       | 4.8%                                      |
| 2022               | 152,020               | N/A   | 3,234,279  | 62,624                          | 51,646                          | 38,367                       | 4.7%                                      |
| 2023               | 154,043               | N/A   | 3,216,352  | 63,993                          | 50,261                          | 38,228                       | 4.0%                                      |
| 2024               | 155,382               | N/A   | 3,260,122  | 67,778                          | 48,100                          | 37,933                       | 3.9%                                      |
| 2025               | 157,436               | N/A   | 4,137,003  | 79,370                          | 52,153                          | 37,928                       | 3.6%                                      |

**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**

| <b>Employer</b>  | <b>2025<br/>Range</b> | <b>2016<br/>Range</b> |
|--|-----------------------|-----------------------|
| Mesquite Independent School District                                     | 1,000 +               | 1,000 +               |
| Town East Mall   | 1,000 +               |                       |
| United Parcel Service Inc  | 1,000 +               | 1,000 +               |
| Canadian Solar   | 1,000 +               |                       |
| City of Mesquite   | 1,000 +               | 1,000 +               |
| Pepsi Beverages Co   | 1,000 +               | 500-999               |
| Eastfield College  | 500-999               | 500-999               |
| Walmart Supercenter  | 500-999               | 500-999               |
| Ashley Furniture   | 500-999               |                       |
| Dallas Regional Medical Center<br>(Formerly Mesquite Community Hospital) | 500-999               | 500-999               |
| <b>Total Estimated City Employment</b>                                   | <b>76,078</b>         | <b>76,188</b>         |

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)**

**Schedule 20**

|  | 2016            | 2017            | 2018            | 2019            |
|--|-----------------|-----------------|-----------------|-----------------|
| <b>By Functions</b>                    |                 |                 |                 |                 |
| General government                     | 124.86          | 131.61          | 135.39          | 139.24          |
| Fire services                          | 207.00          | 212.00          | 214.00          | 217.00          |
| Police services                        | 324.50          | 327.50          | 331.50          | 333.50          |
| Field services                         | 129.00          | 131.00          | 130.00          | 134.00          |
| Public works                           | 22.00           | 23.00           | 23.00           | 24.00           |
| Planning and Community development     | 42.95           | 45.05           | 48.25           | 52.25           |
| Housing services                       | 20.55           | 19.45           | 18.50           | 18.50           |
| Library services                       | 31.72           | 32.72           | 32.72           | 32.72           |
| Parks and recreation                   | 121.09          | 120.09          | 122.09          | 131.79          |
| Community services (3)                 | 18.35           | 18.35           | 17.35           | 18.35           |
| Housing and community services (3)     | -               | -               | -               | -               |
| Water and Sewer                        | 109.07          | 112.07          | 117.57          | 112.57          |
| Drainage utility district              | 7.00            | 7.00            | 7.00            | 10.00           |
| Municipal airport                      | 7.90            | 7.90            | 7.90            | 9.48            |
| Solid waste and equipment services (2) | -               | -               | -               | -               |
| Total employees by function            | <u>1,165.99</u> | <u>1,187.74</u> | <u>1,205.27</u> | <u>1,233.40</u> |
| <b>By Departments</b>                  |                 |                 |                 |                 |
| Administration                         | 38.00           | 42.25           | 42.25           | 42.50           |
| City Secretary                         | 4.00            | 4.00            | 4.00            | 4.00            |
| City Attorney                          | 8.00            | 9.00            | 9.00            | 9.60            |
| Economic Development                   | -               | -               | -               | -               |
| Communication and Marketing            | -               | -               | -               | -               |
| Human Resources                        | 13.00           | 14.50           | 14.50           | 14.50           |
| Budget and Research                    | -               | -               | -               | -               |
| Finance                                | 60.86           | 60.86           | 63.14           | 63.14           |
| Information Technology                 | 16.00           | 16.00           | 16.50           | 17.50           |
| Fire service                           | 207.00          | 212.00          | 214.00          | 217.00          |
| Police Service                         | 324.50          | 327.50          | 331.50          | 333.50          |
| Public Works                           | 252.07          | 258.07          | 263.57          | 268.57          |
| Housing and community service          | 38.90           | 37.80           | 35.85           | 36.85           |
| Neighborhood Services (3)              | -               | -               | -               | -               |
| Planning and Community development     | 42.95           | 45.05           | 48.25           | 52.25           |
| Parks and recreation                   | 121.09          | 120.09          | 122.09          | 131.79          |
| Library service                        | 31.72           | 32.72           | 32.72           | 32.72           |
| Airport service                        | 7.90            | 7.90            | 7.90            | 9.48            |
| Total employees by department          | <u>1,165.99</u> | <u>1,187.74</u> | <u>1,205.27</u> | <u>1,233.40</u> |
| <b>By Fund</b>                         |                 |                 |                 |                 |
| General                                | 1,017.72        | 1,036.32        | 1,032.58        | 1,064.13        |
| Grants                                 | 20.30           | 19.45           | 18.50           | 18.50           |
| Water and Sewer                        | 110.57          | 113.57          | 119.07          | 111.57          |
| Drainage Utility District              | 7.00            | 7.00            | 7.00            | 10.00           |
| Municipal Airport                      | 7.90            | 7.90            | 7.90            | 9.48            |
| Golf Course (1)                        | -               | 16.72           | 16.72           | 16.72           |
| Solid waste and equipment services (2) | -               | -               | -               | -               |
| Hotel/Motel                            | 2.50            | 3.50            | 3.50            | 3.00            |
| Total employees by fund                | <u>1,165.99</u> | <u>1,204.46</u> | <u>1,205.27</u> | <u>1,233.40</u> |

