

City of Mesquite, Texas



Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2015



About the Cover:

Newly Renovated Mesquite Golf Course

The Mesquite Golf Course reopened August 5, 2014 upon completion of \$2 million in renovations funded by the Mesquite 4B Quality of Life Corporation. Highlights of the renovations include the installation of Champion Bermuda greens, the addition of 18 sand traps, grass bunkers, as well as several enhancements to the Proshop and Clubhouse. November 28, 2014 marks the 50th Anniversary of the opening of the Mesquite Golf Course and recent renovations to the course led to the Mesquite Parks and Recreation Department earning the prestigious ***2014 Golf Course of the Year*** designation by the Texas Turfgrass Association. This top ranked municipal golf course is yet another positive example of the many quality amenities Mesquite has to offer its residents and visitors.

*Photo courtesy of:
Jessica Larson, Marketing Specialist
City of Mesquite*

CITY OF MESQUITE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2015

Prepared by:

Finance Department

MESQUITE

T E X A S

Real. Texas. Flavor.

City of Mesquite, Texas

Comprehensive Annual Financial Report For the Fiscal Year Ended September 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION (Unaudited)	
City Officials	i
Organizational Chart	ii
Transmittal Letter	iii
Certificate of Achievement for Excellence in Financial Reporting	ix
City of Mesquite Area Map	x
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - General Fund	26
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual - Housing Grants Special Revenue Fund	27
Proprietary Funds:	
Statement of Net Position (Deficit) - Proprietary Funds	28
Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit) - Proprietary Funds	29
Statement of Cash Flows	30
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities	32
Notes to the Basic Financial Statements	33

(Continued)

City of Mesquite, Texas

	<u>Page</u>
Required Supplementary Information (Unaudited):	
Texas Municipal Retirement System (TMRS) - Schedule of Changes in Net Pension Liability and Related Ratios	73
Texas Municipal Retirement System (TMRS) - Schedule of Contributions	74
Other Post Employment Benefits - Schedule of Funding Progress	75
Combining and Individual Fund Statements and Schedules:	77
Non-Major Governmental Funds:	
Description of Individual Non-Major Governmental Funds	79
Combining Balance Sheet	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	82
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual-	
Hotel/Motel Tax Special Revenue Fund	84
Confiscated Drug Special Revenue Fund	85
Mesquite Quality of Life Corporation (4B Sales Tax) Special Revenue Fund	86
Other Grants Special Revenue Fund	87
Debt Service Fund	88
Internal Service Funds:	
Combining Statement of Net Position (Deficit)	89
Combining Statement of Revenues, Expenses, and Changes in Net Position (Deficit)	90
Combining Statement of Cash Flows	91
Agency Fund:	
Statement of Changes in Assets and Liabilities	92

Schedule Page

STATISTICAL SECTION (UNAUDITED)

Financial Trends

Net Position by Component	1	94
Change in Net Position	2	96
Fund Balances of Governmental Funds	3	100
Changes in Fund Balances, Governmental Funds	4	102
General Governmental Tax Revenues by Source	5	104

Revenue Capacity

Assessed Value and Actual Value of Taxable Property	6	106
Property Tax Rates - Direct and Overlapping Governments	7	108
Principal Property Taxpayers	8	109
Property Tax Levies and Collections	9	110

Debt Capacity

Ratio of Outstanding Debt by Type	10	111
Ratios of Net General Bonded Debt Outstanding	11	112
Direct and Overlapping Government Activities Debt	12	113
Computation of Legal Debt Margin	13	114
Pledged Revenue Coverage	14	115

(Continued)

City of Mesquite, Texas

	<u>Schedule</u>	<u>Page</u>
Demographic and Economic Information		
Demographic and Economic Statistics	15	116
Principal Employers	16	117
Full-time Equivalent City Government Employees	17	118
Operating Information		
Operating Indicators by Function	18	120
Capital Asset Statistics by Function	19	122
SINGLE AUDIT SECTION		<u>Page</u>
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		125
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance - Independent Auditor's Report		127
Schedule of Expenditures of Federal Awards		129
Schedule of Expenditures of State Awards		130
Notes to Schedule of Expenditures of Federal and State Awards		131
Schedule of Findings and Questioned Costs		132
Summary of Prior Year Audit Findings		136

MESQUITE

T E X A S

Real. Texas. Flavor.

CITY OF MESQUITE, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2015

CITY COUNCIL

Stan Pickett, Mayor

Greg Noschese, Mayor Pro Tem

Bruce Archer, Deputy Mayor Pro Tem

Jeff Casper, Council Member

Bill Porter, Council Member

Shirley Roberts, Council Member

Dennis Tarpley, Council Member

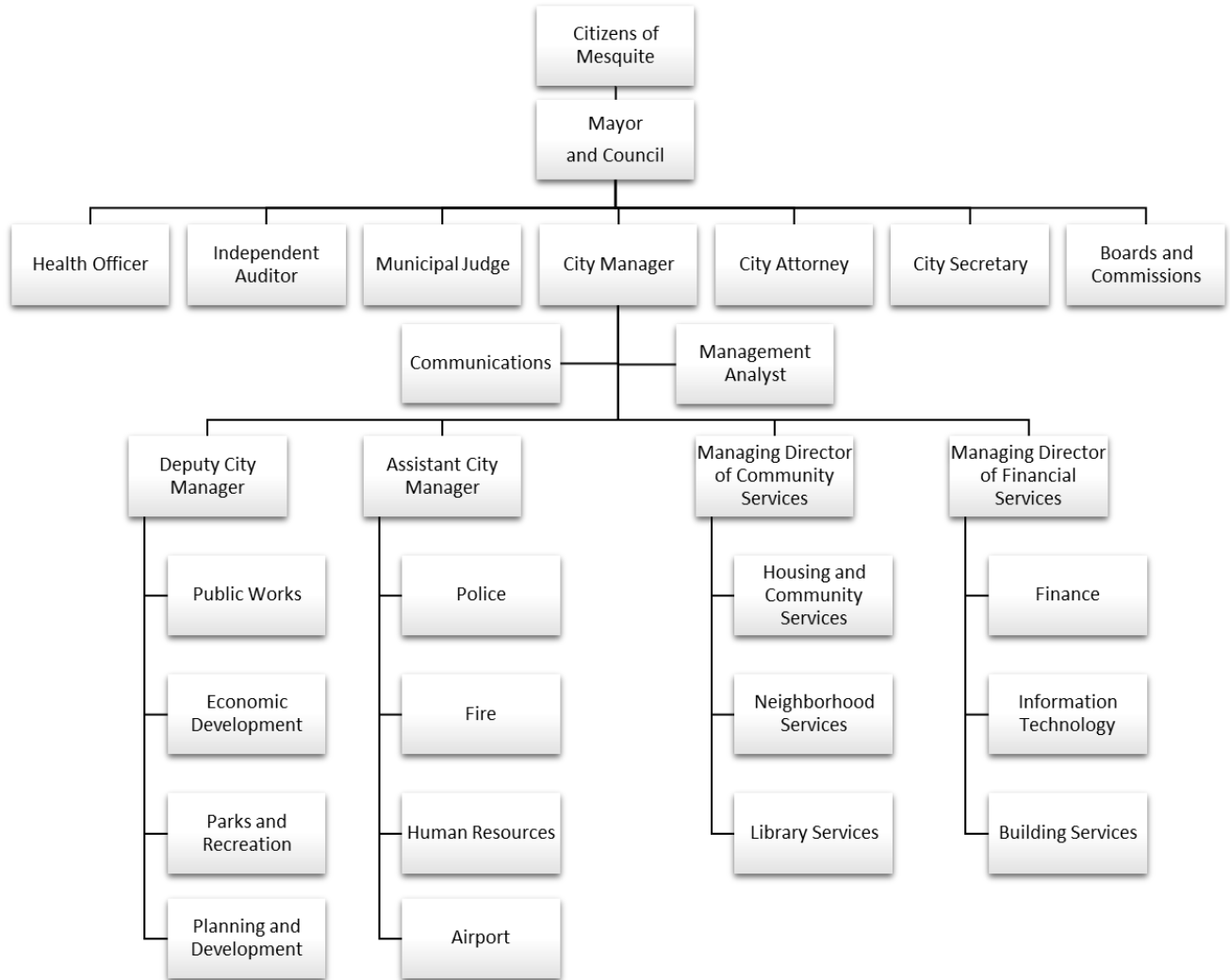
Cliff Keheley, City Manager

Deborah Mol, CPA, Director of Finance

Sheree Haynes, Manager of Accounting Services

City of Mesquite, Texas

Organizational Chart October 1, 2015





March 23, 2016

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

The Comprehensive Annual Financial Report (“CAFR”) of the City of Mesquite, Texas (the City), for the fiscal year ended September 30, 2015, is hereby submitted.

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

BKD LLP has issued an unmodified (“clean”) opinion on the City’s financial statements for the year ending September 30, 2015. The independent auditor’s report is located at the front of the financial section of this report.

This letter of transmittal is designed to compliment Management’s Discussion and Analysis (MD&A) and should be read in conjunction with it. The City’s MD&A can be found immediately following the independent 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 City Council. The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to the single audit, including the supplemental schedule of federal awards, schedules of findings and questioned costs, and independent auditor’s reports on internal controls and compliance are included at the end of this report.

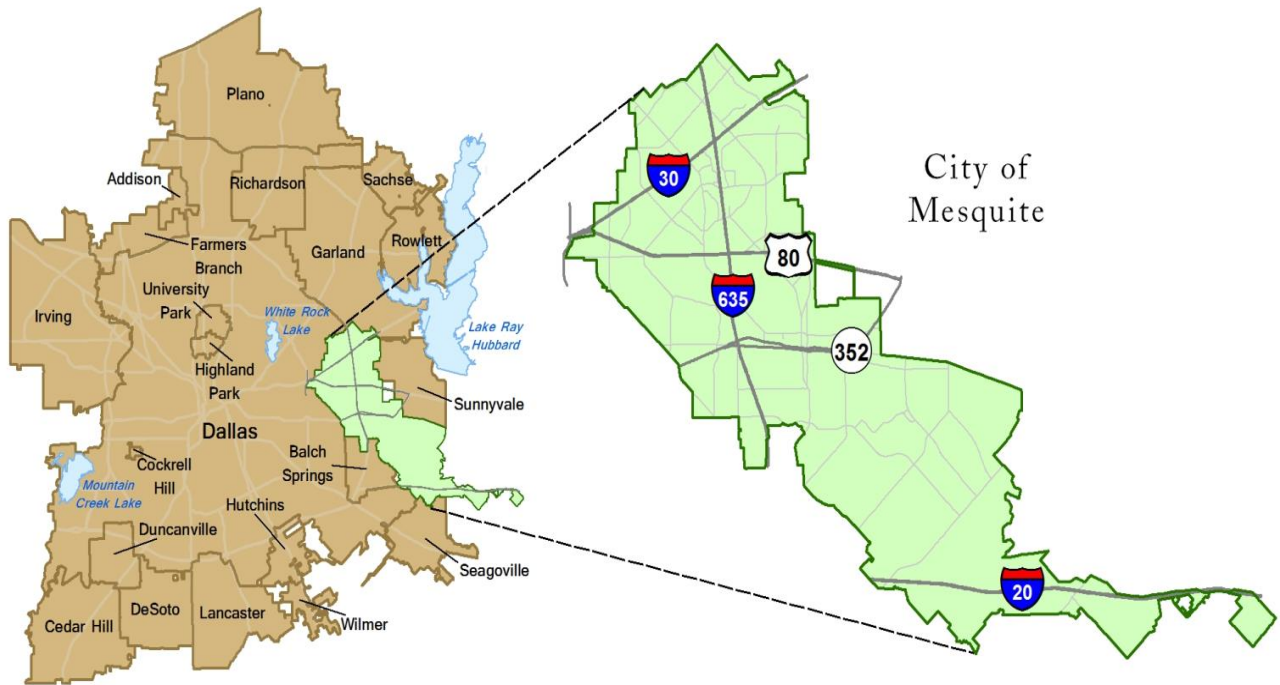
Profile of the City of Mesquite, Texas

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

Mesquite celebrated its 128th birthday on December 3, 2015. Although the little farming settlement had existed as an unfranchised township since being organized at the arrival of the Texas and Pacific railroad in 1873, not until December 3, 1887, did its citizens take action to make it the first incorporated Dallas County town outside the county seat city.

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

importance, becoming a viable agricultural center by the turn of the century. The town's population increased threefold between the 1890 and 1900 U. S. censuses - from 135 to 405 - and grew to 729 by 1930. Twenty years later, in 1950, Mesquite was home to 1,696 citizens, and that is when explosive growth set in. The population total jumped to 27,526 in 1960, to 67,053 in 1980, and to 124,523 in 2000. Today, the headcount stands at an estimated 142,230, and Mesquite is still one of the most dynamic cities in the Metroplex, served by excellent schools, churches, healthcare institutions, cultural and entertainment facilities, parks, playgrounds and many other amenities.



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

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

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

Local Economy

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

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

During fiscal year 2015, economic activity continued to gain momentum in Mesquite. The number of inquiries for information and prospect visits rebounded from the depths of the recession and leasing in major retail centers reached an all-time high. Town East Mall continued to operate at 97% occupancy throughout the year. On The Border restaurant in Mesquite ranked 3rd nationally in sales and Panera Bread was number one in the nation in sales comparisons. The Market East Shopping Center continued with plans to revitalize, upgrade and rebuild the facility including new anchor stores. Best Buy completed a major renovation of their Mesquite location and Quick Trip completed one new location in Mesquite with plans to add two more in 2016. Mesquite's medical community remains a strong economic driver for the city. Cantex Care Community began construction of a new \$13 million skilled nursing facility, Dallas Regional Medical Center continued to upgrade their equipment and the Mesquite Rehabilitation Institute expanded their Mesquite facility. On the industrial side, two companies relocated their corporate headquarters to Mesquite. Baker Brothers, a family business that began in Mesquite, renovated an obsolete industrial building for their corporate headquarters and Display Source Alliance relocated their manufacturing company to a 400,000 square foot industrial facility. United Parcel Service (UPS) continues to expand their staging and parking area, Fed Ex has plans to break ground in 2016 for a new ground sorting distribution center and McKesson renewed a 145,000-square foot lease for a medical products distributor. Transportation services in Mesquite remain strong in the area of bus, rail and air. Compass bus service to the DART rail system and STAR Transit service both continue to operate with steady ridership. The Mesquite Metro Airport continued to experience growth with the addition of the air traffic control tower in 2014 and renovations to a few of the existing hangars. Union Pacific Railroad completed a modernization of their Mesquite intermodal facility as well. In the area of education, Eastfield College expanded its career technologies and continuing education programs and partnered with Columbia College to allow students with an associate degree to transition directly into a bachelor degree program. The residential market experienced a rise in activity with the Hagan Hill development taking shape with new home construction, a planned development of 276 lots. Two multi-family units are taking shape with the East Parc facility at 2160 Gus Thomasson ready to accept residents in January 2016 and the Villas at Vanston Park under construction, which will be a three story mixed-used development with 155 upscale apartments in addition to retail on the bottom level.

In fiscal year 2015 the City continued to experience a turnaround in its fiscal condition. Sales tax revenues remained above pre-recession levels and property tax revenues saw a slight increase over the prior year.

Major Initiatives

Following the directives of the City Council, a number of initiatives were undertaken during the year to provide for and improve the quality of governmental services the citizens of Mesquite have come to expect.

These improvements were identified after a systematic review of all activities of the City in which each program was analyzed to ensure that it was needed and wanted by the community and that it was being provided with maximum efficiency at the lowest cost possible. An excellent source of information about the City, its services, and current initiatives can be found at the City's website. We encourage you to visit us at <http://www.cityofmesquite.com>.

The City went live on a new utility billing system which improved efficiencies in utility billing and related service work order processing. Seven City Marshal positions were added to establish a Marshal program in Municipal Court operations in order to improve security and free up police officer time to be on the streets patrolling. A new warrant docket program was implemented in order to help clear old outstanding warrants. The Mesquite Hike and Bike Trail was officially opened completing 18 miles of trails within the City. The focus on other capital projects was one of finishing projects already started and starting necessary projects to keep the City on track with maintenance of key infrastructure such as roads and the water and sewer system. Voters passed a street bond election in November 2015 by a margin of 84% for \$125 million in residential street reconstruction to be completed over the next 10 years. The MD&A section of this report provides further review of the current year operating results.

Long Term Financial Planning

In January of 2011 City Council met to establish their overall goals for the City. Developing a stronger fiscal condition, a digital city government, a safe city reputation, expanded parks and recreation opportunities, viable transit options, reliable sound infrastructure, quality development and redevelopment, and a positive hometown image will be the focus of City Council and city management over the next several years. City management continued to make great progress in 2015 in assigning objectives to work at achieving or maintaining each of these goals. The current City Council is planning for a new set of goals in early 2016.

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

Continued support of efforts to maintain neighborhood integrity is a commitment of the City Council. Funding will be provided in future budgets to expand code enforcement programs, beautification efforts, infrastructure renewal, and public safety initiatives to help sustain neighborhood vitality and promote a cleaner, safer, and healthier environment for its citizens. To preserve the value of its neighborhoods for generations to come, the City continues to support "Addressing MESQUITE" – an initiative to raise awareness about existing codes that maintain the appearance and condition of our area homes and neighborhoods. The City introduced a new initiative in the fall of 2015 called Helping Others in Mesquite Everyday (HOME) which also supports neighborhood revitalization and redevelopment in the Mesquite Community. The HOME program is made possible through a collaborative partnership between Keep Mesquite Beautiful, Inc., the City of Mesquite and community volunteers and businesses.

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

Relevant Financial Policies

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

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

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

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

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

During the course of the fiscal year, monthly expenditure reports are generated by the Accounting Division using the City's automated accounting system. These reports provide budget, expenditure, and encumbrance data for each cost center. In addition, on-line inquiry capability is provided to every department to review appropriation, project, document, and vendor file data. At month-end, a summarized Monthly Financial Report is prepared. The monthly financial reports are presented to the City Council on a quarterly basis.

Revenue Policy. The City will strive to maintain a diversified and stable revenue system to shelter it from unforeseeable short-run fluctuations in any one-revenue source.

Transfers between funds shall only be authorized by City Council and only to the extent that the basis and justification for the transfer can be quantified. Fund transfers may occur when surplus fund balances are used to support non-recurring capital expenses or when needed to satisfy debt service obligations.

One-time revenues will not be used for funding on-going appropriations. One-time revenues should be used to fund capital improvements, capital equipment or other one-time appropriations.

Charges for services, or user fees, shall be reviewed at least every two years for the effects of inflation and revised subject to City Council approval.

Other Information

Certificate of Achievement. The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Mesquite, Texas, for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended September 30, 2014. This was the thirty-sixth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully Submitted,

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

Director of Finance



Government Finance Officers Association

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

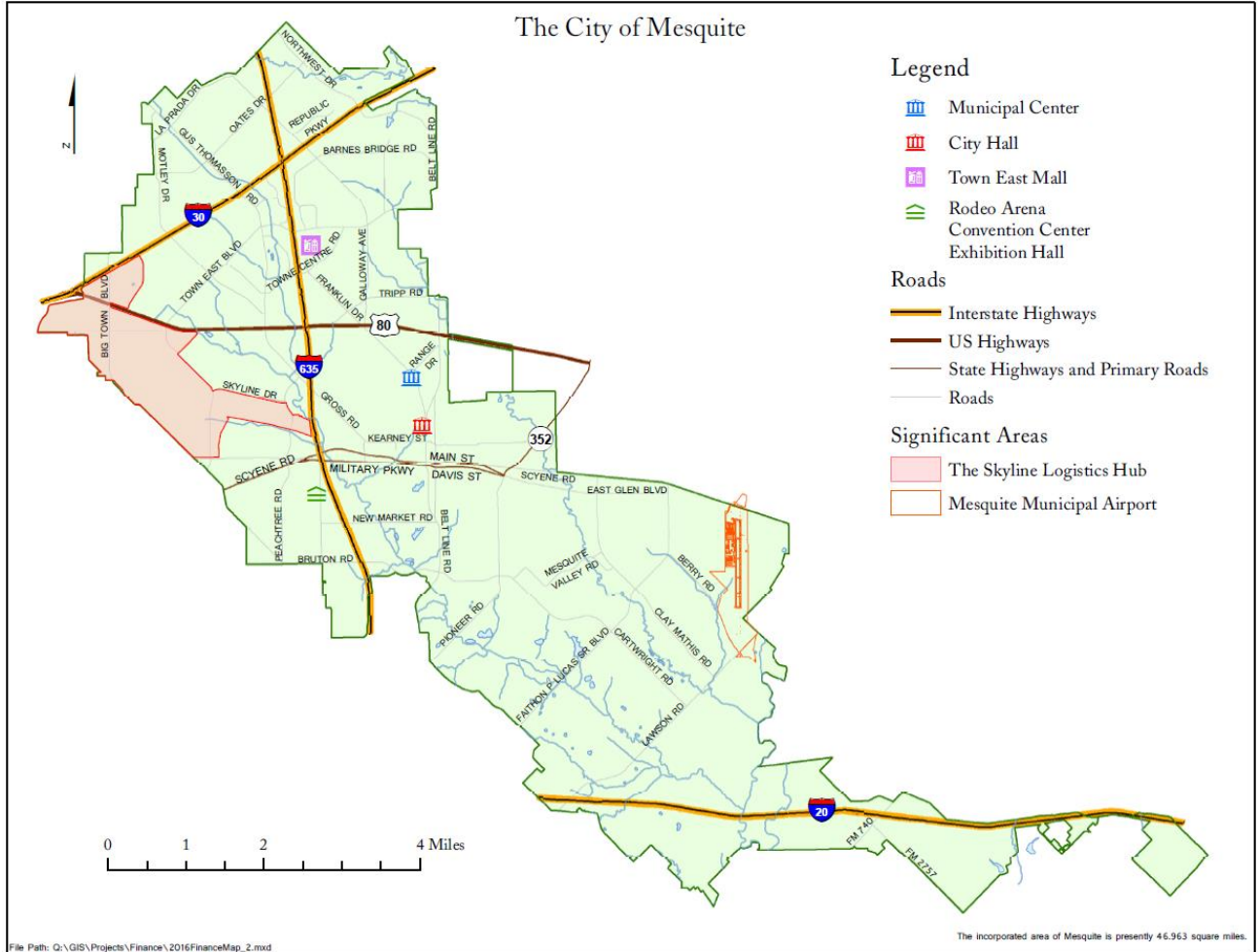
Presented to

**City of Mesquite
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the general fund and housing grants special revenue fund and the aggregate remaining fund information of the City of Mesquite, Texas (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the budgetary comparison information for the general fund and the housing grants special revenue fund and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position and, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in *Note 14* to the financial statements, in 2015, the City changed its method of accounting for pensions with the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended. Our opinions are not modified with respect to this matter.