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

Notes: (1) Golf Course fund created in 2017.

(2) The solid waste and equipment services fund became a separate fund beginning in fiscal year 2024. It was previously included as part of general government in the governmental activities.

(3) The City updated functions and departments related to housing, community, and neighborhood services in fiscal year 2025.

| 2020            | 2021            | 2022            | 2023            | 2024            | 2025            |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 141.83          | 141.83          | 147.49          | 163.99          | 155.23          | 146.73          |
| 213.00          | 227.00          | 236.00          | 251.00          | 251.00          | 255.00          |
| 337.50          | 347.50          | 351.50          | 355.50          | 356.00          | 359.00          |
| 139.00          | 142.00          | 141.50          | 168.00          | 164.50          | -               |
| 24.00           | 21.00           | 24.00           | 20.00           | 21.00           | 73.00           |
| 52.25           | 55.25           | 57.25           | 64.25           | 61.25           | 37.25           |
| 17.50           | 17.50           | 19.00           | 19.50           | 16.00           | 16.00           |
| 32.72           | 32.72           | 32.72           | 32.72           | 32.72           | 32.72           |
| 131.79          | 149.79          | 149.02          | 144.02          | 144.74          | 143.32          |
| 21.00           | 22.00           | 22.50           | 22.50           | 22.50           | -               |
| -               | -               | -               | -               | -               | 56.50           |
| 111.57          | 123.57          | 126.07          | 113.57          | 136.07          | 127.57          |
| 11.00           | 12.00           | 13.00           | 20.00           | 14.00           | 13.00           |
| 9.48            | 9.48            | 11.40           | 11.80           | 11.80           | 11.80           |
| -               | -               | -               | -               | 89.00           | 123.00          |
| <u>1,242.64</u> | <u>1,301.64</u> | <u>1,331.45</u> | <u>1,386.85</u> | <u>1,475.81</u> | <u>1,394.89</u> |
| 43.00           | 42.00           | 47.26           | 32.00           | 32.00           | 32.00           |
| 5.00            | 5.00            | 5.00            | 5.00            | 5.00            | 5.00            |
| 9.60            | 9.60            | 9.00            | 10.00           | 10.00           | 10.00           |
| -               | -               | -               | 9.26            | 9.00            | 9.00            |
| -               | -               | -               | 6.00            | 6.00            | 6.00            |
| 14.50           | 15.50           | 15.00           | 15.00           | 15.00           | 15.00           |
| -               | -               | -               | -               | 4.00            | 4.00            |
| 63.23           | 63.23           | 67.23           | 68.23           | 64.23           | 64.23           |
| 17.50           | 18.50           | 18.50           | 18.50           | 16.00           | 18.50           |
| 213.00          | 227.00          | 236.00          | 251.00          | 251.00          | 255.00          |
| 337.50          | 347.50          | 351.50          | 355.50          | 356.00          | 359.00          |
| 274.57          | 286.57          | 290.07          | 321.57          | 411.57          | 322.57          |
| 38.50           | 39.50           | 41.50           | 42.00           | 45.50           | 28.00           |
| -               | -               | -               | -               | -               | 41.50           |
| 52.25           | 55.25           | 57.25           | 64.25           | 61.25           | 37.25           |
| 131.79          | 149.79          | 149.02          | 144.02          | 144.74          | 143.32          |
| 32.72           | 32.72           | 32.72           | 32.72           | 32.72           | 32.72           |
| 9.48            | 9.48            | 11.40           | 11.80           | 11.80           | 11.80           |
| <u>1,242.64</u> | <u>1,301.64</u> | <u>1,331.45</u> | <u>1,386.85</u> | <u>1,475.81</u> | <u>1,394.89</u> |
| 1,073.37        | 1,119.37        | 1,141.00        | 1,194.00        | 1,190.66        | 1,104.50        |
| 17.50           | 17.50           | 19.00           | 19.00           | 23.00           | 20.00           |
| 111.57          | 123.57          | 126.07          | 127.07          | 127.07          | 127.57          |
| 11.00           | 12.00           | 13.00           | 14.00           | 14.00           | 13.00           |
| 9.48            | 9.48            | 11.40           | 11.80           | 11.80           | 11.80           |
| 16.72           | 16.72           | 16.72           | 16.72           | 16.02           | 16.02           |
| -               | -               | -               | -               | 89.00           | 99.00           |
| 3.00            | 3.00            | 4.26            | 4.26            | 4.26            | 3.00            |
| <u>1,242.64</u> | <u>1,301.64</u> | <u>1,331.45</u> | <u>1,386.85</u> | <u>1,475.81</u> | <u>1,394.89</u> |

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

|   | 2016      | 2017      | 2018      | 2019      |
|---|-----------|-----------|-----------|-----------|
| <b>Functions</b>                          |           |           |           |           |
| Fire services                             |           |           |           |           |
| Number of calls answered                  | 18,539    | 18,691    | 18,558    | 18,726    |
| Inspections                               | 1,250     | 1,812     | 3,068     | 2,809     |
| Police services                           |           |           |           |           |
| Reported index crimes                     | 6,323     | 5,923     | 5,798     | 5,698     |
| Criminal arrests                          | 4,749     | 4,996     | 6,147     | 6,510     |
| Traffic citations                         | 18,116    | 26,912    | 31,188    | 37,111    |
| Field services                            |           |           |           |           |
| Residential solid waste customers         | 37,500    | 37,600    | 37,600    | 38,000    |
| Annual tons recycled                      | 37,850    | 40,296    | 40,084    | 40,193    |
| Work hours per mile of streets and alleys | 298.10    | 289.06    | 249.07    | 63.24     |
| Public works                              |           |           |           |           |
| Traffic studies conducted                 | 355       | 648       | 554       | 831       |
| Engineering Information requests(1)       | 371,971   | 486,417   | 937,595   | 971,341   |
| Housing services                          |           |           |           |           |
| Number of HUD allocated unit months       | 16,848    | 16,848    | 16,848    | 16,848    |
| Community development                     |           |           |           |           |
| Residential building permits              | 2,229     | 2,181     | 2,744     | 3,387     |
| Commercial building permits               | 633       | 720       | 890       | 470       |
| Environmental code violations             | 14,132    | 25,701    | 20,472    | 19,469    |
| Food inspections conducted                | 2,072     | 2,128     | 2,198     | 2,232     |
| Library services                          |           |           |           |           |
| Library visits per capita                 | 2.06      | 1.89      | 1.83      | 1.77      |
| Registered borrowers per capita           | 0.22      | 0.23      | 0.21      | 0.20      |
| Parks and recreation                      |           |           |           |           |
| Work hours per acre of park land          | 59.41     | 60.24     | 36.04     | 40.46     |
| Athletic program participants             | 3,515     | 3,523     | 3,182     | 3,093     |
| Aquatic program participants              | 78,586    | 78,247    | 73,516    | 74,318    |
| Tennis program participants               | 9,327     | 8,500     | 6,500     | 2,780     |
| Recreation centers programs offered       | 1,037     | 1,135     | 900       | 1,672     |
| Community services                        |           |           |           |           |
| Number of health clinic clients(2)        | 2,187     | 2,307     | 2,713     | 3,731     |
| Number of volunteer hours                 | 80,843    | 74,945    | 83,075    | 61,021    |
| Arts center events                        | 1,180     | 1,330     | 1,050     | 640       |
| Arts center participants                  | 167,850   | 174,300   | 143,660   | 80,840    |
| Animals processed by animal shelter       | 6,070     | 5,567     | 6,001     | 6,543     |
| Water and Sewer                           |           |           |           |           |
| Number of gallons of water pumped (000s)  | 5,973,641 | 5,346,643 | 5,787,400 | 6,066,383 |
| Water main breaks                         | 395       | 105       | 243       | 172       |
| Miles of sewer mains cleaned              | 118       | 126       | 155       | 150       |