The 2014 financial statements, before they were restated for the matter discussed in *Note 14*, were audited by other auditors and their report thereon dated, March 25, 2015, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards and the schedule of expenditures of state awards for the year ended September 30, 2015, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas *Single Audit Circular*, respectively, and the combining fund statements and budget to actual schedules, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The 2014 amounts presented in the budget and actual schedules and combining statements of the internal service funds were audited by other auditors and their report thereon, dated March 25, 2015 expressed an unmodified opinion.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information in the introductory and statistical sections listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
March 23, 2016

MESQUITE

T E X A S
Real. Texas. Flavor.

City of Mesquite, Texas
Management's Discussion and Analysis (Unaudited)
For the Year Ended September 30, 2015

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, 2015. 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 \$220.2 million (net position). Within the total net position, unrestricted is negative \$43.9 million. This is mainly due to a required restatement for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and a prior period adjustment (see note 14). Without the required restatement for GASB Statement No. 68, net position unrestricted would be approximately \$31 million that may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$3.6 million this fiscal year. Governmental activities which receive taxes and other non-exchange revenues decreased \$8.9 million while business type activities increased by \$5.3 million.
- As of the close of the current fiscal year, the City of Mesquite's governmental funds reported combined ending fund balances of \$65.6 million, an increase of \$10.2 million from the prior year. Of this amount, \$15.9 million is available for spending subject to the City's self-imposed limitations by management for intended use.
- At year-end, the unassigned fund balance for the general fund was \$15.9 million and total fund balance was \$16.7 million. Total fund balance represents over 16.3 percent of expenditures and transfers out and exceeds the 15 percent required by the City's adopted fund balance policy. On a current financial resources basis, total fund balance for the general fund decreased \$448 thousand which was primarily the result of a few revenue resources coming in lower than budgeted.
- The City's net bonded debt increased by \$8.5 million during this current fiscal year. The City issued certificate of obligation debt for street, equipment, municipal building improvements, as well as revenue bonded debt for water and sewer improvements.
- The Health Claims Internal Service fund experienced lower claims this year, and still is recovering from a negative fund balance. The City plans to implement a multi-year strategy for major plan changes starting in 2016 to bring the fund balance back in a positive position. Such changes include changing the plan administrator and increased participation in the lower cost HSA plan.
- The City experienced a high claims year in its General Liability Internal Service fund which created a deficit fund balance at the end of the year. The City will eliminate the deficit fund balance through increased insurance rates to user departments.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Mesquite's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide

financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. One of the most important questions asked about the City's finances is, "Is the City of Mesquite in a better financial position at the end of this fiscal year compared to last year?" The government-wide financial statements report information about the City as a whole and about its activities in a way that helps to answer this question. Other non-financial factors should be taken into consideration, such as changes in the City's property tax base and the condition of the City's streets to assess the overall health or financial condition of the City.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund 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, Housing Grants Special Revenue, Local Finance Capital Project, and Bond Finance Capital Project funds, all of which are major funds. Data from the other six governmental funds are combined into a single, aggregated presentation titled Other Governmental Funds. Individual fund data for these non-major other governmental funds is provided in the form of combining statements and individual statements and schedules section of this report.

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Mesquite, assets and deferred outflows exceeded liabilities and deferred inflows by \$220.2 million as of September 30, 2015.

The largest portion of the City's net position (115 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, infrastructure and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Mesquite's Net Position (in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 79,718	\$ 71,291	\$ 45,028	\$ 39,808	\$ 124,746	\$ 111,099
Capital assets	233,388	237,722	190,342	190,517	423,730	428,239
Total assets	313,106	309,013	235,370	230,325	548,476	539,338
Deferred outflow of resources	10,278	1,931	1,377	875	11,655	2,806
Long-term liabilities outstanding	238,967	148,443	83,985	77,825	322,952	226,268
Other liabilities	6,797	7,143	5,967	6,985	12,764	14,128
Total liabilities	245,764	155,586	89,952	84,810	335,716	240,396
Deferred inflow of resources	3,937	-	312	-	4,249	-
Net investment in capital assets	122,230	129,187	130,785	129,832	253,015	259,019
Restricted net position	8,329	7,467	2,690	3,064	11,019	10,531
Unrestricted net position	(56,876)	18,704	13,008	13,494	(43,868)	32,198
Total net position	\$ 73,683	\$ 155,358	\$ 146,483	\$ 146,390	\$ 220,166	\$ 301,748

During 2015, the city adopted GASB 68 that required a reduction in beginning of year net position of \$69,664,639 and \$5,200,506 to governmental activities and business type activities, respectively. The city's governmental activities also required an adjustment applicable to prior years of \$3,134,450. The 2014 balances have not been adjusted to reflect this restatement.

Within the total net position, unrestricted is negative \$43.9 million. Without the required restatement for GASB Statement No. 68, net position unrestricted would be approximately \$31 million that may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the City's net position (5 percent) represents resources that are subject to external restriction on how they may be used.

Analysis of the City's Operations. Governmental and Business-type activities decreased the City's net position by \$3.6 million. The key elements of this decrease and the prior year results are as follows:

	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 30,840	\$ 32,770	\$ 58,526	\$ 51,274	\$ 89,366	\$ 84,044
Operating grants and contributions	13,825	13,954	-	-	13,825	13,954
Capital grants and contributions	409	112	603	969	1,012	1,081
General revenues:						
Ad valorem taxes	36,710	35,172	-	-	36,710	35,172
Gross receipts taxes	8,082	8,633	-	-	8,082	8,633
Sales taxes	42,848	41,180	-	-	42,848	41,180
Sale of capital assets	(33)	85	55	36	22	121
Investment income	151	67	71	33	222	100
Total revenues	<u>132,832</u>	<u>131,973</u>	<u>59,255</u>	<u>52,312</u>	<u>192,087</u>	<u>184,285</u>
Expenses:						
General government	29,905	24,919	-	-	29,905	24,919
Fire services	26,679	26,105	-	-	26,679	26,105
Police services	32,829	32,112	-	-	32,829	32,112
Field services	9,839	9,312	-	-	9,839	9,312
Public works	10,253	8,769	-	-	10,253	8,769
Community development	3,513	3,551	-	-	3,513	3,551
Housing & community services	15,005	14,487	-	-	15,005	14,487
Library services	2,074	2,015	-	-	2,074	2,015
Parks and recreation	12,732	11,004	-	-	12,732	11,004
Interest on long-term debt	3,745	3,498	-	-	3,745	3,498
Water and sewer	-	-	45,496	42,615	45,496	42,615
Drainage utility	-	-	1,618	1,412	1,618	1,412
Municipal airport	-	-	1,981	2,235	1,981	2,235
Total expenses	<u>146,574</u>	<u>135,772</u>	<u>49,095</u>	<u>46,262</u>	<u>195,669</u>	<u>182,034</u>
Increase (decrease) in net position before transfers	(13,742)	(3,799)	10,160	6,050	(3,582)	2,251
Transfers	<u>4,866</u>	<u>3,706</u>	<u>(4,866)</u>	<u>(3,706)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(8,876)	(93)	5,294	2,344	(3,582)	2,251
Net position - Beginning	155,358	155,451	146,390	144,046	301,748	299,497
Restatement to beginning net position, change in accounting principle	<u>(72,799)</u>	<u>-</u>	<u>(5,201)</u>	<u>-</u>	<u>(78,000)</u>	<u>-</u>
Net position - Ending	<u>\$ 73,683</u>	<u>\$ 155,358</u>	<u>\$ 146,483</u>	<u>\$ 146,390</u>	<u>\$ 220,166</u>	<u>\$ 301,748</u>

Refer to Note 14 in the Basic Financial Statements for further detail on the restatement of beginning net position.

Governmental Activities

Governmental activities decreased the City of Mesquite's net position by \$8.9 million.

The City's program revenues from governmental activities decreased approximately \$1.8 million (3.8 percent) as compared to the prior year. Charges for services decreased approximately \$1.9 million, operating grants and contributions decreased approximately \$129 thousand and capital grants and contributions increased approximately \$297 thousand.

The decrease in charges for services was the net result of:

- Police - decrease in fine and forfeitures of \$938 thousand due to less traffic fines related to a speed limit increase along the Interstate 635 corridor and in the prior year charges were up \$1.4 million due to the new municipal court software that improved the efficiency of processing more court cases. That increase did not occur in fiscal year 2015.
- Fire – decrease of \$917 thousand due primarily to an increase in the provision for uncollectible accounts related to ambulance billings based on the review of payor type, collection history, and individual circumstances..
- Public Works – decrease of \$497 thousand due to a one time reimbursement in the prior year from Texas Department of Transportation for a capital project that did not occur in the current year.
- Housing and Community Development - decrease of \$342 thousand primarily due to only one sale of Neighborhood Stabilization Program homes compared to six in the prior year.
- General Government – increase of \$1.2 million due to an increase of \$485 thousand in Licenses and Permits activity, \$713 thousand increase in program revenues from the Internal Service Fund, \$44 thousand increase in reservations for the Art Center, offset by a decrease of \$151 thousand in sales and auction activity.
- Parks and Recreation - increase of \$741 thousand due to the Mesquite Golf Course being open the entire fiscal year.

Operating grants and contributions decreased \$129 thousand due to less grant revenues for public transportation as the program structure changed to Star Transit Services. The increase of \$297 thousand in Capital grants and contributions is due to a reclassification of public safety grants from operating grants in fiscal year 2014 to capital grants in fiscal year 2015.

General revenues of the City's governmental activities increased \$2.6 million (3.1 percent) during the year. General revenue from property taxes increased \$1.5 million due to slightly higher property tax values for the year. Sales tax revenues increased \$1.7 million due to improvements in the economy. Gross receipts tax revenue decreased \$551 thousand due to decreased activity in right of way franchise fees.

Expenses for the City's governmental activities experienced a net increase of \$10.8 million (8.0 percent) compared with the prior fiscal year. The major increases were in General Government, \$5.0 million, Parks and Recreation, \$1.7 million, Public Works, \$1.5 million, Police Services \$717 thousand, Fire Services , \$574 thousand, Field Services, \$527 thousand and Housing and Community services \$519 thousand.

- General Government increased due to the net pension expense of \$3.4 million put on the books for the first year, an increase of \$1.2 million in OPEB costs and an increase of \$412 thousand for the

market rate adjustment for non-management staff and 2 percent merit increases for staff not receiving the market rate adjustment.

- Parks and Recreation increased in fiscal year 2015 compared to fiscal year 2014 primarily from a planned reduction in reimbursement from 4b fund for park operations. Prior year was lower by \$1.2 million due to the reimbursement to cover golf course expenses during renovation. An increase of \$369 thousand related to the market rate adjustment for non-management staff and 2 percent merit increases for staff not receiving the market rate adjustment. The remaining increase of \$151 thousand is due to increased utility costs for park operations.
- Public Works and Field Services combined increase of \$2.0 million is primarily due to a \$1.4 million contribution from the Airport fund that occurred in fiscal year 2014 and did not occur in 2015 and \$611 thousand related to the market rate adjustment for non-management staff, a 2 percent merit increase for staff not receiving the market rate adjustment, and the increase costs for labor and parts on equipment maintenance.
- Police Services increased \$717 thousand in capital outlay purchases for advanced computer technology utilized in their crime scene investigation (CSI) and special weapons attack team (SWAT) programs in addition the market rate adjustment for non-management staff, and a 2 percent merit increase for staff not receiving the market rate adjustment.
- Fire Services increased \$574 thousand as a result of the market rate adjustment for non-management staff, a 2 percent merit increase for staff not receiving the market rate adjustment and the required step increases for public safety staff.

Business-type Activities

Business-type activities increased the City of Mesquite's net position by \$5.3 million.

The City's overall revenues for business-type activities increased by \$6.9 million (13.2 percent) during the fiscal year. The majority of the program revenues for the City's business-type activities are from its water and sewer operations. Water and sewer customer charges increased \$6.8 million due to a rate increase effective in fiscal year 2015. Capital grants and contributions decreased \$366 thousand. The decrease in capital grants and contributions was primarily due to less contributions from developer deposits for the Water Sewer fund.

Expenses attributable to the business-type activities increased approximately \$2.8 million (6.1 percent) this fiscal year. The increase is mainly due to increased costs of \$1.5 million for purchasing treated water and wastewater pretreatment. The remainder of the increase is due to \$257 thousand for the market rate adjustment for non-management staff, combined with a 2 percent increase for staff not receiving the market rate adjustment, \$676 thousand for operating expenses related to the replacement of the water main project, pension expense of \$257 thousand as a result of implementing GASB 68, and increased electricity costs for \$125 thousand. Net transfers out for fiscal year 2015 were more than fiscal year 2014 by \$1.2 million. The increase is due to a \$1.4 million capital contribution from the airport related to the new air traffic control tower that offset the transfers out in fiscal year 2014. In fiscal year 2015 debt service costs increased by \$218 thousand according to debt service amortization schedules.

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 \$65.6 million. Approximately 24 percent of this total amount (\$15.9 million) constitutes unassigned fund balance. The remainder of the fund balance is comprised of \$764 thousand for nonspendable, which represents funds committed to pay for prepaid and inventory items, \$47.5 million for restricted, which represents funds restricted for specific purposes by their providers (such as grantors, bondholders, and higher levels of government), and \$1.4 million for assigned, which represents amounts the City intends to use for specific purposes (such as encumbrances, promotion of tourism and capital projects). The fund balance for all governmental funds increased by \$10.2 million from the previous fiscal year. This increase is explained below individually by fund.

The General Fund is the chief operating fund of the City of Mesquite. At the end of the current fiscal year, unassigned fund balance of the General fund was \$15.9 million while the total fund balance was at \$16.7 million. The total fund balance decreased by \$448 thousand. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures and net transfers in/out. Unassigned fund balance represents 18.1 percent of total General Fund expenditures and net transfers in/out, while the total fund balance represents 19 percent of that same amount. By the City's adopted fund balance policy, fund balance is required to be maintained at 15 percent of General Fund expenditures.

In the General Fund, total revenues increased \$2.7 million from the prior year.

- Ad valorem taxes increased \$1.2 million due to a slight increase in assessed property values.
- Sales tax revenue increased \$1.2 million as we continue to see growth in the local economy.
- Fines and forfeitures decreased \$533 thousand in criminal fines due to a decrease in traffic citations and number of arrests.
- Other revenues decreased \$226 thousand due to reduced auction sales and compost material sales.

On the expenditure side, the actual expenditures increased \$2.6 million.

- General government increased \$412 thousand primarily due to a market adjustment for non-management staff, a 2 percent merit increase for individuals not included in the market rate adjustment, and retirement of key staff.
- Fire Services increased \$255 thousand due to the required step increases for public safety staff.
- Parks and recreation increased \$2.1 million due to a planned reduction of transfers in of \$1.2 million from the 4b fund for park operations. Prior years were higher due to reimbursements to cover the golf course expenses during renovation. An increase of \$369 thousand due to a market adjustment for non-management staff, and a 2 percent merit increase for individuals not included in the market rate adjustment. The remaining increase of \$531 thousand related to a repair at the golf course as a result of the flooding that occurred in the spring of 2015.

- Field services increased \$273 thousand due to increased labor and parts costs for equipment maintenance, the market rate adjustment for non-management staff, and a 2 percent merit increase for staff not receiving the market rate adjustment.
- Public works, Community development, Police services and Library services combined increase of \$295 thousand was a result of the market rate adjustment, a 2 percent merit increase for individuals not included in the market rate adjustment and retirement of key staff.
- Housing and community services decreased \$613 thousand as a result of transitioning from MTED to STAR Transit for services.

Net transfers out were more in fiscal year 2015 by \$250 thousand. This is due to an increase in transfer for scheduled debt service payments.

The Housing Grants Fund is a major special revenue fund used to account for funds awarded the City by the U. S. Department of Housing and Urban Development under their housing assistance program. The fund balance is \$780 thousand at the end of the year. Fund balance increased by \$118 thousand due to increased funding from the grant program.

The Local Finance capital projects fund is reported as a major fund in fiscal year 2015 and is used to account for capital project expenditures from the proceeds of local revenue sources. Fund balance at year end is \$11.5 million, \$10.4 million of which is restricted for various capital projects and specified spending and \$1.1 million is assigned for other capital projects indentified by the City. The fund balance increased \$487 thousand which is due to timing fluctuations of capital project spending from year to year. Project spending carries over from year to year depending on the scheduled activity.

The Bond Finance capital projects fund is a major fund used to account for capital project expenditures from the proceeds of governmental debt. See the Capital Asset section for highlights on project spending. Fund balance at year end is \$21.3 million, all of which is restricted for use for the capital projects approved within the various bond issues. The fund balance increased \$9.6 million which is due to timing fluctuations of capital project spending from year to year.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the year amounted to \$10.7 million and the Drainage Utility District amounted to \$3.6 million. The change in unrestricted net position for both funds was a decrease of \$565 thousand in the Water/Sewer Fund and an increase of \$1.0 million in the Drainage Utility District Fund. The factors concerning the finances of the Water and Sewer fund have already been addressed in the discussion of the City of Mesquite's business-type activities. The Drainage Utility District fund operating results were consistent with prior year except for an increase in customer charges of \$568 thousand. The increase in customer charges was due to \$.50 rate increase for residential and \$.02 per 100 square feet of impervious area rate increase for commercial. This was the second year of a three year phased in increase.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City made revisions to the original appropriations approved by the City Council. Overall, these changes resulted in an increase in budgeted revenues from the original budget of \$648 thousand and an increase in budgeted expenditures from the original budget of \$292 thousand. The increase in budgeted revenues was to reflect increased collections of sales tax revenue during the year by approximately \$585 thousand, and an

increase in charges for services for increased recreational program activity of \$636 thousand. These increases were offset by decreases in fines and forfeitures activity of \$452 thousand and \$133 thousand in licenses and permits. The decrease in fines and forfeitures is due to a slight reduction in selective speed enforcement activity as a result of the increased speed limit change from Texas Department of Transportation on Interstate Highway 635. The decrease in licenses and permits is due to less building permit activity than originally budgeted. The main increases in expenditures were in field services of \$5.7 million, parks and recreation of \$871 thousand, fire services of \$463 thousand, and police services of \$219 thousand. These increases were offset with decreases in public works of \$5.4 million and general government of \$1.7 million. The increase in parks and recreation is primarily due to golf course damage from the flooding last spring, increased costs for the Real.Texas.Festival, and additional staff needed to administer the senior and recreational programs offset by increased revenues for the recreational programs. The increases in fire services and police services are due to anticipated overtime to cover for vacancies in positions. The increase in field services is offset with a decrease in public works. The net increase of \$300 thousand is due to increased activity in the equipment maintenance for parts and labor.

The main budget variances as compared to actual were less revenues of \$310 thousand and additional expenditures of \$170 thousand. The reduction in revenues were in fines and forfeitures of \$385 thousand due to less speed enforcement activity and in intergovernmental of \$429 thousand primarily due to delayed reimbursement for the Star Transit program. These decreases were offset by additional revenue in sales tax activity of \$464 thousand. Additional expenditures were primarily due to field services of \$308 thousand for equipment maintenance parts and labor, and general government of \$213 thousand for retirement payouts which were offset by savings in fire services of \$167 thousand and community development of \$152 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the City had over \$423.7 million (net of accumulated depreciation) invested in capital assets for its governmental and business-type activities in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. The total decrease in the City of Mesquite's net investment in capital assets was 1.1 percent for the current fiscal year.

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

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 24,829	\$ 24,566	\$ 10,503	\$ 9,969	\$ 35,332	\$ 34,535
Construction in progress	2,748	2,855	3,696	4,283	6,444	7,138
Buildings	74,469	75,580	6,691	6,897	81,160	82,477
Infrastructure	104,042	105,884	165,509	166,050	269,551	271,934
Improvements	10,468	10,160	291	320	10,759	10,480
Equipment	16,832	18,677	3,652	2,998	20,484	21,675
Totals	\$ 233,388	\$ 237,722	\$ 190,342	\$ 190,517	\$ 423,730	\$ 428,239

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

- Approximately \$13.6 million was expended for capital projects in 2015 and \$14.3 million was completed and placed into service.
- Over \$5.4 million was expended for transportation, street and alley projects including continuing work on concrete street rehab projects, alley reconstruction, Pioneer and Motley Drive construction and street lighting projects and \$5.4 million was completed and placed into service.
- Approximately \$3.7 million was expended on Parks and Recreation capital projects for land acquisition, repairs of the golf course, Mesquite Heritage Trail, renovation of the Opal Lawrence Historical Park, park system equipment, and recreation center renovations, and \$3.8 million was completed and placed into service.
- Over \$3.9 million of infrastructure, improvements, and equipment was expended on the water and sewer system capital projects and \$4.6 was completed and placed into service.
- Approximately \$534 thousand was expended on land for future expansion to the Mesquite Municipal Airport and was capitalized.

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

Debt Administration

At year-end, the City had \$210.1 million in net bonded debt outstanding. Of this total amount, \$133.1 million or 63 percent is comprised of bonded debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured by specified revenue sources (i.e., revenue bonds).

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

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation	\$ 40,995	\$ 39,424	\$ -	\$ -	\$ 40,995	\$ 39,424
Certificates of obligation	88,355	80,605	-	-	88,355	80,605
Premium on refunding	3,830	-	2,276	-	6,106	-
Revenue bonds	-	-	74,680	75,706	74,680	75,706
Totals	<u>\$ 133,180</u>	<u>\$ 120,029</u>	<u>\$ 76,956</u>	<u>\$ 75,706</u>	<u>\$ 210,136</u>	<u>\$ 195,735</u>

During the fiscal year, the City had three debt issuances. The first debt issue was for \$2.9 million in general obligation debt to advance refund prior tax exempt bonds. The second debt issue was for \$14.8 million of certificate of obligation debt for constructing and improving streets, roads, and alleys including related drainage, signalization, landscaping, lighting and signage, major repairs and renovations to existing municipal buildings, acquisition of equipment and vehicles for various City departments, acquisition of computer equipment and software for various City departments, and paying for legal, fiscal, engineering and other

professional fees in connection with such projects. The third debt issue was for \$10.3 million of revenue bonds for water and sewer improvements as well as to refund prior water and sewer debt issues.

Standard and Poor's Rating Services assigned its 'AA' long-term rating to the city's series 2015 general obligation refunding bonds and series 2015 combination tax and limited surplus revenue certificates of obligation. In addition, Standard and Poor's affirmed its 'AA' long-term and underlying rating on the city's outstanding general obligation debt. Standard and Poor's Rating Services assigned its 'AA' rating and stable outlook to the city's series 2015 waterworks and sewer system revenue refunding and improvement bonds. At the same time, Standard and Poor's affirmed its 'AA' rating on the city's existing system revenue debt.

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

Pensions and Retiree Health Care

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

Effective for fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions, an amendment of GASB 27," created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City's pension liabilities to other governments around the nation. The funding valuation is important as the actuarial methods used including strategies for repaying any unfunded actuarial accrued liabilities combined with the City's history of making those contributions provides insights regarding the City's commitment to and the effectiveness of its funding strategy. Information contained in the financial statements themselves including the first schedule of the Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation. On a reporting basis, the City's financial statements reflect a Net Pension Liability as of September 30, 2015 of \$83,579,981, which is 129 percent of the City's annual covered payroll of \$64,709,631.

Retiree health care's actuarially accrued liability has been calculated in accordance with GASB Statement No.45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", to be \$4,128,883 as of September 30, 2015, an increase of \$1,237,228 from the previous valuation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The financial forecast over the next five years calls for slow to moderate growth highlighted by a more stable housing market boosted by low inventories and high sales prices. With local sales tax collections remaining strong but expected to level off in 2016, new revenues will continue to depend on tax roll growth. The city's growth in property tax has averaged just under 5 percent.

The fiscal year 2016 budget was developed to continue the City Council's focus on addressing infrastructure and neighborhood revitalization efforts. In the 2015-16 budget General Fund revenues and transfers in are projected to increase by 2.1 percent from the 2014-15 final budget with the majority of this increase coming from property tax. General property tax revenue (Ad valorem tax revenue) is determined by two major factors: the total assessed property value established by the Dallas Central Appraisal District and the tax rate

set by City Council. Certified assessed valuations increased 4.4 percent over the preceding year while the City tax rate will remain the same at \$.64 per \$100 of assessed valuation. General sales tax receipts are projected to remain the same as the prior year's receipts. This revenue source comprises 29.8 percent of General Fund revenues and transfers in and is the most volatile and subject to change based on the economy. Charges for services revenues are projected to increase 2.3 percent over last year primarily due an increase in solid waste collection fees. The 2014-15 budget includes other modest increases to some of the other revenue line items that make up the remaining change from the previous year.

General Fund expenditures and transfers out are budgeted at a 2.1 percent increase over the 2014-15 final budget. The 2015-16 budget includes a 2% raise for employees and the required step increases for firefighters and police officers with less than five years of service. The budget includes additional staff of 2 public safety officers and 2 code enforcement officers. There are other increases and decreases between the expenditure categories that offset each other to create the overall budget increase.

Total fund balance for the General Fund is projected to slightly increase by 13 percent in fiscal year 2016. The projected ending fund balance is approximately 16 percent of budgeted expenditures and transfers out which is greater than the required minimum set by the City's fund balance policy of 15 percent.

The Water and Sewer Fund budget includes rate increases for both water and sewer charges to cover increased costs for treated water and wastewater treatment charges. The water and sewer rates are set to increase by 10 percent in base rates and tiered consumption rates. In addition, the City has chosen to pass on the credit card convenience fees which will save approximately \$500 thousand. These changes equate to an overall 10 percent increase.

CONTACTING THE CITY'S FINANCIAL MANAGMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Accounting Manager, at P. O. Box 850137, Mesquite, Texas 75185-0137, call (972) 216-6219 or e-mail at shaynes@cityofmesquite.com.

MESQUITE

T E X A S

Real. Texas. Flavor.

City of Mesquite, Texas

**Statement of Net Position
September 30, 2015**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
ASSETS:			
Pooled cash and investments	\$ 59,139,531	\$ 34,787,267	\$ 93,926,798
Receivables (net of allowance for uncollectibles)	18,642,376	10,725,504	29,367,880
Internal balances	868,264	(868,264)	-
Inventory	755,838	366,964	1,122,802
Prepays and other assets	275,390	-	275,390
Accrued interest	36,174	16,774	52,948
Capital assets-			
Land and construction in progress	27,577,146	14,198,221	41,775,367
Other capital assets (net of accumulated depreciation)	<u>205,810,994</u>	<u>176,143,568</u>	<u>381,954,562</u>
Total Assets	<u>313,105,713</u>	<u>235,370,034</u>	<u>548,475,747</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding	1,602,268	688,460	2,290,728
Deferred pension contributions	5,027,653	399,251	5,426,904
Difference in projected and actual earnings on pension assets	<u>3,648,215</u>	<u>289,709</u>	<u>3,937,924</u>
Total Deferred Outflows of Resources	<u>10,278,136</u>	<u>1,377,420</u>	<u>11,655,556</u>
LIABILITIES:			
Accounts payable	5,390,741	2,140,342	7,531,083
Accrued interest payable	616,314	227,464	843,778
Deposits and other liabilities	789,518	3,599,441	4,388,959
Long-term liabilities:			
Due within one year:			
Capital lease payable	7,448	6,282	13,730
Bonds payable	9,026,349	6,135,672	15,162,021
Notes payable	597,183	-	597,183
Accrued compensated absences	7,413,511	371,057	7,784,568
Estimated claims payable	1,630,907	-	1,630,907
Due in more than one year:			
Capital lease payable	18,196	-	18,196
Bonds payable	124,154,040	70,820,544	194,974,584
Notes payable	1,166,008	-	1,166,008
Net other post employment benefit (OPEB) liability	4,128,883	-	4,128,883
Net pension liability	77,705,632	5,874,349	83,579,981
Accrued compensated absences	11,760,076	776,535	12,536,611
Estimated claims payable	<u>1,359,746</u>	<u>-</u>	<u>1,359,746</u>
Total Liabilities	<u>245,764,552</u>	<u>89,951,686</u>	<u>335,716,238</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred gain on refunding	4,565	-	4,565
Difference in expected and actual pension experience	<u>3,932,134</u>	<u>312,256</u>	<u>4,244,390</u>
Total Deferred Inflows of Resources	<u>3,936,699</u>	<u>312,256</u>	<u>4,248,955</u>
NET POSITION:			
Net investment in capital assets	122,229,776	130,785,212	253,014,988
Restricted for:			
Capital projects	7,077,598	-	7,077,598
Housing grants	780,158	-	780,158
Debt service	470,685	2,690,409	3,161,094
Unrestricted	<u>(56,875,619)</u>	<u>13,007,891</u>	<u>(43,867,728)</u>
Total Net Position	<u>\$ 73,682,598</u>	<u>\$ 146,483,512</u>	<u>\$ 220,166,110</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Activities
For the Year Ended September 30, 2015**

		Program Revenues		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTION / PROGRAM ACTIVITIES:				
Governmental activities:				
General government	\$ 29,905,320	\$ 7,586,337	\$ -	\$ 29,520
Fire services	26,678,551	2,242,517	13,131	168,467
Police services	32,829,162	4,302,454	50,120	-
Field services	9,838,967	7,794,494	-	80,317
Public works	10,252,920	488,070	367,014	131,143
Community development	3,512,611	5,148,080	50,000	-
Housing & community services	15,005,585	355,700	12,892,204	-
Library services	2,073,812	78,321	6,164	-
Parks and recreation	12,731,726	2,843,732	446,387	-
Interest on long-term debt	3,744,968	-	-	-
Total governmental activities	<u>146,573,622</u>	<u>30,839,705</u>	<u>13,825,020</u>	<u>409,447</u>
Business-type activities:				
Water and sewer	45,495,797	53,558,955	-	519,313
Drainage utility	1,617,581	3,366,109	-	65,185
Municipal airport	1,981,421	1,601,509	-	18,487
Total business-type activities	<u>49,094,799</u>	<u>58,526,573</u>	<u>-</u>	<u>602,985</u>
Total function / program activities	<u>\$ 195,668,421</u>	<u>\$ 89,366,278</u>	<u>\$ 13,825,020</u>	<u>\$ 1,012,432</u>
General revenues:				
Ad valorem taxes				
Gross receipts taxes				
Sales taxes				
Gain (loss) on sale of capital assets				
Investment income				
Transfers				
Total general revenues and transfers				
Change in net position (deficit)				
Net position - beginning of year, as previously reported				
Adjustment applicable to prior years (see note 14)				
Change in accounting principle (see note 14)				
Net position, beginning of year, as restated				
Net position - ending				

The accompanying notes are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (22,289,463)	\$ -	\$ (22,289,463)
(24,254,436)	-	(24,254,436)
(28,476,588)	-	(28,476,588)
(1,964,156)	-	(1,964,156)
(9,266,693)	-	(9,266,693)
1,685,469	-	1,685,469
(1,757,681)	-	(1,757,681)
(1,989,327)	-	(1,989,327)
(9,441,607)	-	(9,441,607)
<u>(3,744,968)</u>	<u>-</u>	<u>(3,744,968)</u>
<u>(101,499,450)</u>	<u>-</u>	<u>(101,499,450)</u>
-	8,582,471	8,582,471
-	1,813,713	1,813,713
-	<u>(361,425)</u>	<u>(361,425)</u>
-	10,034,759	10,034,759
<u>(101,499,450)</u>	<u>10,034,759</u>	<u>(91,464,691)</u>
36,709,787	-	36,709,787
8,081,436	-	8,081,436
42,848,418	-	42,848,418
(33,439)	54,679	21,240
150,717	70,731	221,448
<u>4,866,434</u>	<u>(4,866,434)</u>	<u>-</u>
<u>92,623,353</u>	<u>(4,741,024)</u>	<u>87,882,329</u>
<u>(8,876,097)</u>	<u>5,293,735</u>	<u>(3,582,362)</u>
155,357,784	146,390,283	301,748,067
(3,134,450)	-	(3,134,450)
<u>(69,664,639)</u>	<u>(5,200,506)</u>	<u>(74,865,145)</u>
<u>82,558,695</u>	<u>141,189,777</u>	<u>223,748,472</u>
<u>\$ 73,682,598</u>	<u>\$ 146,483,512</u>	<u>\$ 220,166,110</u>

City of Mesquite, Texas

**Balance Sheet - Governmental Funds
September 30, 2015**

	<u>General</u>	<u>Housing Grants</u>	<u>Local Finance</u>	<u>Bond Finance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:						
Pooled cash and investments	\$ 9,242,086	\$ 790,165	\$ 11,829,548	\$ 21,954,878	\$ 13,863,166	\$ 57,679,843
Receivables (net of allowance):						
Accounts receivable	7,871,780	67,091	23,591	-	45,844	8,008,306
Ad valorem taxes	1,456,336	-	-	-	-	1,456,336
Other taxes receivable	1,861,937	-	-	-	77,880	1,939,817
Intergovernmental	5,321,368	-	-	-	1,916,549	7,237,917
Due from other funds	1,326,771	-	-	-	-	1,326,771
Inventory	755,838	-	-	-	-	755,838
Prepays	8,037	-	-	-	-	8,037
Accrued interest	15,135	443	2,279	11,016	6,608	35,481
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 27,859,288</u>	<u>\$ 857,699</u>	<u>\$ 11,855,418</u>	<u>\$ 21,965,894</u>	<u>\$ 15,910,047</u>	<u>\$ 78,448,346</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$ 3,751,023	\$ 10,450	\$ 20,258	\$ 638,878	\$ 368,070	\$ 4,788,679
Retainage payable	-	-	-	73,878	16,667	90,545
Deposits	381,394	-	274,190	-	133,934	789,518
Due to other funds	-	-	-	-	57,513	57,513
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>4,132,417</u>	<u>10,450</u>	<u>294,448</u>	<u>712,756</u>	<u>576,184</u>	<u>5,726,255</u>
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue	<u>7,024,579</u>	<u>67,091</u>	<u>23,400</u>	<u>-</u>	<u>-</u>	<u>7,115,070</u>
Fund Balances:						
Nonspendable	763,875	-	-	-	-	763,875
Restricted	-	780,158	10,397,850	21,253,138	15,087,001	47,518,147
Assigned	40,676	-	1,139,720	-	246,862	1,427,258
Unassigned	15,897,741	-	-	-	-	15,897,741
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>16,702,292</u>	<u>780,158</u>	<u>11,537,570</u>	<u>21,253,138</u>	<u>15,333,863</u>	<u>65,607,021</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 27,859,288</u>	<u>\$ 857,699</u>	<u>\$ 11,855,418</u>	<u>\$ 21,965,894</u>	<u>\$ 15,910,047</u>	<u>\$ 78,448,346</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Reconciliation of the Balance Sheet
of Governmental Funds
To the Statement of Net Position
As of September 30, 2015**

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

Total fund balance per balance sheet	\$ 65,607,021
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	233,388,140
Other long-term assets less related uncollectibles are not available to pay for current period expenditures and therefore are reported as unavailable revenues in the governmental funds.	7,115,070
Internal service funds are used by management to charge the costs of health claims and general liability to individual funds. A significant portion of the internal service fund's net position (deficit) is included in the governmental activities in the statement of net position.	(2,175,430)
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.	(616,314)
Long-term liabilities, including bonds payable and net pension liability (and the related deferred inflows and deferred outflows) are not due and payable in the current period and therefore are not reported as liabilities, deferred outflows or deferred inflows in the governmental funds. Long-term liabilities consist of:	
General obligation bonds payable	(40,995,000)
Certificate of obligation bonds payable	(88,355,000)
Notes Payable	(1,763,191)
Capital lease payable	(25,644)
Deferred charge on refunding	1,602,268
Deferred gain on refunding	(4,565)
Unamortized premiums/discounts on bonds	(3,830,389)
Net other post employment benefit (OPEB) liability	(4,128,883)
Net pension liability	(77,705,632)
Deferred pension contributions	5,027,653
Difference in projected and actual earnings on pension plan assets	3,648,215
Difference in expected and actual pension experience	(3,932,134)
Accrued compensated absences	(19,173,587)
	<u>(229,635,889)</u>
Net position of governmental activities	<u>\$ 73,682,598</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended September 30, 2015

	General	Housing Grants	Local Finance	Bond Finance	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes-						
Ad valorem	\$ 36,438,625	\$ -	\$ -	\$ -	\$ -	\$ 36,438,625
Gross receipts	7,770,318	-	-	-	311,118	8,081,436
Sales	31,253,822	-	-	-	11,594,596	42,848,418
Licenses and permits	1,703,270	-	-	-	24,580	1,727,850
Fines and forfeitures	2,988,441	-	-	-	237,724	3,226,165
Investment income	76,653	1,729	10,380	29,706	28,464	146,932
Charges for services	14,621,662	-	3,989,683	-	1,089,521	19,700,866
Intergovernmental	129,061	11,785,251	-	-	1,439,100	13,353,412
Contributions and donations	300,808	-	168,520	-	318,462	787,790
Other revenues	748,192	65,607	243,729	61,500	218,534	1,337,562
Total Revenues	96,030,852	11,852,587	4,412,312	91,206	15,262,099	127,649,056
EXPENDITURES:						
Current-						
General government	13,118,432	-	1,620,344	447,159	1,099,404	16,285,339
Fire services	24,563,162	-	29,104	15,668	203,279	24,811,213
Police services	30,489,181	-	19,632	217,552	540,626	31,266,991
Field services	9,878,873	-	-	312,256	-	10,191,129
Public works	2,502,553	-	42,108	132,538	566,792	3,243,991
Community development	2,674,755	-	16,400	144,491	622,149	3,457,795
Library services	2,003,757	-	-	12,354	5,554	2,021,665
Parks and recreation	5,223,395	-	-	7,345	5,486,191	10,716,931
Housing and community services	1,725,071	11,585,035	-	2,502	619,866	13,932,474
Capital outlay	-	-	426,908	4,977,387	4,579,311	9,983,606
Debt service						
Principal	-	-	512,445	-	7,385,000	7,897,445
Interest and fiscal charges	-	-	89,352	-	4,705,129	4,794,481
Bond issuance costs	-	-	-	206,304	-	206,304
Total Expenditures	92,179,179	11,585,035	2,756,293	6,475,556	25,813,301	138,809,364
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,851,673	267,552	1,656,019	(6,384,350)	(10,551,202)	(11,160,308)
OTHER FINANCING SOURCES (USES):						
Transfers in	5,550,000	-	58,000	-	12,077,742	17,685,742
Transfers out	(9,850,000)	(150,000)	(1,227,351)	(13,209)	(1,044,658)	(12,285,218)
Issuance of debt	-	-	-	14,835,000	-	14,835,000
Issuance of refunding debt	-	-	-	2,935,000	-	2,935,000
Premium on bonds issued	-	-	-	1,265,374	-	1,265,374
Payment to refunding bond agent	-	-	-	(3,043,409)	-	(3,043,409)
Total Other Financing Sources (Uses)	(4,300,000)	(150,000)	(1,169,351)	15,978,756	11,033,084	21,392,489
NET CHANGE IN FUND BALANCES	(448,327)	117,552	486,668	9,594,406	481,882	10,232,181
FUND BALANCES AT BEGINNING OF YEAR	17,150,619	662,606	11,050,902	11,658,732	14,851,981	55,374,840
FUND BALANCES AT END OF YEAR	\$ 16,702,292	\$ 780,158	\$ 11,537,570	\$ 21,253,138	\$ 15,333,863	\$ 65,607,021

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2015**

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

Net change in fund balance - total governmental funds	\$ 10,232,181
All payments for other post employment benefits for the year are recorded as expenditures. However, in the government-wide statement of activities only the actuarially required contribution is considered an expense and accrued as a liability in the Statement of Net Position. This adjustment is to recognize the change in the net other post employment benefits (OPEB) asset/liability.	(1,237,228)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital outlay expenditures	9,431,774
Depreciation expense	<u>(13,540,976)</u>
	(4,109,202)
The net effect of various transactions involving capital assets (i.e. sales, trade-ins) is to decrease net position.	(305,317)
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.	80,317
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.	(365,073)
The issuance of long-term debt (e.g. bond proceeds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Principal amount of debt issued	(17,770,000)
Refunded bond debt amortization	(256,786)
Principal amount of debt paid to bondholders	10,380,000
Principal amount of capital lease paid	7,757
Principal amount of notes paid	574,296
Net change in accrued interest payable	45,315
Net deferred offering charges and related debt issuance items	<u>(799,398)</u>
	(7,818,816)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This adjustment is to reflect the net change in accrued compensated absences.	(87,740)
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 deferred outflows and inflows of resources balances.	(3,741,752)
Internal service funds are used by management to charge the costs of health claims and general liability to individual funds. The net expenses of certain activities of internal service funds is reported within governmental activities.	<u>(1,523,467)</u>
Change in net position of governmental activities	<u>\$ (8,876,097)</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes-				
Ad valorem	\$ 36,590,000	\$ 36,500,000	\$ 36,438,625	\$ (61,375)
Gross receipts	7,536,000	7,801,000	7,770,318	(30,682)
Sales	30,205,000	30,790,000	31,253,822	463,822
Licenses and permits	1,781,450	1,648,000	1,703,270	55,270
Fines and forfeitures	3,825,000	3,373,000	2,988,441	(384,559)
Investment income	40,000	56,000	76,653	20,653
Charges for services	13,910,700	14,547,607	14,621,662	74,055
Intergovernmental	558,531	558,531	129,061	(429,470)
Contributions and donations	280,000	170,000	300,808	130,808
Other revenues	966,000	896,800	748,192	(148,608)
TOTAL REVENUES	<u>95,692,681</u>	<u>96,340,938</u>	<u>96,030,852</u>	<u>(310,086)</u>
EXPENDITURES:				
General government	14,634,463	12,905,131	13,118,432	(213,301)
Fire services	24,267,134	24,730,461	24,563,162	167,299
Police services	30,243,415	30,462,303	30,489,181	(26,878)
Field services	3,917,749	9,570,214	9,878,873	(308,659)
Public works	7,757,708	2,353,524	2,502,553	(149,029)
Community development	2,796,794	2,826,456	2,674,755	151,701
Library services	1,949,287	2,064,256	2,003,757	60,499
Parks and recreation	4,438,720	5,309,375	5,223,395	85,980
Housing and community services	1,711,114	1,787,124	1,725,071	62,053
TOTAL EXPENDITURES	<u>91,716,384</u>	<u>92,008,844</u>	<u>92,179,179</u>	<u>(170,335)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,976,297</u>	<u>4,332,094</u>	<u>3,851,673</u>	<u>(480,421)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	5,530,000	5,550,000	5,550,000	-
Transfer out	<u>(9,500,000)</u>	<u>(9,850,000)</u>	<u>(9,850,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,970,000)</u>	<u>(4,300,000)</u>	<u>(4,300,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 6,297</u>	<u>\$ 32,094</u>	<u>(448,327)</u>	<u>\$ (480,421)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>17,150,619</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 16,702,292</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Housing Grants Special Revenue Fund