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

| 2020      | 2021      | 2022      | 2023      | 2024      | 2025      |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 18,609    | 22,156    | 22,409    | 22,146    | 22,611    | 22,285    |
| 2,080     | 2,562     | 1,848     | 1,615     | 1,963     | 5,725     |
| 5,391     | 6,944     | 7,244     | 7,904     | 6,922     | 5,550     |
| 4,638     | 4,122     | 5,426     | 6,429     | 5,914     | 6,296     |
| 28,122    | 20,656    | 19,367    | 18,712    | 18,276    | 26,181    |
| 38,000    | 39,263    | 60,918    | 59,799    | 65,116    | 71,782    |
| 40,200    | 53,421    | 52,874    | 51,785    | 65,393    | 51,892    |
| 88.19     | 86.73     | 88.19     | 82.48     | -         | 90.10     |
| 990       | 1,120     | 1,120     | 822       | 837       | 825       |
| 1,002,266 | 1,290     | 1,968     | 2,064     | -         | -         |
| 17,382    | 17,928    | 18,120    | 16,258    | 15,711    | 18,600    |
| 3,495     | 4,035     | 3,084     | 2,941     | 3,592     | 3,258     |
| 189       | 550       | 486       | 528       | 415       | 422       |
| 16,399    | 26,077    | 24,286    | 21,574    | 27,104    | 45,471    |
| 1,869     | 2,414     | 2,423     | 2,614     | 2,531     | 2,863     |
| 0.92      | 0.79      | 0.89      | 1.00      | 1.08      | 1.04      |
| 0.05      | 0.15      | 0.12      | 0.13      | 0.13      | 0.12      |
| 42.01     | 36.30     | 36.30     | 83.00     | 83.00     | 83.00     |
| 1,371     | 5,132     | 2,934     | 2,240     | 2,193     | 2,508     |
| 389       | 29,436    | 33,937    | 41,701    | 33,135    | 52,189    |
| 5,650     | 1,238     | 384       | 232       | 302       | 425       |
| 1,035     | 1,115     | 1,699     | 2,983     | 316       | 121       |
| 215       | -         | -         | -         | -         | -         |
| 29,111    | 51,427    | 74,845    | 141,433   | 17,219    | 33,081    |
| 216       | 276       | 398       | 504       | 529       | 555       |
| 22,830    | 55,780    | 61,750    | 87,350    | 83,600    | 98,400    |
| 4,984     | 6,205     | 4,667     | 3,565     | 3,759     | 3,778     |
| 5,909,548 | 6,101,734 | 6,912,736 | 7,456,234 | 7,794,950 | 7,629,741 |
| 206       | 132       | 159       | 218       | 249       | 216       |
| 126       | 125       | 103       | 140       | 122       | 140       |

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

---

|                                  | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|----------------------------------|-------------|-------------|-------------|
| <b>Functions</b>                 |             |             |             |
| Police services                  |             |             |             |
| Police vehicles                  | 226         | 217         | 220         |
| Field services                   |             |             |             |
| Miles of streets                 | 440         | 440         | 440         |
| Miles of alleys                  | 220         | 220         | 220         |
| Number of vehicles in City fleet | 660         | 702         | 675         |
| Parks and recreation             |             |             |             |
| Parks acreage                    | 1,650       | 1,700       | 1,700       |
| Number of parks                  | 70          | 70          | 70          |
| Water and Sewer                  |             |             |             |
| Water system miles               | 568         | 585         | 485         |
| Water system connections         | 55,174      | 54,608      | 52,688      |
| Sewer system miles               | 494         | 483         | 498         |
| Sewer system connections         | 53,803      | 52,604      | 52,688      |