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

For the Year Ended September 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Investment income	\$ 600	\$ 1,200	\$ 1,729	\$ 529
Intergovernmental	11,579,303	11,579,303	11,785,251	205,948
Other revenues	10,000	10,000	65,607	55,607
	<u>11,589,903</u>	<u>11,590,503</u>	<u>11,852,587</u>	<u>262,084</u>
TOTAL REVENUES				
EXPENDITURES:				
Current-				
Housing and community services	<u>11,430,641</u>	<u>11,430,641</u>	<u>11,585,035</u>	<u>(154,394)</u>
	<u>11,430,641</u>	<u>11,430,641</u>	<u>11,585,035</u>	<u>(154,394)</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>159,262</u>	<u>159,862</u>	<u>267,552</u>	<u>107,690</u>
OTHER FINANCING USES:				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 9,262</u>	<u>\$ 9,862</u>	117,552	<u>\$ 107,690</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>662,606</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 780,158</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Net Position (Deficit)
Proprietary Funds
September 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
ASSETS:					
Current assets:					
Pooled cash and investments	\$ 10,582,561	\$ 3,590,414	\$ 100	\$ 14,173,075	\$ 1,459,688
Restricted pooled cash and investments	19,686,958	232,276	-	19,919,234	-
Receivables (net of allowance for uncollectibles)	10,209,852	471,165	44,487	10,725,504	-
Inventory	338,303	-	28,661	366,964	-
Prepays and other assets	-	-	-	-	267,353
Accrued interest	14,680	2,094	-	16,774	693
Total current assets	<u>40,832,354</u>	<u>4,295,949</u>	<u>73,248</u>	<u>45,201,551</u>	<u>1,727,734</u>
Noncurrent assets:					
Revenue bond reserve-					
Pooled cash and investments	290,331	404,627	-	694,958	-
Capital assets-					
Land and construction in progress	4,432,162	1,814,263	7,951,796	14,198,221	-
Other capital assets (net of accumulated depreciation)	140,328,061	26,243,620	9,571,887	176,143,568	-
Total noncurrent assets	<u>145,050,554</u>	<u>28,462,510</u>	<u>17,523,683</u>	<u>191,036,747</u>	<u>-</u>
Total Assets	<u>185,882,908</u>	<u>32,758,459</u>	<u>17,596,931</u>	<u>236,238,298</u>	<u>1,727,734</u>
DEFERRED OUTFLOW OF RESOURCES:					
Deferred charges on refunding	\$ 647,443	\$ 41,017	\$ -	\$ 688,460	\$ -
Deferred pension contributions	345,593	28,027	25,631	399,251	-
Difference in projected and actual earnings on pension assets	250,772	20,338	18,599	289,709	-
Total deferred outflow of resources	<u>1,243,808</u>	<u>89,382</u>	<u>44,230</u>	<u>1,377,420</u>	<u>-</u>
LIABILITIES:					
Current liabilities:					
Accounts payable	1,716,332	10,005	7,530	1,733,867	511,517
Estimated claims payable	-	-	-	-	1,630,907
Due to other funds	-	-	112,909	112,909	1,156,349
Deposits and other liabilities	3,569,211	1,056	29,174	3,599,441	-
Capital lease payable	6,282	-	-	6,282	-
Accrued compensated absences	317,536	53,521	-	371,057	-
Total current liabilities	<u>5,609,361</u>	<u>64,582</u>	<u>149,613</u>	<u>5,823,556</u>	<u>3,298,773</u>
Current liabilities payable from restricted assets:					
Accounts payable	406,475	-	-	406,475	-
Accrued interest payable	221,283	6,181	-	227,464	-
Bonds payable	5,700,570	435,102	-	6,135,672	-
Total current liabilities payable from restricted assets	<u>6,328,328</u>	<u>441,283</u>	<u>-</u>	<u>6,769,611</u>	<u>-</u>
Total current liabilities	<u>11,937,689</u>	<u>505,865</u>	<u>149,613</u>	<u>12,593,167</u>	<u>3,298,773</u>
Noncurrent liabilities:					
Estimated claims payable	-	-	-	-	1,359,746
Bonds payable	68,734,749	2,085,795	-	70,820,544	-
Accrued compensated absences	686,521	34,513	55,501	776,535	-
Net pension liability	5,049,389	427,053	397,907	5,874,349	-
Total noncurrent liabilities	<u>74,470,659</u>	<u>2,547,361</u>	<u>453,408</u>	<u>77,471,428</u>	<u>1,359,746</u>
Total Liabilities	<u>86,408,348</u>	<u>3,053,226</u>	<u>603,021</u>	<u>90,064,595</u>	<u>4,658,519</u>
DEFERRED INFLOW OF RESOURCES:					
Difference in expected and actual experience	270,289	21,920	20,047	312,256	-
Total deferred inflow of resources	<u>270,289</u>	<u>21,920</u>	<u>20,047</u>	<u>312,256</u>	<u>-</u>
NET POSITION (DEFICIT):					
Net investment in capital assets	87,689,707	25,571,822	17,523,683	130,785,212	-
Restricted for debt service	2,059,687	630,722	-	2,690,409	-
Unrestricted	10,698,685	3,570,151	(505,590)	13,763,246	(2,930,785)
Total Net Position (Deficit)	<u>\$ 100,448,079</u>	<u>\$ 29,772,695</u>	<u>\$ 17,018,093</u>	<u>\$ 147,238,867</u>	<u>\$ (2,930,785)</u>
RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF NET POSITION:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(755,355)	
Total Net Position for Business Type Activities				<u>\$ 146,483,512</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Revenues, Expenses, and Changes in Fund Net Position (Deficit)
 Proprietary Funds
 For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
Operating revenues:					
Customer charges	\$ 53,558,955	\$ 3,366,109	\$ 1,601,509	\$ 58,526,573	\$ -
Contributions - City	-	-	-	-	13,386,577
Contributions - other	-	-	-	-	4,639,248
Total operating revenues	<u>53,558,955</u>	<u>3,366,109</u>	<u>1,601,509</u>	<u>58,526,573</u>	<u>18,025,825</u>
Operating expenses:					
Personal services	6,062,692	509,140	400,800	6,972,632	-
Supplies	1,353,570	6,132	792,523	2,152,225	-
Contractual services	30,126,661	202,534	267,324	30,596,519	19,784,577
Depreciation	4,926,170	817,775	520,774	6,264,719	-
Total operating expenses	<u>42,469,093</u>	<u>1,535,581</u>	<u>1,981,421</u>	<u>45,986,095</u>	<u>19,784,577</u>
Operating income (loss)	<u>11,089,862</u>	<u>1,830,528</u>	<u>(379,912)</u>	<u>12,540,478</u>	<u>(1,758,752)</u>
Nonoperating revenues (expenses):					
Investment income	62,254	8,477	-	70,731	3,785
Gain or loss on sale of capital assets	55,037	-	-	55,037	-
Other nonoperating income (expense)	(41,145)	5,929	18,129	(17,087)	-
Interest expense	(2,754,059)	(82,000)	-	(2,836,059)	-
Total nonoperating revenues (expenses)	<u>(2,677,913)</u>	<u>(67,594)</u>	<u>18,129</u>	<u>(2,727,378)</u>	<u>3,785</u>
Income (loss) before contributions and transfers	8,411,949	1,762,934	(361,783)	9,813,100	(1,754,967)
Capital contributions	519,313	59,256	534,090	1,112,659	-
Transfers out	(5,200,720)	-	(199,804)	(5,400,524)	-
Change in net position (deficit)	<u>3,730,542</u>	<u>1,822,190</u>	<u>(27,497)</u>	<u>5,525,235</u>	<u>(1,754,967)</u>
Total net position (deficit) - beginning of year	101,183,647	28,330,254	17,400,237	146,914,138	(1,175,818)
Change in accounting principle (see note 14)	(4,466,110)	(379,749)	(354,647)	(5,200,506)	-
Net position (deficit) - beginning of year, as restated	<u>96,717,537</u>	<u>27,950,505</u>	<u>17,045,590</u>	<u>141,713,632</u>	<u>(1,175,818)</u>
Total net position (deficit) - ending	<u>\$ 100,448,079</u>	<u>\$ 29,772,695</u>	<u>\$ 17,018,093</u>		<u>\$ (2,930,785)</u>
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				(231,500)	
Change in net position of business-type activities				<u>\$ 5,293,735</u>	

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Major Funds		Non-Major Fund		
	Water and Sewer	Drainage Utility District	Municipal Airport	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 51,033,168	\$ 3,095,587	\$ 1,599,494	\$ 55,728,249	\$ -
Cash received from City funds	-	-	-	-	13,386,577
Cash received from other operating sources	-	-	-	-	4,639,248
Cash paid to suppliers for goods and services	(31,167,818)	(230,399)	(1,058,513)	(32,456,730)	(5,097,615)
Cash paid to employees for services	(5,881,174)	(469,289)	(377,153)	(6,727,616)	-
Cash paid to claimants	-	-	-	-	(14,015,744)
Net cash provided by (used for) operating activities	<u>13,984,176</u>	<u>2,395,899</u>	<u>163,828</u>	<u>16,543,903</u>	<u>(1,087,534)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash loan from other City funds	-	-	40,782	40,782	830,823
Grant revenues received for airport maintenance	-	-	18,487	18,487	-
Transfers out to other funds	(5,200,720)	-	(199,804)	(5,400,524)	-
Net cash provided by (used for) noncapital financing activities	<u>(5,200,720)</u>	<u>-</u>	<u>(140,535)</u>	<u>(5,341,255)</u>	<u>830,823</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the sale of revenue bonds	10,325,000	-	-	10,325,000	-
Premium from the sale of revenue bonds	639,608	-	-	639,608	-
Proceeds from the sale of capital assets	55,037	-	-	55,037	-
Acquisition and construction of capital assets	(5,396,985)	(790,324)	(23,393)	(6,210,702)	-
Principal paid on revenue bond maturities	(9,790,000)	(415,000)	-	(10,205,000)	-
Interest paid on revenue bonds	(2,772,613)	(82,828)	-	(2,855,441)	-
Principal paid on capital lease obligation	(17,992)	-	-	(17,992)	-
Bond issuance costs and other debt related activity	(197,911)	-	-	(197,911)	-
Net cash used for capital and related financing activities	<u>(7,155,856)</u>	<u>(1,288,152)</u>	<u>(23,393)</u>	<u>(8,467,401)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	<u>63,517</u>	<u>7,887</u>	<u>-</u>	<u>71,404</u>	<u>4,342</u>
Net cash provided by investing activities	<u>63,517</u>	<u>7,887</u>	<u>-</u>	<u>71,404</u>	<u>4,342</u>
NET INCREASE (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS	1,691,117	1,115,634	(100)	2,806,651	(252,369)
POOLED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>28,868,733</u>	<u>3,111,683</u>	<u>200</u>	<u>31,980,616</u>	<u>1,712,057</u>
POOLED CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 30,559,850</u>	<u>\$ 4,227,317</u>	<u>\$ 100</u>	<u>\$ 34,787,267</u>	<u>\$ 1,459,688</u>
RECONCILIATION OF TOTAL POOLED CASH AND CASH EQUIVALENTS:					
Current assets:					
Pooled cash and investments	\$ 10,582,561	\$ 3,590,414	\$ 100	\$ 14,173,075	\$ 1,459,688
Restricted pooled cash and investments	19,686,958	232,276	-	19,919,234	-
Noncurrent assets:					
Revenue bond reserve-pooled cash and investments	290,331	404,627	-	694,958	-
	<u>\$ 30,559,850</u>	<u>\$ 4,227,317</u>	<u>\$ 100</u>	<u>\$ 34,787,267</u>	<u>\$ 1,459,688</u>

(Continued on following page)

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities- Internal Service Funds
	Major Funds	Drainage Utility District	Non-Major Fund Municipal Airport		
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	\$ 11,089,862	\$ 1,830,528	\$ (379,912)	\$ 12,540,478	\$ (1,758,752)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-					
Depreciation	4,926,170	817,775	520,774	6,264,719	-
Changes in assets and liabilities-					
(Increase)decrease in accounts receivable	(2,417,223)	(270,523)	(1,185)	(2,688,931)	-
(Increase) decrease in inventory	(19,278)	-	21,529	2,251	-
(Increase) decrease in prepaid items	-	-	-	-	(151,353)
Increase (decrease) in accounts payable	147,796	(22,540)	(18,670)	106,586	(6,398)
Increase (decrease) in claims payable	-	-	-	-	828,969
Increase(decrease) in deposits	95,158	-	(830)	94,328	-
Increase in net pension liability	257,202	20,859	19,076	297,137	-
Increase(decrease) in accrued compensated absences	(95,511)	19,800	3,046	(72,665)	-
Total adjustments	<u>2,894,314</u>	<u>565,371</u>	<u>543,740</u>	<u>4,003,425</u>	<u>671,218</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 13,984,176</u>	<u>\$ 2,395,899</u>	<u>\$ 163,828</u>	<u>\$ 16,543,903</u>	<u>\$ (1,087,534)</u>
NONCASH CAPITAL ACTIVITIES:					
Contribution of capital assets from developers	\$ 519,313	\$ 59,256	\$ -	\$ 578,569	\$ -
Contribution of capital assets from government	-	-	534,090	534,090	-
Total noncash capital activities	<u>\$ 519,313</u>	<u>\$ 59,256</u>	<u>\$ 534,090</u>	<u>\$ 1,112,659</u>	<u>\$ -</u>

(Concluded)

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
September 30, 2015**

	<u>Agency Fund</u> Tax Clearing Fund
ASSETS:	
Current assets:	
Pooled cash and investments	\$ 98,616
Taxes receivable levied for other governments (net of allowance for uncollectibles)	<u>3,915,728</u>
Total Assets	<u>\$ 4,014,344</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 98,616
Due to other governments	<u>3,915,728</u>
Total Liabilities	<u>\$ 4,014,344</u>

The accompanying notes are an integral part of this statement.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

Index

<u>Note</u>		<u>Page</u>
1	Summary of Significant Accounting Policies	34
2	Deposits and Investments	45
3	Ad Valorem Taxes	46
4	Receivables	47
5	Capital Assets	48
6	Inter-fund Receivables, Payables, and Transfers	51
7	Long-Term Debt	53
8	Retirement Plan	59
9	Regional Systems for Water Supply and Wastewater Treatment	64
10	Self-insurance	65
11	Postemployment Benefits	67
12	Contingent Liabilities	68
13	Fund Balances	69
14	New Financial Reporting Requirements	71
15	Subsequent Events	72

City of Mesquite, Texas

Notes to Basic Financial Statements

September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Included in the financial statements are the activities of other legally separate entities whose very limited activities have been combined in various governmental funds for financial statement presentation purposes. These include two Tax Increment Financing Districts which provide for public improvements within these districts, the Mesquite Cemetery Board which provides funds to maintain a small cemetery within the City, Historic Mesquite, Inc. which provides funding to maintain historical sites within the City, the Mesquite Arts Council which provides funding for arts and culture to the Mesquite Art Center, and Keep Mesquite Beautiful, Inc. which provides funding for local beautification projects within the City. The City does not have a majority position on these boards, however, the City does have the ability to influence the financial decisions of these groups in that City Council reviews and approves the annual budgets of these entities. The activity of these entities is almost entirely for the benefit of the City as well. Separate financial statements for these entities are not available. Also included in the financial statements are the operating activities of the Mesquite Housing Finance Corporation, the Mesquite Health Facilities Corporation, and the Mesquite Industrial Development Corporation which provide services almost entirely to the primary government. These corporations have substantively the same governing body as the City. The issuance of conduit debt for the corporations is discussed in Note 12. Separate financial statements for these entities are not available.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

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

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

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

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

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

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

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

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

sewer, drainage utility and other proprietary operations are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses.

The City of Mesquite reports the following major governmental funds:

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

The City of Mesquite reports the following major proprietary funds:

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

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

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

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

Between the time the budget is made available to the public and the time it is legally adopted, the City Council provides for several public hearings to gather input from the public. During the public hearings, citizens are encouraged to offer their suggestions and ideas of what programs they would like to be included (or not included) in the budget. During the preparation of the 2014-2015 budget, the City Council conducted three public hearings and held numerous work sessions in an effort to obtain as much citizen input as possible. The adopted budget is reassessed by departments midway through the fiscal year and revenue and expenditure projections are revised. The City Manager then presents these revisions to the City Council for adoption, resulting in what is termed an amended budget. While infrequent, the City Council may amend the budget prior to or after this mid-year review. All revisions to the budget, however, must be adopted by ordinance. Unexpended appropriations lapse at fiscal year-end.

In 2014-2015 the City Council amended the budget in May. Individual amendments were not material in relation to the original appropriations. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that would increase total fund appropriations must be approved by the City Council. Expenditures may not legally exceed budgeted appropriations at the fund level.

Budgets for the General, Debt Service, and the following special revenue funds: Housing Grants, Quality of Life Corporation, Hotel/Motel, Confiscated Drug and Other Grants are legally adopted on a basis consistent with GAAP on the modified accrual basis of accounting. Accordingly, the budgetary comparison statements and schedules present actual expenditures on a basis consistent with the legally adopted budgets as amended. Capital Project funds are budgeted over the life of the project and not on an annual basis; therefore, budgetary data for these funds have not been presented in the financial statements.

Encumbrances- An encumbrance system is maintained in governmental funds to account for commitments resulting from approved purchase orders, contracts, or other forms of legal commitments. Encumbrances outstanding at year-end are reported as restricted or assigned fund balance depending on the nature of the encumbrance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Pooled Cash and Investments- Cash balances of all City funds, excluding the accounts payable account and payroll clearing account are pooled into one bank account in order to maximize investment opportunities.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

Negative balances, if applicable, incurred in pooled cash at year-end are treated as inter-fund receivables of the General Fund and inter-fund payables of the deficit fund.

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

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

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

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

Prepaid Items- Payments made to vendors for services that will benefit periods beyond September 30, 2015, are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for on the consumption basis in governmental funds.

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

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

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

Estimated Claims Payable- Property, general liability, and workers' compensation insurance coverage is accounted for in the General Liability Fund, an internal service fund. At year-end, the estimated settlement value of claims reported and of claims incurred but not reported in excess of liability insurance limits is classified as estimated claims payable. Group health insurance is accounted for in the Health Claims Fund, an internal service fund. At year-end, an estimate of unpaid claims that were incurred prior to September 30, 2015 is accrued based on past claims experience.

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

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

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

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

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

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

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

Net Position- In the government-wide financial statements and proprietary funds, net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. The net position is reported in three components (1) net investment in capital assets, (2) restricted, and (3) unrestricted. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

- Deferred charges on refunding - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized as a component of pension expense on a closed basis over a five year period beginning with the period in which the difference occurred.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

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

- Deferred gain on refunding – deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- 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 they incurred.
- Unavailable revenue – This item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues the following sources: ambulance, ad valorem taxes, court fines and fees, grass and weed mowing, HUD vouchers, and other receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

Statement No. 72: Fair Value Measurement and Application

GASB Statement No. 72: Fair Value Measurement and Application was issued in February 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of 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. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This standard becomes effective for the City in fiscal year 2016.

Statement No. 73: Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68

GASB Statement No. 73: Accounting for Financial Reporting or Pension and Related Assets that are not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB 67 and 68 was issued in June 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for the City in fiscal year 2017 and will not have any effect on the City.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

Statement No. 74: Financial Reporting for Postemployment Benefit Plans other than Pension Plans

GASB Statement No. 74: Financial Reporting for Postemployment Benefit Plans other than Pension Plans was issued June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This standard becomes effective for the City in fiscal year 2017.

Statement No. 75: Accounting and Financial Reporting for Postemployments Benefits Other than Pensions

GASB has issued Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions was issued June 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This standard becomes effective in fiscal year 2018.

Statement No. 76: The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

GASB Statement No. 76: The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments was issued in June 2015. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This standard becomes effective for the City in fiscal year 2016.

Statement No. 77: Tax Abatement Disclosures

GASB Statement No. 77: Tax Abatement Disclosures was issued in August 2015. This Statement improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government’s future ability to

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. This standard becomes effective for the City in fiscal year 2016.

Statement No. 78: Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

GASB Statement No. 78: Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans was issued in December 2015. This statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities, note disclosures, and required supplementary information for pensions that have the characteristics described above. This standard becomes effective for the City in fiscal year 2016.

Statement No. 79: Certain External Investment Pools and Pool Participants

GASB Statement No. 79: Certain External Investment Pools and Pool Participants was issued in December 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. This standard becomes effective for the City in fiscal year 2016.

The City has not yet determined the effect on the City's financial statements or disclosures upon implementation of these new accounting standards.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

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, 2015, the carrying amount of the City's demand deposits and certificates of deposit totaled \$13,227,861 and the bank balance was \$13,981,538. Cash on hand for the City was \$19,589.

Investments

The City's investments at September 30, 2015, are:

Investment type	Fair Value	Weighted Average Maturity (Years)
Managed Pools:		
Texpool	\$21,061,872	0.00065
Texstar	31,613,894	0.00098
Money Market:		
Wells Fargo (Morgan Stanley)	10,002,981	0.00031
US Agency Notes	18,000,601	0.42099
Total	<u>\$80,679,348</u>	<u>0.42293</u>

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

Credit Risk. The City's investment policy helps minimize credit risk by requiring the City to limit investments to the safest types of securities, pre-qualify the financial institutions and broker/dealers with which the City will do business, and diversify the investment portfolio so that potential losses on individual securities will be minimized. The City's investments in U.S. Agency securities (FHLB and FFCEB) are rated AA by Standard and Poor's and Aaa by Moody's Investor's Service at the date of purchase. The investment in Texas Local Government Pools (Texpool and Texstar) carried a credit rating of AAAM by Standard and Poor's as of September 30, 2015. Texpool is overseen by the Texas State Comptroller of Public Accounts, and the fair value is the same as the value of the pool shares. Texstar is overseen by a Governing Board consisting of individuals from participating Government Entities in the pool, and the fair value is the same as the value of the pool shares. The City's investments in 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, 2015.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

Concentration of Credit Risk. With the exception of U.S. Treasury securities, the City's investment policy limits the amount that may be invested in any single security type. Investment Policy limits investment portfolio to no more than 80% investment pools, 20% certificates of deposit, 50% money market funds and 20% repurchase agreements of the total investment portfolio. As of September 30, 2015, the City's total investments are in the following: Agency issues (20.3%) consisting of FHLB (9.0%) and FFCB (11.3%), investment pools (59.4%), certificates of deposit (9.0%) and money market funds (11.3%).

Custodial Credit Risk. Pursuant to provisions of both the Texas Public Funds Investment Act and the Public Funds Investment Policy of the City, all deposits of the City that exceed the federal depository insurance coverage levels are collateralized with securities held by a third party custodian in the City's name. Investments, other than investments that are obligations of the U.S. government, its agencies and instrumentalities, are insured or registered in the City's name and held by a third party custodian. In order to anticipate market changes and to provide a level of security for all funds, the collateralization level will be 102% (on a market value basis) of principal and accrued interest on the deposits.

3. AD VALOREM TAXES

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraised value less applicable exemptions authorized by the City Council. Appraised values are established by the Dallas Central Appraisal District and the Kaufman Central Appraisal District at 100% of estimated market value. The total assessed value for the tax roll of January 1, 2014, upon which the 2015 fiscal year levy was based, was \$5,885,927,897. Taxes are due on October 1, immediately following the January 1 lien date and are delinquent after the following January 31st. Penalty and interest is charged at 7% on delinquent taxes beginning February 1, and increases each month to 18% on July 1, additional interest accrues at the rate of 1% each month.

Current tax collections for the year ended September 30, 2015, were \$36,766,615 or 97.79% of the current tax levy and total tax collections (including collections on previous years) were \$37,050,308 or 98.54% of the current tax levy.

In Texas, countywide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The City Charter does not provide for a debt limit; therefore, no computation of legal debt margin can be made. However, at September 30, 2015, the City had a tax margin of \$1.86000 for every \$100 of valuation based upon a maximum ad valorem tax rate of \$2.50 for every \$100 of valuation imposed by Texas Constitutional law.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

4. RECEIVABLES

Receivables at September 30, 2015 for the government's individual major funds, which have receivables and non-major in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Housing Grants</u>	<u>Local Finance</u>	<u>Water and Sewer</u>	<u>Drainage Utility District</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:							
Accounts	\$ 15,416,641	\$ 67,091	\$ 23,591	\$ 10,683,745	\$ 471,165	\$ 92,494	\$ 26,754,727
Ad valorem taxes	2,442,752	-	-	-	-	-	2,442,752
Other taxes	1,861,937	-	-	-	-	77,880	1,939,817
Intergovernmental	5,321,368	-	-	-	-	1,916,549	7,237,917
Gross receivables	25,042,698	67,091	23,591	10,683,745	471,165	2,086,923	38,375,213
Less: allowance for uncollectibles	(8,531,277)	-	-	(473,893)	-	(2,163)	(9,007,333)
Net total receivables	\$ 16,511,421	\$ 67,091	\$ 23,591	\$ 10,209,852	\$ 471,165	\$ 2,084,760	\$ 29,367,880

The governmental funds report unavailable revenues from the following sources:

<u>Source of revenue</u>	<u>Total</u>
General fund - ambulance accounts receivable	\$ 1,745,626
General fund - ad valorem taxes receivable	1,396,545
General fund - court fines receivable	2,220,550
General fund - accounts receivable, grass and weed mowing	1,661,858
Housing Grants fund - HUD vouchers	67,091
Local Finance capital projects fund - other receivable	23,400
Total unavailable revenues for governmental funds	<u>\$ 7,115,070</u>

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2015

5. CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended September 30, 2015:

	Beginning Balance	Additions and Transfers	Deletions and Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 24,566,352	\$ 262,412	\$ -	\$ 24,828,764
Construction in progress	2,854,582	1,611,866	1,718,066	2,748,382
Total capital assets, not being depreciated	<u>27,420,934</u>	<u>1,874,278</u>	<u>1,718,066</u>	<u>27,577,146</u>
Capital assets, being depreciated:				
Buildings	100,878,190	1,526,561	-	102,404,751
Infrastructure	242,480,675	2,889,943	-	245,370,618
Improvements	19,372,560	1,252,746	-	20,625,306
Equipment	63,670,263	3,606,312	6,382,769	60,893,806
Total capital assets, being depreciated	<u>426,401,688</u>	<u>9,275,562</u>	<u>6,382,769</u>	<u>429,294,481</u>
Less accumulated depreciation for:				
Buildings	25,297,937	2,638,229	-	27,936,166
Infrastructure	136,596,575	4,731,793	-	141,328,368
Improvements	9,212,280	945,440	-	10,157,720
Equipment	44,993,489	5,225,514	6,157,770	44,061,233
Total accumulated depreciation	<u>216,100,281</u>	<u>13,540,976</u>	<u>6,157,770</u>	<u>223,483,487</u>
Total capital assets, being depreciated, net	<u>210,301,407</u>	<u>(4,265,414)</u>	<u>224,999</u>	<u>205,810,994</u>
Governmental activities capital assets, net	<u>\$ 237,722,341</u>	<u>\$ (2,391,136)</u>	<u>\$ 1,943,065</u>	<u>\$ 233,388,140</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 9,968,629	\$ 534,089	\$ -	\$ 10,502,718
Construction in progress	4,283,158	2,002,047	2,589,702	3,695,503
Total capital assets, not being depreciated	<u>14,251,787</u>	<u>2,536,136</u>	<u>2,589,702</u>	<u>14,198,221</u>
Capital assets, being depreciated:				
Buildings	8,999,030	-	-	8,999,030
Infrastructure	255,940,847	4,796,069	-	260,736,916
Improvements	542,167	-	-	542,167
Equipment	8,007,130	1,369,714	819,494	8,557,350
Total capital assets, being depreciated	<u>273,489,174</u>	<u>6,165,783</u>	<u>819,494</u>	<u>278,835,463</u>
Less accumulated depreciation for:				
Buildings	2,102,027	205,412	-	2,307,439
Infrastructure	89,890,547	5,337,771	-	95,228,318
Improvements	222,007	28,822	-	250,829
Equipment	5,008,794	692,714	796,199	4,905,309
Total accumulated depreciation	<u>97,223,375</u>	<u>6,264,719</u>	<u>796,199</u>	<u>102,691,895</u>
Total capital assets, being depreciated, net	<u>176,265,799</u>	<u>(98,936)</u>	<u>23,295</u>	<u>176,143,568</u>
Business-type activities capital assets, net	<u>\$ 190,517,586</u>	<u>\$ 2,437,200</u>	<u>\$ 2,612,997</u>	<u>\$ 190,341,789</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

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

Governmental activities:	
General government	\$ 2,355,461
Fire services	1,504,896
Police services	1,056,500
Field services	347,579
Public works	6,288,838
Community development	38,685
Library services	93,822
Parks and recreation	1,761,679
Housing and community services	93,516
Total governmental activities	<u>\$ 13,540,976</u>
Business-type activities:	
Water and sewer	\$ 4,926,170
Drainage utility	817,775
Municipal airport	520,774
Total business-type activities	<u>\$ 6,264,719</u>

The City has active construction projects as of September 30, 2015. Projects include street construction primarily in the southeast section of Mesquite, various traffic signalization projects throughout the City, as well as improvements in water storage and distribution facilities. Construction in progress has been categorized by the primary revenue source being used to fund the construction as follows:

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

	<u>Spent-to-date</u>	<u>Remaining Construction Commitments</u>
Governmental activities:		
Projects funded by general obligation bonds:		
Streets	\$ 827,251	\$ 403,331
Fire improvement	480,296	4,947,028
Municipal building	-	1,393
Arts Center	30,289	-
Parks and recreation	-	400
Finance	-	32,662
Public works	-	604,710
Projects funded by local finance sources:		
Streets	397,314	19,192
Parks and recreation	-	88,000
Public Works	21,125	40,593
Projects funded by general sales tax (4B portion):		
Streets	747,994	95,513
Fire improvement	102,169	-
Parks and recreation	141,944	498,850
Public works	-	19,481
Projects funded by grant funds:		
Police services	-	34,817
Housing & community services	-	4,990
Public works	-	58,620
Total governmental activities	<u>\$ 2,748,382</u>	<u>\$ 6,849,580</u>
Business-type activities:		
Projects funded by revenue bonds:		
Water and sewer	\$ 3,474,385	\$ 6,674,389
Drainage utility district	221,118	52,652
Total business-type activities	<u>\$ 3,695,503</u>	<u>\$ 6,727,041</u>

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2015

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds-

These amounts represent intergovernmental revenue accrued but not received in the Other Grants Special Revenue fund under the “Other Governmental Funds” and amounts for loans to the Airport and Health Claims Funds to cover additional cash needed. The current portion of lending/ borrowing arrangements outstanding at September 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Grants Special Revenue Fund	\$ 57,513
General Fund	Airport Fund	\$ 112,909
General Fund	Health Claims Fund	\$1,156,349

Transfers-

Transfers were as follows for the fiscal year ended September 30, 2015:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 5,550,000	\$ 9,850,000
Housing Grants	-	150,000
Local Finance	58,000	1,227,351
Bond Finance	-	13,209
Non-Major Governmental Funds	12,077,742	1,044,658
Water and Sewer	-	5,200,720
Non-Major Enterprise Fund	-	199,804
	<u>\$ 17,685,742</u>	<u>\$ 17,685,742</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

The transfers were for the following purposes:

<u>Transfer from Fund / Purpose</u>	<u>Transfer to Fund</u>	<u>Amount</u>
General Fund-		
Property tax debt service levy	Debt Service	\$ 9,850,000
Housing Grants Fund-		
Indirect cost charge	General	150,000
Local Finance Fund-		
General Obligation Debt Allocation	Debt service	880,000
Impact Fees	Debt service	347,351
Bond Finance Fund-		
Interest Income Allocation	Debt Service	13,209
Non-Major Governmental Funds-		
Hotel / Motel Tax General Obligation Debt Allocation	Local Finance	58,000
Other Special Revenue -		
9-1-1 Operations Subsidy	General	850,000
Mesquite Quality of Life Corporation	Debt service	136,658
Water and Sewer Enterprise Fund-		
Nonoperating administrative and overhead charge	General	4,550,000
General Obligation Debt Allocation	Debt Service	650,720
Non-Major Enterprise Fund-		
Airport general obligation debt allocation	Debt service	<u>199,804</u>
	Total	<u><u>\$ 17,685,742</u></u>

The Water and Sewer fund contributes on behalf of the other City funds to the General Liability fund. The total amount contributed to the General Liability fund was \$1,405,000. In the government wide statement of activities, an additional transfer is shown for assets purchased by the City's governmental type (4B fund) for the airport enterprise fund in the amount of \$534,090. In the fund level statements, it is shown as part of the capital contribution in the airport fund.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

7. LONG-TERM DEBT

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

- General obligation bonds are issued pursuant to voter authorization for infrastructure and facility projects accounted for in a governmental capital project fund. General obligation bonds have also been issued in previous fiscal years to refund prior debt issues. During the year \$2,935,000 was issued to advance refund prior tax-exempt bonds in order to lower the overall debt service requirements of the City and pay legal, fiscal, and other professional fees in connection with the issuance of the bonds. The City intends to retire this debt, plus interest, from ad valorem taxes. 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.
- Certificate of obligation debt is similar to general obligation bonds in their usage and retirement but do not require voter authorization and are not used for refunding debt. Included in the May 2015 bond sale was \$14,835,000 for (i) constructing and improving streets, roads, alleys and sidewalks including related drainage, signalization, landscaping, lighting and signage; (ii) major repairs and renovations to existing municipal buildings; (iii) acquisition of equipment and vehicles for various City departments; (iv) acquisition of computer equipment and software for various City departments; and (v) paying for legal, fiscal, engineering and other professional fees in connection with such projects. Certificates still outstanding may be called in whole or in part at the City's option on or after ten years from the date of issuance.
- Contractual obligations have been issued in prior years to acquire equipment and will also be repaid from ad valorem property taxes. There were no contractual obligations issued in the current fiscal year.
- Water and sewer revenue bonds are issued to provide funds for certain improvements to the water distribution and wastewater collection systems as well as to refund prior water and sewer debt issues. These bonds are reported in the Water and Sewer fund as the debt will be repaid from revenues of this enterprise fund operation. Included in the May 2015 bond sale was \$4,305,000 to be used for refunding a portion of the City's outstanding waterworks and sewer system debt in order to lower the overall debt service requirements of the City and \$6,020,000 to (i) provide funds for improvements, additions and extension to the system; (ii) fund the additional amount required to be accumulated in the Revenue Reserve Fund as a result of the issuance of the bonds; and (iii) to pay the costs of issuance of the bonds. Bonds still outstanding may be called in whole or in part at the City's option on or after ten years from the date of issuance.
- Municipal drainage utility system revenue bonds have been issued in prior years to provide funds for drainage improvements, including the acquisition and construction of structures, equipment, and facilities for the Drainage Utility District. Debt for this enterprise operation is being repaid from revenues generated from customer charges. The bonds are not subject to optional redemption prior to maturity.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

Long-term bonded debt at September 30, 2015, includes the following individual issues:

<u>Governmental Activities</u>	<u>Issued Amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
General Obligation Bonds-					
Series 2006 improvements	1,840,000	4.00-5.00	02/15/26	95,000	95,000
Series 2008 refunding and improvements	2,115,000	3.50-3.625	02/15/21	1,070,000	160,000
Series 2009 refunding	4,245,000	2.00-4.60	02/15/29	3,640,000	130,000
Series 2010 refunding	1,320,000	2.00-3.625	2/15/23	1,275,000	145,000
Series 2011 refunding	12,715,000	2.00-5.00	2/15/28	12,395,000	-
Series 2012 refunding	3,765,000	2.00-3.00	2/15/24	3,510,000	45,000
Series 2013 refunding	7,635,000	2.00-3.00	2/15/25	7,410,000	500,000
Series 2014 refunding	9,080,000	3.00-4.00	2/15/26	8,665,000	360,000
Series 2015 refunding	2,935,000	2.00-3.00	2/15/26	2,935,000	295,000
				<u>40,995,000</u>	<u>1,730,000</u>
Certificate of Obligation Bonds-					
Series 2006	9,145,000	4.00-5.00	02/15/26	150,000	150,000
Series 2007	20,545,000	4.00-5.00	02/15/27	14,290,000	930,000
Series 2008	10,070,000	3.50-4.00	02/15/28	8,635,000	515,000
Series 2009	11,260,000	2.00-4.60	02/15/29	9,685,000	350,000
Series 2010	12,340,000	3.00-4.5	02/15/30	10,200,000	505,000
Series 2011	11,575,000	2.00-4.125	02/15/26	10,515,000	2,330,000
Series 2012	7,235,000	2.00-3.375	02/15/32	6,300,000	410,000
Series 2013	5,450,000	2.00-3.00	02/15/33	4,565,000	340,000
Series 2014	9,715,000	3.00-4.00	02/15/34	9,180,000	340,000
Series 2015	14,835,000	2.00-5.00	02/15/35	14,835,000	885,000
				<u>88,355,000</u>	<u>6,755,000</u>
Total governmental activities long-term bonded debt				129,350,000	8,485,000
Add: Net premium/discounts on bonds				3,830,389	541,349
Net governmental activities long-term bonded debt				<u>\$ 133,180,389</u>	<u>\$ 9,026,349</u>

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2015

	<u>Issued Amount</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>	<u>Due Within One Year</u>
<u>Business-type Activities-</u>					
Water and Sewer Revenue Bonds-					
Series 2006 improvements	8,570,000	4.00-5.000	03/01/26	1,820,000	410,000
Series 2007 improvements	7,670,000	4.00-5.000	03/01/27	5,475,000	355,000
Series 2008 improvements	11,585,000	3.50-4.500	03/01/28	6,305,000	485,000
Series 2009 improvements	8,380,000	2.00-4.600	03/01/29	6,470,000	355,000
Series 2010 improvements	8,270,000	2.00-4.250	03/01/30	6,745,000	345,000
Series 2011 refunding and improvements	14,240,000	2.00-4.125	03/01/26	10,495,000	935,000
Series 2012 refunding and improvements	7,945,000	2.00-3.375	03/01/32	6,730,000	600,000
Series 2013 refunding and improvements	7,090,000	2.00-3.375	03/01/33	6,690,000	540,000
Series 2014 refunding and improvements	11,655,000	3.00-4.000	03/01/34	11,140,000	470,000
Series 2015 refunding and improvements	10,325,000	2.00-5.000	03/01/35	10,325,000	935,000
				<u>72,195,000</u>	<u>5,430,000</u>
Drainage Utility System Revenue Bonds-					
Series 2011 refunding	4,385,000	2.00-3.750	03/01/22	2,485,000	425,000
				<u>2,485,000</u>	<u>425,000</u>
Total business-type activities long-term debt				74,680,000	5,855,000
Add: premium on refunding				<u>2,276,216</u>	<u>280,672</u>
Net business-type activities long-term debt				<u>76,956,216</u>	<u>6,135,672</u>
Net long-term bonded debt				<u>\$ 210,136,605</u>	<u>\$ 14,340,000</u>

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

<u>Fiscal Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	8,485,000	4,969,568	5,855,000	2,749,504
2017	7,160,000	4,625,929	5,760,000	2,556,638
2018	7,170,000	4,389,764	5,985,000	2,343,116
2019	7,800,000	4,117,387	5,825,000	2,120,763
2020	8,225,000	3,825,894	5,625,000	1,902,576
2021-2025	49,445,000	13,742,625	23,910,000	6,631,928
2026-2030	32,150,000	4,636,434	16,265,000	2,521,551
2031-2035	<u>8,915,000</u>	<u>697,898</u>	<u>5,455,000</u>	<u>406,509</u>
Total	<u>\$ 129,350,000</u>	<u>\$ 41,005,499</u>	<u>\$ 74,680,000</u>	<u>\$ 21,232,585</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

Advance Refundings- The City's May 2015 bond issues included two advance refundings. Proceeds from the General Obligation Refunding Bond and the Waterworks and Sewer System Revenue Refunding and Improvement Bond issues were used to advance refund and defease in substance certain maturities of the City's existing outstanding bond issuances. The advance refunding allowed the City to recognize savings on future debt payments. The General Obligation refunding resulted in decrease in total debt service payments of \$293,855 of the new debt over the old debt therefore an economic gain was realized. The Waterworks and Sewer System refunding resulted in a decrease in total debt service payments of \$466,031 of the new debt over the old debt therefore an economic gain was realized. The refunding portion of the issue provided resources to purchase direct obligations of the U. S. government that were placed in a separate irrevocable trust for the purpose of generating resources for all future debt service payments of the debt being refunded. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position in the government-wide financial statements. The difference between the reacquisition price and the net carrying amount of the old debt (deferred amount on refunding) will be reported as a deferred outflow of resources and recognized as a component of interest expense amortized over the remaining life of the original debt or the life of the new debt, whichever is shorter. The statement of net position on the government-wide financial statements reports this deferred amount as a deferred outflow of resources. The details of the refunding debt transaction were as follows:

	General Obligation Refunding Bonds	Waterworks and Sewer System Revenue Bonds
Amount of new debt issue	\$ 2,935,000	\$ 4,305,000
Add: reoffering premium	137,919	262,272
Less: net issuance costs	<u>(29,510)</u>	<u>18,276</u>
Reacquisition price	3,043,409	4,585,548
Net carrying amount of old debt	<u>3,047,974</u>	<u>4,503,760</u>
Deferred amount on refunding	<u>\$ (4,565)</u>	<u>\$ 81,788</u>
Decrease in total debt service payments of new debt over old debt	<u>\$ 293,855</u>	<u>\$ 466,031</u>
Economic gain on refunding	<u>\$ 311,097</u>	<u>\$ 497,544</u>

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

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

outstanding at September 30, 2015 was \$10,435,000 for general obligation bonds and \$8,835,000 for water and sewer bonds.

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Equipment	\$ 350,874	\$ 80,473
Less: Accumulated depreciation	<u>(291,893)</u>	<u>(72,426)</u>
 Total	 <u>\$ 58,981</u>	 <u>\$ 8,047</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, were as follows (current capital lease obligations expire in fiscal year 2019):

<u>Year ending September 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2016	9,129	6,373
2017	9,129	
2018	9,130	
2019	<u>1,522</u>	<u>-</u>
 Total minimum future lease payments	 28,910	 6,373
Less: Amount representing interest	<u>(3,266)</u>	<u>(91)</u>
 Present value of minimum lease payments	 <u>\$ 25,644</u>	 <u>\$ 6,282</u>

Notes Payable- The City entered into a loan agreement with the State Infrastructure Bank in the original amount of \$5,615,287 for Mesquite's participation with the State of Texas for the LBJ Corridor Improvements. The interest rate on the note is 4.1%. Debt service payments are being made through available revenues from the Towne Center TIF. The outstanding balance at year end is \$1,666,879.

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

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

The interest rate on the note is 3%. Debt service payments will be made from available operating funds of the government. The outstanding balance at year end is \$96,312.

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

<u>Fiscal Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	597,183	70,519
2017	587,912	46,837
2018	578,096	23,702
Total	<u>\$ 1,763,191</u>	<u>\$ 141,058</u>

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

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

Long-term liabilities activity for the year ended September 30, 2015 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Refundings/ <u>Adjustments</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>
Governmental activities:	(As restated - Note 14)					
Bonds payable:						
General obligation bonds	\$ 41,355,000	\$ 2,935,000	\$ 2,385,000	\$ (910,000)	\$ 40,995,000	\$ 1,730,000
Certificates of obligation	80,605,000	14,835,000	5,000,000	(2,085,000)	88,355,000	6,755,000
Total bonds payable	<u>121,960,000</u>	<u>17,770,000</u>	<u>7,385,000</u>	<u>(2,995,000)</u>	<u>129,350,000</u>	<u>8,485,000</u>
Add: premium on refunding	<u>3,134,450</u>	<u>1,265,374</u>	<u>444,991</u>	<u>(124,444)</u>	<u>3,830,389</u>	<u>541,349</u>
Total bonds payable	<u>125,094,450</u>	<u>19,035,374</u>	<u>7,829,991</u>	<u>(3,119,444)</u>	<u>133,180,389</u>	<u>9,026,349</u>
Other General Fund long-term liability:						
Notes payable	2,337,487	-	574,296	-	1,763,191	597,183
Capital leases	5,973	27,428	7,757	-	25,644	7,448
Net pension liability	74,179,683	3,525,949	-	-	77,705,632	-
Other post employment benefit (OPEB)	2,891,655	1,237,228	-	-	4,128,883	-
Accrued compensated absences	19,085,847	548,216	460,476	-	19,173,587	7,413,511
Estimated claims payable	<u>2,161,684</u>	<u>13,682,337</u>	<u>12,853,368</u>	<u>-</u>	<u>2,990,653</u>	<u>1,630,907</u>
Total governmental activities	<u>225,756,779</u>	<u>38,056,532</u>	<u>21,725,888</u>	<u>(3,119,444)</u>	<u>238,967,979</u>	<u>18,675,398</u>
Business-type activities:						
Bonds payable:						
Revenue bonds -water/sewer	71,660,000	10,325,000	5,275,000	(4,515,000)	72,195,000	5,430,000
Revenue bonds -drainage	<u>2,900,000</u>	<u>-</u>	<u>415,000</u>	<u>-</u>	<u>2,485,000</u>	<u>425,000</u>
Total revenue bonds payable	<u>74,560,000</u>	<u>10,325,000</u>	<u>5,690,000</u>	<u>(4,515,000)</u>	<u>74,680,000</u>	<u>5,855,000</u>
Add: premium on refunding	<u>2,020,844</u>	<u>639,608</u>	<u>219,783</u>	<u>(164,453)</u>	<u>2,276,216</u>	<u>280,672</u>
Net revenue bonds payable	<u>76,580,844</u>	<u>10,964,608</u>	<u>5,909,783</u>	<u>(4,679,453)</u>	<u>76,956,216</u>	<u>6,135,672</u>
Capital leases	24,274	-	17,992	-	6,282	6,282
Net pension liability	5,573,116	301,233	-	-	5,874,349	-
Accrued compensated absences	<u>1,220,257</u>	<u>110,576</u>	<u>183,241</u>	<u>-</u>	<u>1,147,592</u>	<u>371,057</u>
Total business-type activities	<u>83,398,491</u>	<u>11,376,417</u>	<u>6,111,016</u>	<u>(4,679,453)</u>	<u>83,984,439</u>	<u>6,513,011</u>
Total long-term liabilities	<u>\$ 309,155,270</u>	<u>\$ 49,432,949</u>	<u>\$ 27,836,904</u>	<u>\$ (7,798,897)</u>	<u>\$ 322,952,418</u>	<u>\$ 25,188,409</u>

8. RETIREMENT PLAN

Plan Description- The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System ("TMRS") one of 860 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained from TMRS' website at www.TMRS.com.