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

Schedule 22

---

| 2019   | 2020   | 2021   | 2022   | 2023   | 2024   | 2025   |
|--------|--------|--------|--------|--------|--------|--------|
| 235    | 248    | 189    | 238    | 230    | 229    | 215    |
| 440    | 440    | 440    | 528    | 528    | 551    | 630    |
| 220    | 220    | 220    | 217    | 217    | 219    | 219    |
| 722    | 742    | 857    | 941    | 931    | -      | -      |
| 1,700  | 1,700  | 1,700  | 1,803  | 1,803  | 1,803  | 1,803  |
| 70     | 70     | 70     | 70     | 70     | 70     | 70     |
| 602    | 613    | 630    | 673    | 689    | 702    | 708    |
| 55,725 | 55,980 | 57,225 | 57,967 | 58,122 | 58,958 | 59,624 |
| 485    | 483    | 491    | 494    | 514    | 517    | 522    |
| 55,725 | 55,980 | 57,225 | 57,967 | 58,122 | 58,958 | 59,624 |



# The Lookout Treehouse Park

## **City of Mesquite**

PO Box 850137

Mesquite, TX 75185-0137

## **Finance Department**

Phone: 972-216-6202

[www.cityofmesquite.com](http://www.cityofmesquite.com)

**MESQUITE**  
T E X A S.



# **City of Mesquite, Texas**

## **Single Audit Reports**

September 30, 2025



**City of Mesquite, Texas**  
**Contents**  
**September 30, 2025**

---

|   |    |
|---|----|
| <b>Schedule of Expenditures of Federal Awards</b> .....   | 1  |
| <b>Notes to Schedule of Expenditures of Federal Awards</b> .....  | 2  |
| <b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – Independent Auditor’s Report</b> ..... | 3  |
| <b>Report on Compliance for the 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</b> .....           | 5  |
| <b>Schedule of Findings and Questioned Costs</b> .....  | 8  |
| <b>Summary Schedule of Prior Audit Findings</b> .....   | 10 |