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

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

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

Plan provisions for the City were as follows:

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

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are: 5 years/age 60, 20 years/any age.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	665
Inactive employees entitled to but not yet receiving benefits	300
Active employees	1,038
	<hr/>
	2,003

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

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 rate for the City was 10.62% for January 2015 through September 2015 and 10.81% for October 2014 through December 2014. The City's contributions to TMRS for the year ended September 30, 2015, were \$7,094,555, and were equal to the required contributions.

Net Pension Liability- The City's net pension liability was measured as of December 31, 2014, 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, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment rate of return	7.0% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2015

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
	<u>100.00%</u>	

Discount Rate-The discount rate used to measure the total pension liability was 7.0%. 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, and was projected over a period of 100 years. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at September 30, 2014	\$ 464,266,956	\$ 384,514,157	\$ 79,752,799
Changes for the year:			
Service cost	10,206,837	-	10,206,837
Interest (on the total pension liability)	32,088,206	-	32,088,206
Difference between expected and actual experience	(5,189,415)	-	(5,189,415)
Benefit payments, including refunds of employee contributions	(21,934,850)	(21,934,850)	-
Administrative expense	-	(229,654)	229,654
Contributions - member	-	4,533,599	(4,533,599)
Contributions - employer	-	6,999,796	(6,999,796)
Net investment income	-	21,993,586	(21,993,586)
Other	-	(18,881)	18,881
Net Changes	<u>15,170,778</u>	<u>11,343,596</u>	<u>3,827,182</u>
Balance at September 30, 2015	<u>\$ 479,437,734</u>	<u>\$ 395,857,753</u>	<u>\$ 83,579,981</u>

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

The following table presents the sensitivity of the net pension liability to changes in the discount rate when calculating it at 1-percentage-point-lower (6%) and 1-percentage-point-higher (8%).

1% Decrease 6.0%	Current Single Rate Assumption 7.0%	1% Increase 8.0%
\$ 149,108,646	\$ 83,579,981	\$ 29,502,985

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.

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

For the year ended September 30, 2015, the City recognized pension expense of \$11,133,444.

At September 30, 2015, 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 Basic Financial Statements
September 30, 2015**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ -	\$ (4,244,390)
Difference between projected and actual investment earnings on pension plan investments	3,937,924	-
Employer contributions subsequent to the measurement date	5,426,904	-
	<u>\$ 9,364,828</u>	<u>\$ (4,244,390)</u>

Deferred outflows of resources of \$5,426,904 related to pensions resulting from contributions subsequent to the measurement date. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2016	\$ 39,456
2017	39,456
2018	39,456
2019	39,456
2020	(464,290)
Total	<u>\$ (306,466)</u>

Required Supplementary Information - Required supplementary information for the schedule of changes in net pension liability and related ratios and schedule of contributions is presented immediately following the Notes to the Basic Financial Statements.

9. REGIONAL SYSTEMS FOR WATER SUPPLY AND WASTEWATER TREATMENT

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

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

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 \$15.596 million for the fiscal year ended September 30, 2015.

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, 2015, was approximately \$6.480 million.

10. SELF-INSURANCE

Group Health Insurance- The City established the Health Claims internal service fund in 1984 to account for the provision of group life and health insurance coverage for employees and their dependents. The City's health insurance program is a "self-insured" plan funded by both the City and participating employees. The City makes a predetermined contribution to the plan each biweekly payroll for group life and health insurance coverage for qualifying City employees and a subsidy toward employee dependent coverage. Employees contribute through payroll deductions for the balance of dependent health insurance coverage. The City's health insurance program includes stop loss coverage with a \$300,000 deductible per individual with an unlimited liability limit per claim. According to the Health Care Reform Act lifetime maximums are no longer allowed. The coverage is consistent with prior years; however, settled claims exceeded this self-insured coverage in fiscal year 2015 by approximately \$129,000.

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

The Health Claims internal service fund began the fiscal year with (\$1,512,733) in unrestricted net position after inclusion of \$739,957 of estimated outstanding health claims payable. During the year, operating and non-operating expenses exceeded operating and non-operating revenues by \$834,876 after inclusion of a \$211,077 increase in estimated claims payable resulting in a (\$2,347,609) balance in unrestricted net position at year-end. Actual claims paid totaled \$12,380,098. The decrease in net position was due to increased medical claims incurred and administrative fees. The City has continued a contract with an outside firm to assist the City in controlling and monitoring medical claims. The City plans to eliminate the deficit fund balance through proposed plan changes, increased premium charges, and increased City contributions to the plan.

The estimated claims payable of \$951,034 reported in the Health Claims internal service fund is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* ("GASB No. 10"), which requires that a liability be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability for unpaid claims includes allocated loss adjustment expenses. Changes in the fund's claims liability amount in fiscal years 2014 and 2015 were:

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2014	\$ 641,100	\$ 13,250,072	\$ 13,151,215	\$ 739,957
2015	\$ 739,957	\$ 12,591,175	\$ 12,380,098	\$ 951,034

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

General Liability Insurance- The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1985, the City established the General Liability internal service fund to account for the provision of property, general liability, and workers' compensation insurance. The City's insurance coverage is through scheduled specific policies with large deductibles with the primary carrier being the Texas Municipal League Risk Pool. Under this program, the General Liability Fund provides coverage for up to a maximum of \$10,000 retention for each real & personal property claim and a scheduled limit on coverage, \$10,000 retention for each mobile equipment claim and a scheduled limit on coverage, \$10,000 retention for each auto physical damage claim and a scheduled limit on coverage, \$100,000 retention for each auto catastrophe claim and a \$7,700,000 limit on coverage, \$100,000 retention for each law enforcement claim and a \$5,000,000 limit on coverage, \$100,000 retention for each general liability claim and a \$1,000,000 limit on coverage, \$2,500 retention for each airport hangar-keeper claim and a \$1,000,000 limit on coverage, \$100,000 retention for each auto liability claim and a \$1,000,000 limit on coverage, \$100,000 retention for each errors and omission claim and a \$5,000,000 limit on coverage with a \$10,000,000 annual aggregate, \$300,000 retention for each worker's compensation claim, \$10,000 retention for each crime coverage claim with a \$500,000 limit on coverage, and \$10,000 retention for each storage tank pollution claim with a \$1,000,000 limit on coverage. The General Liability Fund is funded through revenues from participating governmental and proprietary funds of the City. The above coverage is consistent with prior years and settled claims have not exceeded the self insured coverage in any of the past four fiscal years.

The General Liability fund began the fiscal year with unrestricted net position of \$336,915. During the year, operating expenses exceeded operating and non-operating revenues by (\$920,091) after inclusion of a \$617,892 increase in estimated claims payable, resulting in a (\$583,176) balance in unrestricted net position at year-end. Actual claims paid were \$1,635,646. The estimated claims payable of \$2,039,619 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 2014 and 2015 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year Liability</u>
2014	\$ 1,446,733	\$ 893,610	\$ 918,616	\$ 1,421,727
2015	\$ 1,421,727	\$ 2,253,538	\$ 1,635,646	\$ 2,039,619

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.

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2015

11. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the City provides postretirement healthcare benefits to retirees and their dependents through a single-employer defined benefit healthcare plan. These benefits are provided to retired employees under the same plan options as active employees in accordance with City ordinances. For those employees who retired prior to February 1, 2000 the premiums are almost entirely paid by the City, subject to a small cap, until the employee attains age 65. For those employees hired prior to October 1, 2004 who retire after February 1, 2000 with a minimum of ten years of service, the City will pay 4% per year of service (up to 25 years of service) subject to a small cap amount. The City's payment for the retirees' dependents is 2.6% per year of service. Employees hired after October 1, 2004 who retire at age 55 or older with 15 years of service will receive a City medical plan contribution of \$12/month for each year of service. After age 65, retired employees may continue in the City healthcare plan if they pay the premiums or will have the option to enroll in a Medicare Supplement plan and pay the monthly premium associated with the plan.

The City paid approximately \$1.9 million in premiums and claims for 342 retired employees and their dependents in fiscal year 2015. Retiree health care activity is reported in the Health Claims Internal Service Fund.

Funding Policy – current retirees contribute to the retiree health care program the total blended premium for active and retired participants. The City contribution to the retiree health care program consists of pay-as-you-go claims in excess of the retiree contributions. Retiree contribution rates for fiscal year 2015 were \$4,667 to \$7,496 per year depending on coverage levels selected. In fiscal year 2015, total retiree contributions were \$1,637,536. The City contributions to the plan for fiscal year 2015, which are equal to claims and premiums paid in excess of premiums collected, were \$1,868,375.

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

Annual required contribution	\$ 3,098,731
Interest adjustment to net OPEB obligation	130,124
Adjustment to ARC	(123,252)
Annual OPEB cost (expense)	<u>3,105,603</u>
Contributions made	<u>(1,868,375)</u>
Increase in net OPEB liability	1,237,228
Net OPEB liability - beginning of year	<u>2,891,655</u>
Net OPEB liability - end of year	<u><u>\$ 4,128,883</u></u>

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

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

Fiscal Year Ended	Discout Rate	Annual OPEB Cost	Cost Contributed	% of Cost Contributed	Net OPEB Liability
9/30/2015	4.50%	\$ 3,105,603	\$ 1,868,375	60.2%	\$ 4,128,883
9/30/2014	4.50%	\$ 3,088,591	\$ 1,974,015	63.9%	\$ 2,891,655
9/30/2013	4.50%	\$ 3,984,254	\$ 1,570,179	39.4%	\$ 1,777,079

Funding Status and Funding Progress – As of September 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$40,541,020, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$57,622,918 and the ratio of UAAL to the covered payroll was 70.4%.

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

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

Actuarial Methods and Assumptions – In the September 30, 2015 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.5% investment rate of return which is a blended rate of the expected long-term investment returns on the plan assets and on the employer's own investments. An annual inflation rate of 2.5% and an annual aggregate payroll increase of 3% was assumed. A healthcare trend increase of 2.5% was assumed which represents the portion of health care increases to be borne by the City. The UAAL is being amortized at a level percentage of projected payroll. The amortization period is thirty years and is an open period.

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

12. CONTINGENT LIABILITIES

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

Arbitrage Rebate Requirements- The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the City. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds and (b) any income earned on the excess described in (a) is required to be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from federal taxation. Regulations implementing the rebate requirement were released by the Internal Revenue Service on May 12, 1989. Rebateable arbitrage is computed as of each installment computation date.

City of Mesquite, Texas

Notes to Basic Financial Statements September 30, 2015

The last computation date for the City was performed for financial information as of June 30, 2015. No rebate liability was due to the federal government. Information for the next computation period is due in May of 2016. Management does not anticipate there will be a material liability once the computation is completed.

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

Conduit Debt Obligations- From time to time, various legally separate component units of the City have issued bonded debt obligations to provide financial assistance to private-sector entities. The bonds were issued to acquire and construct industrial and commercial facilities (Mesquite Industrial Development Corporation); or to construct medical and health facilities (Mesquite Health Facilities Corporation). The bonds are secured by the property financed and are payable solely from payments received on the underlying debt obligations. Upon repayment of the bonds, ownership of the acquired capital assets transfers to the private-sector entity served by the bond issuance. Even though some of the bonds are outstanding, there is no liability to the City or the component unit (no commitment debt), as all liability transfers to the trustee of the bond issue. A summary of outstanding conduit debt by component unit at September 30, 2015, is as follows.

<u>Series</u>	<u>Mesquite Health Facilities Corporation</u>
2005	\$ 799,553
2014	1,279,847
2014	1,662,159
2014	4,961,304
2014	3,781,839
2014	18,938,779
Total	<u>\$ 31,423,481</u>

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

13. FUND BALANCES

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

City of Mesquite, Texas

Notes to Basic Financial Statements
September 30, 2015

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

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

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

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

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

Description	General Fund	Housing Grants	Local Finance	Bond Finance	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Prepays	\$ 8,037	\$ -	\$ -	\$ -	\$ -	\$ 8,037
Inventory	755,838	-	-	-	-	755,838
Total Nonspendable	763,875	-	-	-	-	763,875
Restricted for:						
Debt Retirement	-	-	-	-	470,685	470,685
Purpose of grantors, trustees, and donors	-	780,158	-	-	1,412,024	2,192,182
4B Sales Tax projects	-	-	-	-	7,077,598	7,077,598
Promotion of Tourism	-	-	-	-	440,170	440,170
Law Enforcement	-	-	-	-	4,750,015	4,750,015
Capital Projects	-	-	-	21,253,138	-	21,253,138
Community Access Projects	-	-	-	-	738,363	738,363
Road Surface Repairs	-	-	129,844	-	-	129,844
Tax Increment Financing Districts	-	-	7,598,619	-	-	7,598,619
Hike and Bike Trail	-	-	454,456	-	-	454,456
Developer's Deposits	-	-	1,681,602	-	-	1,681,602
Capital Replacement	-	-	156,927	-	-	156,927
Other Purposes	-	-	376,402	-	198,146	574,548
Total Restricted	-	780,158	10,397,850	21,253,138	15,087,001	47,518,147
Assigned to:						
Encumbrances	40,676	-	-	-	-	40,676
Other Capital Projects	-	-	1,135,779	-	-	1,135,779
Other Purposes	-	-	3,941	-	246,862	250,803
Total Assigned	40,676	-	1,139,720	-	246,862	1,427,258
Unassigned	15,897,741	-	-	-	-	15,897,741
TOTAL FUND BALANCES	\$ 16,702,292	\$ 780,158	\$ 11,537,570	\$ 21,253,138	\$ 15,333,863	\$ 65,607,021

City Council establishes, modifies and/or rescinds fund balance commitments by passage of an ordinance. Assigned fund balance is established by City Manager based on Council direction according to the City's fund balance policy.

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

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

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

14. NEW FINANCIAL REPORTING REQUIREMENTS AND PRIOR PERIOD RESTATEMENT

The GASB has issued the following statement which became effective for fiscal year 2015. Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer’s financial statements for any actuarially unfunded portion of pension benefits earned to date. Adoption of GASB 68 resulted in adjustments of \$69,664,639 and \$5,200,506, to beginning government wide net position governmental activities and business-type activities, respectively.

In prior years, the Government-Wide Financial Statements – Governmental Activities did not include discounts or premiums resulting from the determination of present value of debt at the time of issuance as a direct reduction from or addition to the face amount of the debt in its Statement of Net Position. During 2015, the City retroactively changed its accounting method to include these unamortized discounts or premiums as reduction from or addition to the face amounts of the outstanding bonds. This change increased 2014 change in net position by \$334,924. Adjustments of \$3,134,450 applicable to 2014 and prior have been included in the restated 2015 beginning government-wide net position – governmental activities balance.

Adoption of GASB Statement No. 68 had the same impact on the proprietary fund financial statements as the business-type activities at the government-wide level.

Adoption of GASB 68 and the prior period restatements resulted in the following adjustments to beginning net position at October 1, 2014:

	Government - wide Statement of Activities	
	Governmental Activities	Business-type Activities
Net position at September 30, 2014, as previously reported	\$ 155,357,784	\$ 146,390,283
Reversal of net pension asset as of September 30, 2014	(444,492)	-
Recording of net pension liability as of September 30, 2014	(74,179,683)	(5,573,116)
Deferral for pension contributions made after the measurement date	4,959,536	372,610
Adjustment applicable to prior years	(3,134,450)	-
Net position at September 30, 2014, as restated	<u>\$ 82,558,695</u>	<u>\$ 141,189,777</u>

City of Mesquite, Texas

**Notes to Basic Financial Statements
September 30, 2015**

15. SUBSEQUENT EVENTS

TMRS Changes - Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change. Accordingly, the City has included in its approved fiscal year 2016 budget to continue to fund pension contributions above the required ADC which will help smooth impacts of any increases in the required ADC for fiscal year 2017.

Debt Issuance - On November 3, 2015, voters passed by 84.38% the City of Mesquite \$125 million street bond proposition to issue and sell bonds in order to repair more than 100 miles of residential streets. Bonds will be issued in increments of \$25 million every other year for 10 years with the first issuance in fiscal year 2016. For fiscal year 2016, the City of Mesquite will issue \$39,965,000 in General Obligation Refunding and Improvement Bonds for the residential street reconstruction and refunding of 2007 and 2008 series bonds; \$12,145,000 Certificates of Obligations for street reconstruction, municipal improvements and capital replacement needs including completing the Public Safety Radio System Replacement project that will be financed by the Mesquite Quality of Life Corporation; and \$16,795,000 in Waterworks and Sewer System Revenue Refunding and Improvement bonds for system improvements and refunding 2006, 2007 and 2008 series bonds.

End of Notes to Basic Financial Statements

City of Mesquite, Texas

Required Supplemental Information
September 30, 2015

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

	Measurement Year 2014
Total pension liability:	
Service cost	\$ 10,206,837
Interest (on the Total Pension Liability)	32,088,206
Difference between expected and actual experience	(5,189,415)
Benefit payments, including refunds of employee contributions	<u>(21,934,850)</u>
Net change in total pension liability	15,170,778
Total pension liability - beginning	464,266,956
Total pension liability - ending (a)	<u>\$ 479,437,734</u>
Plan fiduciary net position:	
Contributions - employer	6,999,796
Contributions - employee	4,533,599
Net investment income	21,993,586
Benefit payments, including refunds of employee contributions	(21,934,850)
Administrative expense	(229,654)
Other	<u>(18,881)</u>
Net change in plan fiduciary net position	11,343,596
Plan fiduciary net position - beginning	384,514,157
Plan fiduciary net position - ending (b)	<u>\$ 395,857,753</u>
Net pension liability - ending (a) - (b)	<u>\$ 83,579,981</u>
Plan fiduciary net position as a percentage of total pension liability	82.57%
Covered employee payroll	<u>\$ 64,709,631</u>
Net pension liability as a percentage of covered employee payroll	129.16%

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

City of Mesquite, Texas

**Required Supplemental Information
September 30, 2015**

**Texas Municipal Retirement System Plan (TMRS)
Schedule of Contributions**

	Fiscal Year 2015
Actuarially determined contribution	\$ 7,094,555
Contribution in relation of the actuarially determined contribution	<u>7,094,555</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	<u>\$ 66,484,370</u>
Contributions as a percentage of covered employee payroll	10.67%

Notes to Schedule of Contributions

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method

Entry Age Normal

Amortization Method

Level Percentage of Payroll, Closed

Remaining Amortization Period

14 years

Asset Valuation Method

10 Year smoothed market; 15% soft corridor

Inflation

3.00%

Salary Increases

3.50% to 12.00% including inflation

Investment Rate of Return

7.00%

Retirement Age

Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009

Mortality

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

- 1) Granted 100% ad hoc USC with transfer
- 2) Granted 50% ad hoc COLA

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

City of Mesquite, Texas

**Required Supplemental Information (Unaudited)
September 30, 2015**

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

<u>Fiscal Year *</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
2013	\$ -	\$ 47,474,321	\$ 47,474,321	0.0%	\$ 55,376,255	85.7%
2014	\$ -	\$ 38,621,900	\$ 38,621,900	0.0%	\$ 54,769,211	70.5%
2015	\$ -	\$ 40,541,020	\$ 40,541,020	0.0%	\$ 57,622,918	70.4%

* Source for fiscal year 2013 is actuarial valuation as of October 1, 2012; fiscal year 2014 is actuarial valuation as of October 1, 2013; fiscal year 2015 is actuarial valuation as of October 1, 2014. Actuarial valuations are currently only required every-other year; however, the City has chosen to conduct actuarial valuations annually.

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

MESQUITE

T E X A S
Real. Texas. Flavor.

Combining and Individual Fund

Statements and Schedules

MESQUITE

T E X A S

Real. Texas. Flavor.