**City of Mesquite, Texas**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2025**

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title     | Federal Assistance<br>Listing Number | Pass-Through Entity<br>Identifying Number | Provided<br>to Subrecipients | Total Federal<br>Expenditures |
|---|--------------------------------------|---|------------------------------|-------------------------------|
| <b>Department of Housing and Urban Development</b>                    |                                      |   |                              |                               |
| Direct Programs   |                                      |   |                              |                               |
| <i>CDBG – Entitlement Grants Cluster</i>                              |                                      |   |                              |                               |
| Community Development Block Grants/Entitlement Grants                 | 14.218                               |   | \$ 133,402                   | \$ 907,074                    |
| <i>Total CDBG – Entitlement Grants Cluster</i>                        |                                      |   | 133,402                      | 907,074                       |
| <i>Housing Voucher Cluster</i>  |                                      |   |                              |                               |
| Section 8 Housing Choice Vouchers                                     | 14.871                               |   | -                            | 23,477,394                    |
| Mainstream Vouchers   | 14.879                               |   | -                            | 706,808                       |
| <i>Total Housing Voucher Cluster</i>                                  |                                      |   | -                            | 24,184,202                    |
| <b>Total Department of Housing and Urban Development</b>              |                                      |   | <b>133,402</b>               | <b>25,091,276</b>             |
| <b>Department of Justice</b>  |                                      |   |                              |                               |
| Direct Programs   |                                      |   |                              |                               |
| Missing Children's Assistance   | 16.543                               |   | -                            | 25,895                        |
| Equitable Sharing Program   | 16.922                               |   | -                            | 604,819                       |
| Passed through from   |                                      |   |                              |                               |
| Dallas County   |                                      |   |                              |                               |
| Edward Byrne Memorial Justice Assistance Grant Program                | 16.738                               | None provided                             | -                            | 35,000                        |
| <b>Total Department of Justice</b>                                    |                                      |   | <b>-</b>                     | <b>665,714</b>                |
| <b>Department of Transportation</b>                                   |                                      |   |                              |                               |
| Direct Program  |                                      |   |                              |                               |
| <i>Federal Transit Cluster</i>  |                                      |   |                              |                               |
| COVID-19 - Federal Transit – Formula Grants                           | 20.507                               |   | -                            | 142,452                       |
| Passed through from   |                                      |   |                              |                               |
| Texas Department of Transportation                                    |                                      |   |                              |                               |
| Federal Transit – Formula Grants                                      | 20.507                               | None provided                             | -                            | 80,724                        |
| <i>Total Federal Transit Cluster</i>                                  |                                      |   | -                            | 223,176                       |
| <b>Total Department of Transportation</b>                             |                                      |   | <b>-</b>                     | <b>223,176</b>                |
| <b>Department of the Treasury</b>                                     |                                      |   |                              |                               |
| Direct Programs   |                                      |   |                              |                               |
| COVID-19 – Coronavirus State and Local Fiscal Recovery Funds          | 21.027                               |   | -                            | 17,860,028                    |
| <b>Total Department of the Treasury</b>                               |                                      |   | <b>-</b>                     | <b>17,860,028</b>             |
| <b>Department of Energy</b>   |                                      |   |                              |                               |
| Direct Program  |                                      |   |                              |                               |
| Energy Efficiency and Conservation Block Grant Program (EECBG)        | 81.128                               |   | -                            | 158,117                       |
| <b>Total Department of Energy</b>                                     |                                      |   | <b>-</b>                     | <b>158,117</b>                |
| <b>Department of Health and Human Services</b>                        |                                      |   |                              |                               |
| 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                         | -                            | 62,531                        |
| <i>Total Aging Cluster</i>  |                                      |   | -                            | 62,531                        |
| <b>Total Department of Health and Human Services</b>                  |                                      |   | <b>-</b>                     | <b>62,531</b>                 |
| <b>Department of Homeland Security</b>                                |                                      |   |                              |                               |
| Passed through from   |                                      |   |                              |                               |
| Texas Department of Emergency Management                              |                                      |   |                              |                               |
| Hazard Mitigation Grant   | 97.039                               | FEMA DR-4781                              | -                            | 31,500                        |
| Passed through from   |                                      |   |                              |                               |
| Texas Office of the Governor  |                                      |   |                              |                               |
| Homeland Security Grants Division                                     |                                      |   |                              |                               |
| Homeland Security Grant Program                                       | 97.067                               | 2023-SH-ST-000, EMW-<br>2024-SS-05096     | -                            | 275,828                       |
| <b>Total Department of Homeland Security</b>                          |                                      |   | <b>-</b>                     | <b>307,328</b>                |
| <b>Total Federal Awards Expended</b>                                  |                                      |   | <b>\$ 133,402</b>            | <b>\$ 44,368,170</b>          |

*The accompanying notes are an integral part of this Schedule.*

**City of Mesquite, Texas**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2025**

---

**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, 2025. 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 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, 2025.

## **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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 20, 2026.

#### ***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 Mazars, LLP**

**Dallas, Texas  
February 20, 2026**

**Report on Compliance for the 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 the Major Federal Program**

***Opinion on the 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 the City's major federal program for the year ended September 30, 2025. The City's major federal program is 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 its major federal program for the year ended September 30, 2025.

***Basis for Opinion on the 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 the 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 the 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated February 20, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Forvis Mazars, LLP**

**Dallas, Texas  
February 20, 2026**

**City of Mesquite, Texas**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2025**

---

**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:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None Reported

3. Noncompliance material to the financial statements noted?

Yes  No

**Federal Awards**

4. Internal control over the major federal awards program:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None Reported

5. Type of auditor’s report issued on compliance for the major federal award program:

Unmodified  Qualified  Adverse  Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes  No

7. Identification of the major federal program:

| <b>Assistance Listing Number</b> | <b>Name of Federal Program or Cluster</b> |
|----------------------------------|---|
|                                  | <i>Housing Voucher Cluster</i>            |
| 14.871                           | Section 8 Housing Choice Vouchers         |
| 14.879                           | Mainstream Vouchers                       |

8. Dollar threshold used to distinguish between Type A and Type B programs: \$1,331,045.

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

**City of Mesquite, Texas  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2025**

**(Continued)**

---

**Section II – Financial Statement Findings**

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

**Section III – Federal Award Findings and Questioned Costs**

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

**City of Mesquite, Texas**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2025**

---

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