City of Mesquite, Texas

Non-Major Governmental Funds

Special Revenue Funds:

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

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

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

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

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

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

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

City of Mesquite, Texas

**Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2015**

	Special Revenue			
	Hotel/Motel Tax	Confiscated Drug	Mesquite Quality of Life Corporation (4B Sales Tax)	Other Grants
ASSETS:				
Pooled cash and investments	\$ 447,259	\$ 4,523,132	\$ 5,563,617	\$ 931,317
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	-	37,479	-
Other taxes receivable	-	-	-	-
Intergovernmental	1,050	-	1,773,789	141,710
Accrued interest	304	2,647	3,013	-
	<u>\$ 448,613</u>	<u>\$ 4,525,779</u>	<u>\$ 7,377,898</u>	<u>\$ 1,073,027</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 8,443	\$ -	\$ 288,379	\$ 70,320
Contracts payable	-	-	11,921	-
Deposits	-	133,934	-	-
Due to other funds	-	-	-	57,513
	<u>8,443</u>	<u>133,934</u>	<u>300,300</u>	<u>127,833</u>
Fund Balances:				
Restricted	440,170	4,391,845	7,077,598	945,194
Assigned	-	-	-	-
	<u>440,170</u>	<u>4,391,845</u>	<u>7,077,598</u>	<u>945,194</u>
Total Fund Balances	<u>440,170</u>	<u>4,391,845</u>	<u>7,077,598</u>	<u>945,194</u>
Total Liabilities and Fund Balances	<u>\$ 448,613</u>	<u>\$ 4,525,779</u>	<u>\$ 7,377,898</u>	<u>\$ 1,073,027</u>

<u>Other Special Revenue</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
\$ 1,927,156	\$ 470,685	\$ 13,863,166
8,365	-	45,844
77,880	-	77,880
-	-	1,916,549
<u>644</u>	<u>-</u>	<u>6,608</u>
<u>\$ 2,014,045</u>	<u>\$ 470,685</u>	<u>\$ 15,910,047</u>
\$ 928	\$ -	\$ 368,070
4,746	-	16,667
-	-	133,934
<u>-</u>	<u>-</u>	<u>57,513</u>
<u>5,674</u>	<u>-</u>	<u>576,184</u>
1,761,509	470,685	15,087,001
<u>246,862</u>	<u>-</u>	<u>246,862</u>
<u>2,008,371</u>	<u>470,685</u>	<u>15,333,863</u>
<u>\$ 2,014,045</u>	<u>\$ 470,685</u>	<u>\$ 15,910,047</u>

City of Mesquite, Texas

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended September 30, 2015**

	Special Revenue			
	Hotel/Motel Tax	Confiscated Drug	Mesquite Quality of Life Corporation (4B Sales Tax)	Other Grants
REVENUES:				
Gross receipts taxes	\$ -	\$ -	\$ -	\$ -
Sales tax	1,266,966	-	10,327,630	-
Licenses and permits	-	-	-	-
Fines and forfeitures	-	163,496	-	-
Investment income	1,171	12,291	12,569	-
Charges for services	-	-	-	-
Intergovernmental	-	-	137,521	1,301,579
Contributions and donations	-	-	234,493	-
Other revenues	-	-	26,230	174,254
Total Revenues	1,268,137	175,787	10,738,443	1,475,833
EXPENDITURES:				
Current-				
General government	723,119	-	167,153	-
Fire services	-	-	28,970	168,467
Police services	-	287,153	-	119,924
Public works	-	-	491,461	-
Community development	139,018	-	-	483,131
Library services	-	-	-	-
Parks and recreation	-	-	5,356,915	122,176
Housing and community services	161,018	-	-	389,706
Capital outlay	-	752,963	3,800,543	25,805
Debt service-				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,023,155	1,040,116	9,845,042	1,309,209
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	244,982	(864,329)	893,401	166,624
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(58,000)	-	(136,658)	-
Total Other Financing Sources (Uses)	(58,000)	-	(136,658)	-
NET CHANGE IN FUND BALANCE	186,982	(864,329)	756,743	166,624
FUND BALANCES AT BEGINNING OF YEAR	253,188	5,256,174	6,320,855	778,570
FUND BALANCES AT END OF YEAR	\$ 440,170	\$ 4,391,845	\$ 7,077,598	\$ 945,194

<u>Other Special Revenue</u>	<u>Debt Service</u>	<u>Total Other Governmental Funds</u>
\$ 311,118	\$ -	\$ 311,118
-	-	11,594,596
24,580	-	24,580
74,228	-	237,724
2,433	-	28,464
1,089,521	-	1,089,521
-	-	1,439,100
83,969	-	318,462
<u>18,050</u>	<u>-</u>	<u>218,534</u>
<u>1,603,899</u>	<u>-</u>	<u>15,262,099</u>
209,132	-	1,099,404
5,842	-	203,279
133,549	-	540,626
75,331	-	566,792
-	-	622,149
5,554	-	5,554
7,100	-	5,486,191
69,142	-	619,866
-	-	4,579,311
-	7,385,000	7,385,000
-	<u>4,705,129</u>	<u>4,705,129</u>
<u>505,650</u>	<u>12,090,129</u>	<u>25,813,301</u>
<u>1,098,249</u>	<u>(12,090,129)</u>	<u>(10,551,202)</u>
-	12,077,742	12,077,742
<u>(850,000)</u>	<u>-</u>	<u>(1,044,658)</u>
<u>(850,000)</u>	<u>12,077,742</u>	<u>11,033,084</u>
248,249	(12,387)	481,882
<u>1,760,122</u>	<u>483,072</u>	<u>14,851,981</u>
<u>\$ 2,008,371</u>	<u>\$ 470,685</u>	<u>\$ 15,333,863</u>

City of Mesquite, Texas

**Hotel/Motel Tax Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2015
 With Comparative Actual Totals for the Year Ended September 30, 2014**

	2015				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Sales tax	\$ 1,125,000	\$ 1,265,000	\$ 1,266,966	\$ 1,966	\$ 1,149,693
Investment income	200	740	1,171	431	395
TOTAL REVENUES	<u>1,125,200</u>	<u>1,265,740</u>	<u>1,268,137</u>	<u>2,397</u>	<u>1,150,088</u>
EXPENDITURES:					
Other-					
Administration projects-					
Contractual services	<u>313,200</u>	<u>325,200</u>	<u>313,336</u>	<u>11,864</u>	<u>346,247</u>
	<u>313,200</u>	<u>325,200</u>	<u>313,336</u>	<u>11,864</u>	<u>346,247</u>
Convention and Visitor Bureau					
Personal services	255,003	313,974	253,399	60,575	233,854
Supplies	14,700	15,729	9,815	5,914	10,147
Contractual services	<u>218,297</u>	<u>218,297</u>	<u>146,569</u>	<u>71,728</u>	<u>163,880</u>
	<u>488,000</u>	<u>548,000</u>	<u>409,783</u>	<u>138,217</u>	<u>407,881</u>
Arts Council projects					
Contractual services	<u>122,000</u>	<u>137,000</u>	<u>139,018</u>	<u>(2,018)</u>	<u>123,476</u>
	<u>122,000</u>	<u>137,000</u>	<u>139,018</u>	<u>(2,018)</u>	<u>123,476</u>
Beautification Commission projects-					
Contractual services	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>
	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>22,000</u>
Historic Commission projects-					
Contractual services	<u>122,000</u>	<u>137,000</u>	<u>139,018</u>	<u>(2,018)</u>	<u>123,476</u>
	<u>122,000</u>	<u>137,000</u>	<u>139,018</u>	<u>(2,018)</u>	<u>123,476</u>
TOTAL EXPENDITURES	<u>1,067,200</u>	<u>1,169,200</u>	<u>1,023,155</u>	<u>146,045</u>	<u>1,023,080</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>58,000</u>	<u>96,540</u>	<u>244,982</u>	<u>148,442</u>	<u>127,008</u>
OTHER FINANCING USES:					
Transfers out	<u>(58,000)</u>	<u>(58,000)</u>	<u>(58,000)</u>	<u>-</u>	<u>(58,000)</u>
TOTAL OTHER FINANCING USES	<u>(58,000)</u>	<u>(58,000)</u>	<u>(58,000)</u>	<u>-</u>	<u>(58,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 38,540</u>	186,982	<u>\$ 148,442</u>	69,008
FUND BALANCE AT BEGINNING OF YEAR			<u>253,188</u>		<u>184,180</u>
FUND BALANCE AT END OF YEAR			<u>\$ 440,170</u>		<u>\$ 253,188</u>

City of Mesquite, Texas

**Confiscated Drug Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2015
 With Comparative Actual Totals for the Year Ended September 30, 2014**

	2015				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	<u>2014 Actual Amounts</u>
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Fines and forfeitures	\$ 750,000	\$ 500,000	\$ 163,496	\$ (336,504)	\$ 516,226
Investment income	<u>6,000</u>	<u>8,000</u>	<u>12,291</u>	<u>4,291</u>	<u>6,090</u>
TOTAL REVENUES	<u>756,000</u>	<u>508,000</u>	<u>175,787</u>	<u>(332,213)</u>	<u>522,316</u>
EXPENDITURES:					
Police services-					
Supplies	91,000	472,230	252,086	220,144	78,334
Contractual services	126,800	134,800	35,066	99,734	62,365
Capital outlay	<u>-</u>	<u>750,000</u>	<u>752,963</u>	<u>(2,963)</u>	<u>128,561</u>
TOTAL EXPENDITURES	<u>217,800</u>	<u>1,357,030</u>	<u>1,040,116</u>	<u>316,914</u>	<u>269,260</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>538,200</u>	<u>(849,030)</u>	<u>(864,329)</u>	<u>(15,299)</u>	<u>253,056</u>
NET CHANGE IN FUND BALANCE	<u>\$ 538,200</u>	<u>\$ (849,030)</u>	<u>(864,329)</u>	<u>\$ (15,299)</u>	<u>253,056</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>5,256,174</u>		<u>5,003,118</u>
FUND BALANCE AT END OF YEAR			<u>\$ 4,391,845</u>		<u>\$ 5,256,174</u>

City of Mesquite, Texas

**Mesquite Quality of Life Corporation (4B Sales Tax) Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 For the Year Ended September 30, 2015
 With Comparative Actual Totals for the Year Ended September 30, 2014**

	2015			Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Budgeted Amounts		Actual Amounts		
	Original	Final			
REVENUES:					
Sales tax	\$ 9,983,000	\$ 10,160,000	\$ 10,327,630	\$ 167,630	\$ 9,945,052
Investment income	8,000	5,000	12,569	7,569	4,945
Intergovernmental	165,000	2,706,327	137,521	(2,568,806)	177,351
Contributions and donations	-	249,393	234,493	(14,900)	14,158
Other Revenue	-	-	26,230	26,230	9,743
TOTAL REVENUES	<u>10,156,000</u>	<u>13,120,720</u>	<u>10,738,443</u>	<u>(2,382,277)</u>	<u>10,151,249</u>
EXPENDITURES:					
Current-					
General government	150,000	167,153	167,153	-	100,000
Fire servcies	32,000	32,000	28,970	3,030	38,180
Public works	1,990,000	5,353,165	491,461	4,861,704	611,800
Parks and recreation	7,555,000	6,546,996	5,356,915	1,190,081	6,190,859
Capital Projects					
Public safety projects	-	125,000	125,000	-	-
Transportation projects	-	1,990,000	1,047,433	942,567	459,386
Parks and recreation projects	-	4,615,026	2,628,110	1,986,916	2,127,720
TOTAL EXPENDITURES	<u>9,727,000</u>	<u>18,829,340</u>	<u>9,845,042</u>	<u>8,984,298</u>	<u>9,527,945</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>429,000</u>	<u>(5,708,620)</u>	<u>893,401</u>	<u>6,602,021</u>	<u>623,304</u>
OTHER FINANCING USES:					
Transfers Out	<u>136,658</u>	<u>136,658</u>	<u>136,658</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING USES	<u>136,658</u>	<u>136,658</u>	<u>136,658</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 292,342</u>	<u>\$ (5,845,278)</u>	<u>756,743</u>	<u>\$ 6,602,021</u>	<u>623,304</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>6,320,855</u>		<u>5,697,551</u>
FUND BALANCE AT END OF YEAR			<u>\$ 7,077,598</u>		<u>\$ 6,320,855</u>

City of Mesquite, Texas

Other Grants Special Revenue Fund

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

For the Year Ended September 30, 2015

With Comparative Actual Totals for the Year Ended For the Year Ended September 30, 2014

	2015				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	<u>Original</u>	<u>Final</u>			
REVENUES:					
Intergovernmental	\$ 911,721	\$ 911,721	\$ 1,301,579	\$ 389,858	\$ 1,396,029
Other revenues	-	-	174,254	174,254	712,167
TOTAL REVENUES	<u>911,721</u>	<u>911,721</u>	<u>1,475,833</u>	<u>564,112</u>	<u>2,108,196</u>
EXPENDITURES:					
Current-					
Fire services	377,434	344,257	168,467	175,790	211,447
Police services	96,719	96,719	119,924	(23,205)	58,018
Community development	196,355	196,355	483,131	(286,776)	613,742
Parks and recreation	39,000	39,000	122,176	(83,176)	79,210
Library services	-	-	-	-	14,060
Housing and community services	202,213	448,135	389,706	58,429	713,488
Capital Outlay	-	-	25,805	(25,805)	-
TOTAL EXPENDITURES	<u>911,721</u>	<u>1,124,466</u>	<u>1,309,209</u>	<u>(184,743)</u>	<u>1,689,965</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(212,745)</u>	<u>166,624</u>	<u>379,369</u>	<u>418,231</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ (212,745)	166,624	\$ 379,369	418,231
FUND BALANCE AT BEGINNING OF YEAR			<u>778,570</u>		<u>360,339</u>
FUND BALANCE AT END OF YEAR			\$ <u>945,194</u>		\$ <u>778,570</u>

City of Mesquite, Texas

Debt Service Fund

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2015**

With Comparative Actual Totals for the Year Ended September 30, 2014

	2015		Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Budgeted Amounts				
	Original	Final			
EXPENDITURES:					
Debt service-					
Principal	\$ 7,385,000	\$ 7,385,000	\$ 7,385,000	\$ -	\$ 6,255,000
Interest and fiscal charges	<u>4,688,944</u>	<u>4,441,750</u>	<u>4,705,129</u>	<u>(263,379)</u>	<u>4,684,300</u>
TOTAL EXPENDITURES	<u>12,073,944</u>	<u>11,826,750</u>	<u>12,090,129</u>	<u>(263,379)</u>	<u>10,939,300</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(12,073,944)</u>	<u>(11,826,750)</u>	<u>(12,090,129)</u>	<u>(263,379)</u>	<u>(10,939,300)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	11,717,182	11,987,182	12,077,742	(90,560)	11,285,206
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,320)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>11,717,182</u>	<u>11,987,182</u>	<u>12,077,742</u>	<u>(90,560)</u>	<u>11,283,886</u>
NET CHANGE IN FUND BALANCE	<u>\$ (356,762)</u>	<u>\$ 160,432</u>	<u>(12,387)</u>	<u>\$ (353,939)</u>	<u>344,586</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>483,072</u>		<u>138,486</u>
FUND BALANCE AT END OF YEAR			<u>\$ 470,685</u>		<u>\$ 483,072</u>

City of Mesquite, Texas

Combining Statement of Net Position (Deficit)

Internal Service Funds

September 30, 2015

With Comparative Totals for September 30, 2014

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2015</u>	<u>2014</u>
ASSETS:				
Current assets:				
Pooled cash and investments	\$ -	\$ 1,459,688	\$ 1,459,688	\$ 1,712,057
Prepays and other assets	129,353	138,000	267,353	116,000
Accrued interest	<u>-</u>	<u>693</u>	<u>693</u>	<u>1,250</u>
Total Assets	<u>129,353</u>	<u>1,598,381</u>	<u>1,727,734</u>	<u>1,829,307</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	369,579	141,938	511,517	517,915
Estimated claims payable	951,034	679,873	1,630,907	1,213,866
Due to other funds	<u>1,156,349</u>	<u>-</u>	<u>1,156,349</u>	<u>325,526</u>
Total current liabilities	<u>2,476,962</u>	<u>821,811</u>	<u>3,298,773</u>	<u>2,057,307</u>
Noncurrent liabilities:				
Estimated claims payable	<u>-</u>	<u>1,359,746</u>	<u>1,359,746</u>	<u>947,818</u>
Total noncurrent liabilities	<u>-</u>	<u>1,359,746</u>	<u>1,359,746</u>	<u>947,818</u>
Total Liabilities	<u>2,476,962</u>	<u>2,181,557</u>	<u>4,658,519</u>	<u>3,005,125</u>
NET POSITION (DEFICIT):				
Unrestricted	<u>(2,347,609)</u>	<u>(583,176)</u>	<u>(2,930,785)</u>	<u>(1,175,818)</u>
Total Net Position (Deficit)	<u>\$ (2,347,609)</u>	<u>\$ (583,176)</u>	<u>\$ (2,930,785)</u>	<u>\$ (1,175,818)</u>

City of Mesquite, Texas

**Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position (Deficit)**

Internal Service Funds

For the Year Ended September 30, 2015

With Comparative Totals for September 30, 2014

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2015</u>	<u>2014</u>
Operating revenues:				
Contributions - City				
Medical insurance	\$ 9,962,575	\$ -	\$ 9,962,575	\$ 9,958,227
Life and dental insurance	1,051,964	-	1,051,964	1,027,751
General liability	-	1,405,000	1,405,000	1,405,000
Workers' compensation	-	967,038	967,038	876,007
Total contributions - City	<u>11,014,539</u>	<u>2,372,038</u>	<u>13,386,577</u>	<u>13,266,985</u>
Contributions - Other				
Employees - medical insurance	2,334,651	-	2,334,651	2,316,538
Retirees - medical insurance	1,637,536	-	1,637,536	1,427,215
COBRA - medical insurance	483	-	483	8,815
Stop loss and other contributions	481,696	-	481,696	170,566
Other revenues	-	184,882	184,882	16,569
Total contributions - other	<u>4,454,366</u>	<u>184,882</u>	<u>4,639,248</u>	<u>3,939,703</u>
Total operating revenues	<u>15,468,905</u>	<u>2,556,920</u>	<u>18,025,825</u>	<u>17,206,688</u>
Operating expenses:				
Claims incurred	12,591,175	2,253,538	14,844,713	14,143,682
Insurance premiums	2,098,322	645,739	2,744,061	2,720,485
Administrative fees	859,583	544,586	1,404,169	1,174,101
Other expenses	754,719	36,915	791,634	748,100
Total operating expenses	<u>16,303,799</u>	<u>3,480,778</u>	<u>19,784,577</u>	<u>18,786,368</u>
Operating loss	<u>(834,894)</u>	<u>(923,858)</u>	<u>(1,758,752)</u>	<u>(1,579,680)</u>
Nonoperating revenues:				
Investment income	18	3,767	3,785	2,538
Total nonoperating revenues	<u>18</u>	<u>3,767</u>	<u>3,785</u>	<u>2,538</u>
Change in net position (deficit)	(834,876)	(920,091)	(1,754,967)	(1,577,142)
Total net position (deficit) - beginning	<u>(1,512,733)</u>	<u>336,915</u>	<u>(1,175,818)</u>	<u>401,324</u>
Total net position (deficit) - ending	<u>\$ (2,347,609)</u>	<u>\$ (583,176)</u>	<u>\$ (2,930,785)</u>	<u>\$ (1,175,818)</u>

City of Mesquite, Texas

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended September 30, 2015

With Comparative Actual Totals for the Year ended September 30, 2014

	Health <u>Claims</u>	General <u>Liability</u>	<u>Totals</u>	
			<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from City funds	\$ 11,014,539	\$ 2,372,038	\$ 13,386,577	\$ 13,266,985
Cash received from other operating sources	4,454,366	184,882	4,639,248	3,939,703
Cash paid to suppliers for goods and services	(3,919,865)	(1,177,750)	(5,097,615)	(4,794,664)
Cash paid to claimants	<u>(12,380,098)</u>	<u>(1,635,646)</u>	<u>(14,015,744)</u>	<u>(14,069,831)</u>
Net cash used for operating activities	<u>(831,058)</u>	<u>(256,476)</u>	<u>(1,087,534)</u>	<u>(1,657,807)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash loan from other City Funds	<u>830,823</u>	<u>-</u>	<u>830,823</u>	<u>325,526</u>
Net cash provided by noncapital financing activities	<u>830,823</u>	<u>-</u>	<u>830,823</u>	<u>325,526</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received on investments	<u>235</u>	<u>4,107</u>	<u>4,342</u>	<u>2,207</u>
Net cash provided by investing activities	<u>235</u>	<u>4,107</u>	<u>4,342</u>	<u>2,207</u>
NET DECREASE IN POOLED CASH AND INVESTMENTS	-	(252,369)	(252,369)	(1,330,074)
POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR	<u>-</u>	<u>1,712,057</u>	<u>1,712,057</u>	<u>3,042,131</u>
POOLED CASH AND INVESTMENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 1,459,688</u>	<u>\$ 1,459,688</u>	<u>\$ 1,712,057</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:				
Operating loss	\$ (834,894)	\$ (923,858)	\$ (1,758,752)	\$ (1,579,680)
Adjustments to reconcile operating loss to net cash used for operating activities-				
Changes in assets and liabilities-				
(Increase) Decrease in prepaid items	(129,353)	(22,000)	(151,353)	5,000
Increase (decrease) in accounts payable	(77,888)	71,490	(6,398)	(156,978)
Increase (decrease) in claims payable	<u>211,077</u>	<u>617,892</u>	<u>828,969</u>	<u>73,851</u>
Total adjustments	<u>3,836</u>	<u>667,382</u>	<u>671,218</u>	<u>(78,127)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (831,058)</u>	<u>\$ (256,476)</u>	<u>\$ (1,087,534)</u>	<u>\$ (1,657,807)</u>

City of Mesquite, Texas

**Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended September 30, 2015**

	Agency Fund - Tax Clearing Fund			
	Balance October 1, 2014	Additions	Deductions	Balance September 30, 2015
ASSETS:				
Current assets:				
Pooled cash and investments	\$ 86,683	\$ 127,594,274	\$ 127,582,341	\$ 98,616
Taxes receivable levied for other governments (net of allowance for uncollectibles)	3,621,970	103,982,993	103,689,235	3,915,728
Total Assets	\$ 3,708,653	\$ 231,577,267	\$ 231,271,576	\$ 4,014,344
 LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 108,413	\$ 219,087,235	\$ 219,077,438	\$ 98,616
Due to other governments	3,600,240	103,645,774	103,961,262	3,915,728
Total Liabilities	\$ 3,708,653	\$ 322,733,009	\$ 323,038,700	\$ 4,014,344

City of Mesquite, Texas

Statistical Section (Unaudited)

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

<u>Contents</u>	<u>Page</u>
Financial Trends	94
These schedules contain trend information to help the readers understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	106
These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax.	
Debt Capacity	111
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.	
Demographic and Economic Information	116
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	
Operating Information	120
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	

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

City of Mesquite, Texas

**Net Position by Component
Last Ten Fiscal Years**

(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities:				
Net Investment in capital assets	\$ 128,362	\$ 137,669	\$ 155,270	\$ 149,214
Restricted	10,914	19,717	13,775	6,131
Unrestricted	<u>16,147</u>	<u>14,429</u>	<u>16,856</u>	<u>16,157</u>
Total governmental activities net position	<u>\$ 155,423</u>	<u>\$ 171,815</u>	<u>\$ 185,901</u>	<u>\$ 171,502</u>
Business-type activities:				
Net Investment in capital assets	\$ 114,583	\$ 122,377	\$ 128,354	\$ 118,870
Restricted	7,124	7,484	4,300	3,386
Unrestricted	<u>15,232</u>	<u>12,526</u>	<u>13,390</u>	<u>12,820</u>
Total business-type activities net position	<u>\$ 136,939</u>	<u>\$ 142,387</u>	<u>\$ 146,044</u>	<u>\$ 135,076</u>
Primary government:				
Net Investment in capital assets	\$ 242,945	\$ 260,046	\$ 283,624	\$ 268,084
Restricted	18,038	27,201	18,075	9,517
Unrestricted	<u>31,378</u>	<u>26,955</u>	<u>30,246</u>	<u>28,977</u>
Total primary government net position	<u>\$ 292,361</u>	<u>\$ 314,202</u>	<u>\$ 331,945</u>	<u>\$ 306,578</u>

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

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>
\$ 147,492	\$ 141,703	\$ 136,034	\$ 130,543	\$ 129,187	\$ 122,230
4,617	5,683	7,702	7,258	7,467	8,329
<u>16,658</u>	<u>20,945</u>	<u>19,458</u>	<u>17,885</u>	<u>18,704</u>	<u>(56,876)</u>
<u>\$ 168,767</u>	<u>\$ 168,331</u>	<u>\$ 163,194</u>	<u>\$ 155,686</u>	<u>\$ 155,358</u>	<u>\$ 73,683</u>
\$ 120,751	\$ 116,898	\$ 125,070	\$ 127,872	\$ 129,832	\$ 130,785
3,042	3,121	3,064	3,109	3,064	2,690
<u>13,499</u>	<u>20,925</u>	<u>17,090</u>	<u>14,328</u>	<u>13,494</u>	<u>13,008</u>
<u>\$ 137,292</u>	<u>\$ 140,944</u>	<u>\$ 145,224</u>	<u>\$ 145,309</u>	<u>\$ 146,390</u>	<u>\$ 146,483</u>
\$ 268,243	\$ 258,601	\$ 261,104	\$ 258,415	\$ 259,019	\$ 253,015
7,659	8,804	10,766	10,367	10,531	11,019
<u>30,157</u>	<u>41,870</u>	<u>36,548</u>	<u>32,213</u>	<u>32,198</u>	<u>(43,868)</u>
<u>\$ 306,059</u>	<u>\$ 309,275</u>	<u>\$ 308,418</u>	<u>\$ 300,995</u>	<u>\$ 301,748</u>	<u>\$ 220,166</u>

City of Mesquite, Texas

Change in Net Position Last Ten Fiscal Years

(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses				
Governmental activities:				
General government	\$ 16,796	\$ 18,562	\$ 19,410	\$ 19,888
Fire services	21,186	22,245	24,670	23,531
Police services	28,156	30,850	32,265	31,767
Field services	6,629	13,424	13,970	13,608
Public works	15,381	3,539	4,529	3,552
Community development	3,302	3,731	3,637	3,510
Housing and community services	11,866	10,883	12,684	14,017
Library services	2,137	2,198	2,127	1,939
Parks and recreation	10,538	10,993	9,446	12,940
Interest on long-term debt	3,312	3,740	4,519	4,649
Total governmental activities expenses	<u>119,303</u>	<u>120,165</u>	<u>127,257</u>	<u>129,401</u>
Business-type activities:				
Water and sewer	27,468	29,341	31,939	33,431
Drainage utility	1,550	1,736	1,817	1,714
Municipal airport	1,537	1,521	1,721	1,602
Total business-type activities expenses	<u>30,555</u>	<u>32,598</u>	<u>35,477</u>	<u>36,747</u>
Total primary government expenses	<u>\$ 149,858</u>	<u>\$ 152,763</u>	<u>\$ 162,734</u>	<u>\$ 166,148</u>
Program Revenues				
Governmental activities:				
Charges for services				
Field Services	\$ 5,950	\$ 5,951	\$ 6,591	\$ 6,992
Community Development	4,988	6,314	6,942	5,438
General Government	3,882	5,271	8,177	5,214
Other Charges for services	8,803	8,283	6,084	9,429
Operating grants and contributions	12,439	13,351	12,603	12,222
Capital grants and contributions	7,433	7,934	6,977	1,360
Total governmental activities program revenues	<u>43,495</u>	<u>47,104</u>	<u>47,374</u>	<u>40,655</u>
Business-type activities:				
Charges for services:				
Water and sewer	32,682	29,833	35,396	35,714
Drainage utility	2,129	2,142	2,143	2,170
Municipal airport	1,098	1,110	1,317	1,336
Capital grants and contributions	10,532	7,221	6,018	3,110
Total business-type activities program revenues	<u>46,441</u>	<u>40,306</u>	<u>44,874</u>	<u>42,330</u>
Total primary government program revenues	<u>\$ 89,936</u>	<u>\$ 87,410</u>	<u>\$ 92,248</u>	<u>\$ 82,985</u>

Schedule 2

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 23,832	\$ 22,552	\$ 26,028	\$ 26,194	\$ 24,919	\$ 29,905
24,541	24,532	25,330	25,570	26,105	26,679
32,280	31,965	31,995	32,994	32,112	32,829
13,499	21,767	14,348	13,826	9,312	9,839
7,802	(569)	3,766	4,703	8,769	10,253
5,737	3,020	3,706	3,182	3,551	3,513
14,146	14,159	14,900	14,206	14,487	15,005
2,034	2,137	1,942	1,905	2,015	2,074
10,122	10,510	10,475	11,368	11,004	12,732
4,514	5,010	5,032	4,796	3,498	3,745
<u>138,507</u>	<u>135,083</u>	<u>137,522</u>	<u>138,744</u>	<u>135,772</u>	<u>146,574</u>
34,905	38,216	37,665	41,293	42,614	45,496
1,677	2,436	1,806	1,523	1,412	1,618
1,691	1,766	1,922	2,319	2,235	1,981
<u>38,273</u>	<u>42,418</u>	<u>41,393</u>	<u>45,135</u>	<u>46,261</u>	<u>49,095</u>
<u>\$ 176,780</u>	<u>\$ 177,501</u>	<u>\$ 178,915</u>	<u>\$ 183,879</u>	<u>\$ 182,033</u>	<u>\$ 195,669</u>
\$ 7,054	\$ 7,612	\$ 7,670	\$ 7,922	\$ 7,527	\$ 7,795
4,702	4,790	4,361	4,692	5,490	5,148
5,418	7,131	6,048	6,483	6,436	7,586
8,907	11,140	13,178	10,833	13,316	10,312
16,184	15,791	14,616	13,463	13,954	13,825
8,075	2,735	960	480	112	409
<u>50,340</u>	<u>49,199</u>	<u>46,833</u>	<u>43,873</u>	<u>46,835</u>	<u>45,075</u>
39,492	45,965	44,231	44,859	46,795	53,559
2,165	2,153	2,196	2,169	2,798	3,366
1,328	1,609	1,568	1,979	1,681	1,602
1,255	1,149	1,874	753	969	603
<u>44,240</u>	<u>50,876</u>	<u>49,869</u>	<u>49,760</u>	<u>52,243</u>	<u>59,130</u>
<u>\$ 94,580</u>	<u>\$ 100,075</u>	<u>\$ 96,702</u>	<u>\$ 93,633</u>	<u>\$ 99,078</u>	<u>\$ 104,205</u>

(Continued Next Page)

City of Mesquite, Texas

Change in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

(Unaudited)

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (Expenses)/Program Revenues				
Governmental activities	\$ (75,808)	\$ (73,061)	\$ (79,883)	\$ (88,746)
Business-type activities	<u>15,886</u>	<u>7,708</u>	<u>9,397</u>	<u>5,583</u>
Total primary government net expenses	<u>\$ (59,922)</u>	<u>\$ (65,353)</u>	<u>\$ (70,486)</u>	<u>\$ (83,163)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Ad valorem taxes	\$ 35,505	\$ 37,705	\$ 40,577	\$ 40,791
Gross receipts taxes	7,551	7,333	7,677	7,617
Sales taxes	36,880	35,996	35,339	33,348
Investment income	3,204	4,397	3,402	1,467
Gain (loss) on sale of capital assets	-	80	2	92
Transfers	<u>4,519</u>	<u>3,943</u>	<u>6,971</u>	<u>2,202</u>
Total governmental activities	<u>87,659</u>	<u>89,454</u>	<u>93,968</u>	<u>85,517</u>
Business-type activities:				
Investment income	1,251	1,660	1,220	668
Gain (loss) on sale of capital assets	-	23	11	11
Transfers	<u>(4,519)</u>	<u>(3,943)</u>	<u>(6,971)</u>	<u>(2,202)</u>
Total business-type activities	<u>(3,268)</u>	<u>(2,260)</u>	<u>(5,740)</u>	<u>(1,523)</u>
Total primary government	<u>\$ 84,391</u>	<u>\$ 87,194</u>	<u>\$ 88,228</u>	<u>\$ 83,994</u>
Change in Net Position				
Governmental activities	\$ 11,851	\$ 16,393	\$ 14,085	\$ (3,229)
Business-type activities	<u>12,618</u>	<u>5,448</u>	<u>3,657</u>	<u>4,060</u>
Total primary government	<u>\$ 24,469</u>	<u>\$ 21,841</u>	<u>\$ 17,742</u>	<u>\$ 831</u>

Schedule 2
(Continued)

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ (88,167)	\$ (85,884)	\$ (90,689)	\$ (94,871)	\$ (88,937)	\$ (101,499)
<u>5,967</u>	<u>8,458</u>	<u>8,476</u>	<u>4,625</u>	<u>5,982</u>	<u>10,035</u>
<u>\$ (82,200)</u>	<u>\$ (77,426)</u>	<u>\$ (82,213)</u>	<u>\$ (90,246)</u>	<u>\$ (82,955)</u>	<u>\$ (91,464)</u>
\$ 38,304	\$ 36,572	\$ 35,787	\$ 35,074	\$ 35,172	\$ 36,710
7,637	7,931	7,760	7,865	8,633	8,081
34,920	36,154	37,440	39,736	41,180	42,848
505	245	145	75	67	151
82	(327)	109	38	85	(33)
<u>3,983</u>	<u>4,873</u>	<u>4,310</u>	<u>4,575</u>	<u>3,706</u>	<u>4,866</u>
<u>85,431</u>	<u>85,448</u>	<u>85,551</u>	<u>87,363</u>	<u>88,843</u>	<u>92,623</u>
228	113	73	36	33	71
5	(45)	41	-	36	54
<u>(3,983)</u>	<u>(4,873)</u>	<u>(4,310)</u>	<u>(4,575)</u>	<u>(3,706)</u>	<u>(4,866)</u>
<u>(3,750)</u>	<u>(4,805)</u>	<u>(4,196)</u>	<u>(4,539)</u>	<u>(3,637)</u>	<u>(4,741)</u>
<u>\$ 81,681</u>	<u>\$ 80,643</u>	<u>\$ 81,355</u>	<u>\$ 82,824</u>	<u>\$ 85,206</u>	<u>\$ 87,882</u>
\$ (2,736)	\$ (436)	\$ (5,136)	\$ (7,508)	\$ (94)	\$ (8,876)
<u>2,217</u>	<u>3,653</u>	<u>4,279</u>	<u>86</u>	<u>2,345</u>	<u>5,294</u>
<u>\$ (519)</u>	<u>\$ 3,217</u>	<u>\$ (857)</u>	<u>\$ (7,422)</u>	<u>\$ 2,251</u>	<u>\$ (3,582)</u>

City of Mesquite, Texas

**Fund Balances of Governmental Funds
Last Ten Fiscal Years**

(modified accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund:				
Reserved	\$ 637	\$ 1,286	\$ 3,140	\$ 1,440
Nonspendable				
Restricted				
Assigned				
Unreserved/Unassigned	<u>18,884</u>	<u>16,760</u>	<u>14,223</u>	<u>16,520</u>
Total General Fund	<u>\$ 19,521</u>	<u>\$ 18,046</u>	<u>\$ 17,363</u>	<u>\$ 17,960</u>
All other governmental funds:				
Reserved for:				
Encumbrances	\$ 4,359	\$ 25,061	\$ 10,011	\$ 7,482
Debt service	584	919	538	612
Unreserved, reported in:				
Special revenue funds	13,071	14,374	15,257	6,848
Capital projects	30,225	26,302	28,511	28,200
Nonspendable for:				
Prepays	-	-	-	-
Restricted for:				
Debt Retirement	-	-	-	-
Purpose of grantors, trustees, and donors	-	-	-	-
4B Sales Tax projects	-	-	-	-
Promotion of Tourism	-	-	-	-
Law Enforcement	-	-	-	-
Capital Projects	-	-	-	-
Community Access Projects	-	-	-	-
Road Surface Repairs	-	-	-	-
Tax Increment Financing Districts	-	-	-	-
Hike and Bike Trail	-	-	-	-
Developer's Deposits	-	-	-	-
Capital Replacement	-	-	-	-
Other Purposes	-	-	-	-
Assigned to:				
Promotion of Tourism	-	-	-	-
Other Capital Projects	-	-	-	-
Other Purposes	-	-	-	-
Total of all other governmental funds	<u>\$ 48,239</u>	<u>\$ 66,656</u>	<u>\$ 54,317</u>	<u>\$ 43,142</u>

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

Schedule 3

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 1,063	\$ -	\$ -	\$ -	\$ -	\$ -
	858	962	725	775	764
	-	-	-	-	-
	6	50	221	300	41
<u>16,672</u>	<u>16,153</u>	<u>16,026</u>	<u>16,460</u>	<u>16,076</u>	<u>15,897</u>
<u>\$ 17,735</u>	<u>\$ 17,017</u>	<u>\$ 17,038</u>	<u>\$ 17,406</u>	<u>\$ 17,151</u>	<u>\$ 16,702</u>
\$ 14,142	\$ -	\$ -	\$ -	\$ -	\$ -
563	-	-	-	-	-
5,493	-	-	-	-	-
24,227	-	-	-	-	-
-	866	-	-	-	-
-	61	56	138	483	471
-	1,141	1,844	1,836	1,865	2,192
-	3,905	6,283	5,698	6,321	7,078
-	-	-	-	-	440
-	5,024	5,294	5,315	5,593	4,750
-	12,256	11,056	6,862	11,659	21,253
-	258	164	400	564	738
-	290	97	103	159	130
-	8,224	3,961	4,830	6,373	7,599
-	3,583	3,603	2,755	680	454
-	1,511	1,505	1,511	1,576	1,682
-	212	84	21	39	157
-	373	374	376	557	574
-	102	52	184	253	-
-	729	2,099	1,918	1,815	1,136
<u>-</u>	<u>185</u>	<u>194</u>	<u>227</u>	<u>287</u>	<u>251</u>
<u>\$ 44,425</u>	<u>\$ 38,720</u>	<u>\$ 36,666</u>	<u>\$ 32,174</u>	<u>\$ 38,224</u>	<u>\$ 48,905</u>

City of Mesquite, Texas

**Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

(modified accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues				
Taxes	\$ 79,822	\$ 81,064	\$ 83,518	\$ 81,535
Licenses and permits	1,661	1,396	1,294	1,108
Fines and forfeitures	2,929	2,517	3,273	3,401
Investment income	3,006	4,255	3,271	1,421
Charges for services	14,064	15,568	17,126	17,104
Intergovernmental	13,491	13,459	12,146	12,229
Contributions and donations	104	185	3,432	297
Other revenues	<u>1,641</u>	<u>2,716</u>	<u>1,664</u>	<u>1,134</u>
Total revenues	<u>116,718</u>	<u>121,160</u>	<u>125,724</u>	<u>118,229</u>
Expenditures				
General government	17,958	12,667	14,502	15,032
Fire services	20,871	22,172	24,025	23,989
Police services	27,346	30,464	31,453	30,284
Field services	9,240	9,531	10,593	10,136
Public works	2,763	2,589	3,677	2,800
Community development	3,296	3,680	3,616	3,433
Housing services	10,345	8,808	10,357	11,587
Library services	2,086	2,176	2,212	1,949
Parks and recreation	9,853	10,106	8,831	12,122
Community services	1,650	2,120	2,395	2,401
Capital outlay	12,918	16,327	35,618	20,218
Debt service - principal	7,480	7,147	8,012	8,123
Debt service - interest and bond issuance costs	<u>3,056</u>	<u>4,026</u>	<u>4,508</u>	<u>4,645</u>
Total expenditures	<u>128,862</u>	<u>131,813</u>	<u>159,799</u>	<u>146,719</u>
Deficiency of revenues under expenditures	<u>(12,144)</u>	<u>(10,653)</u>	<u>(34,075)</u>	<u>(28,490)</u>
Other financing sources (uses)				
Transfer in	18,655	20,202	24,192	20,575
Transfers out	(14,136)	(15,621)	(16,705)	(15,830)
Capital lease proceeds	-	74	-	-
Bond proceeds	18,760	22,805	13,566	13,125
Notes Payable Proceeds	-	135	-	-
Proceeds of refunding bonds	-	-	-	4,245
Premium on debt	-	-	-	-
Payment to refunded bond agent	-	-	-	(4,203)
Total other financing sources (uses)	<u>23,279</u>	<u>27,595</u>	<u>21,053</u>	<u>17,912</u>
Net change in fund balances	<u>\$ 11,135</u>	<u>\$ 16,942</u>	<u>\$ (13,022)</u>	<u>\$ (10,578)</u>
Debt service as a percentage of noncapital expenditures	11.78%	11.47%	10.38%	10.16%

Schedule 4

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 80,891	\$ 80,656	\$ 81,028	\$ 82,740	\$ 85,011	\$ 87,368
985	1,159	1,090	1,172	1,146	1,728
3,365	4,358	4,522	4,925	4,126	3,226
480	236	138	71	65	147
16,492	17,064	17,089	17,254	17,683	19,701
17,147	15,743	14,794	13,426	13,566	13,353
4,242	2,771	779	447	374	788
952	2,425	3,219	1,595	2,656	1,338
<u>124,554</u>	<u>124,412</u>	<u>122,659</u>	<u>121,630</u>	<u>124,627</u>	<u>127,649</u>
16,195	14,883	18,845	15,294	15,387	16,285
23,396	23,540	23,608	24,024	24,600	24,811
30,438	30,474	30,936	32,125	30,980	31,267
10,001	13,864	10,967	10,771	10,121	10,191
6,618	2,586	2,711	3,089	3,203	3,244
5,186	3,711	3,665	3,150	3,389	3,458
11,996	11,543	12,406	11,722	11,540	11,585
2,012	2,089	1,927	1,876	1,931	2,022
9,371	9,752	9,614	10,408	9,425	10,717
2,477	2,327	2,252	2,290	3,226	2,347
11,029	20,970	7,812	10,355	8,317	9,984
7,519	7,006	6,314	6,353	6,747	7,897
4,614	4,924	5,323	5,016	4,812	5,001
<u>140,852</u>	<u>147,669</u>	<u>136,380</u>	<u>136,473</u>	<u>133,678</u>	<u>138,809</u>
<u>(16,298)</u>	<u>(23,257)</u>	<u>(13,721)</u>	<u>(14,843)</u>	<u>(9,051)</u>	<u>(11,160)</u>
20,272	18,875	19,056	19,272	17,038	17,686
(15,456)	(13,834)	(13,998)	(14,193)	(11,912)	(12,285)
-	-	-	-	-	-
12,340	11,575	7,235	5,450	9,715	14,835
-	-	-	-	-	-
1,320	12,715	3,765	7,635	9,080	2,935
137	1,163	236	539	963	1,265
<u>(1,257)</u>	<u>(13,660)</u>	<u>(3,724)</u>	<u>(7,985)</u>	<u>(10,038)</u>	<u>(3,044)</u>
<u>17,356</u>	<u>16,834</u>	<u>12,570</u>	<u>10,718</u>	<u>14,846</u>	<u>21,392</u>
<u>\$ 1,058</u>	<u>\$ (6,423)</u>	<u>\$ (1,151)</u>	<u>\$ (4,125)</u>	<u>\$ 5,795</u>	<u>\$ 10,232</u>
9.49%	9.60%	9.17%	9.12%	9.34%	9.95%

City of Mesquite, Texas

**General Governmental Tax Revenues By Source
Last Ten Fiscal Years**

(modified accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

Year Ended <u>September</u>	<u>Total</u>	Ad Valorem <u>Taxes</u>	<u>Sales Taxes</u>		
			<u>General</u>	<u>Liquor</u>	<u>Hotel/Motel</u>
2006	79,823	35,392	35,631	177	1,072
% Total	100.00	44.3	44.6	0.2	1.3
2007	80,972	37,735	34,616	235	1,145
% Total	100.00	46.6	42.8	0.3	1.4
2008	83,518	40,502	34,032	188	1,119
% Total	100.00	48.5	40.7	0.2	1.3
2009	81,535	40,571	32,063	191	1,093
% Total	100.00	49.7	39.3	0.2	1.3
2010	80,891	38,334	33,911	194	815
% Total	100.00	47.4	42.0	0.3	1.0
2011	80,656	36,571	35,069	194	891
% Total	100.00	45.3	43.5	0.2	1.1
2012	81,028	35,828	36,357	173	910
% Total	100.00	44.2	44.9	0.2	1.1
2013	82,412	35,138	38,497	199	1,040
% Total	100.00	42.6	46.7	0.2	1.3
2014	84,767	35,198	39,780	250	1,150
% Total	100.00	41.5	46.9	0.3	1.4
2015	87,368	36,439	41,310	271	1,267
% Total	100.00	41.7	47.3	0.3	1.5

Schedule 5

Gross Receipts Taxes					
<u>Electrical</u>	<u>Gas</u>	<u>Telephone</u>	<u>Cable TV</u>	<u>Sanitation</u>	<u>Other</u>
4,170	1,133	780	757	691	20
5.2	1.4	1.0	0.9	0.9	0.0
4,082	1,088	585	770	701	15
5.0	1.3	0.7	1.0	0.9	0.0
4,188	1,185	650	934	697	23
5.0	1.4	0.8	1.1	0.8	0.0
4,022	1,161	606	1,092	706	30
4.9	1.4	0.7	1.3	0.9	0.0
3,905	1,175	566	1,264	693	34
4.8	1.5	0.7	1.6	0.9	0.0
4,483	1,020	550	1,182	662	34
5.6	1.3	0.7	1.5	0.8	0.0
4,138	845	526	1,518	698	35
5.1	1.0	0.6	1.9	0.9	0.0
3,994	966	519	1,310	710	39
4.8	1.2	0.6	1.6	0.9	0.0
4,172	1,305	473	1,442	958	39
4.9	1.5	0.6	1.7	1.1	0.0
4,041	1,157	-	1,556	975	352
4.6	1.3	-	1.8	1.1	0.4

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	
2006	4,208,193	1,203,737	147,740	107,156	711,994	6,378,820
2007	4,367,859	1,344,688	154,227	107,582	676,953	6,651,309
2008	4,472,212	1,540,270	182,901	108,586	723,343	7,027,312
2009	4,513,702	1,917,171	221,125	111,020	817,121	7,580,139
2010	4,310,504	1,804,704	217,121	107,363	736,717	7,176,409
2011	4,059,862	1,735,638	225,977	105,015	714,087	6,840,579
2012	3,990,016	1,754,347	231,151	102,613	746,505	6,824,632
2013	3,883,652	1,749,220	205,574	103,260	757,902	6,699,608
2014	3,837,683	1,810,542	225,413	102,909	779,653	6,756,200
2015	4,026,866	1,905,028	206,709	111,081	826,306	7,075,990

Source: Dallas Central Appraisal District for all years shown plus Kaufman Central Appraisal District beginning in 2010.

Notes:

- (1) Assessed value is 100% of estimated actual value for all years as determined by the appraisal districts. Values are as of January 1 of the calendar year prior to the fiscal year-end date.
- (2) Exemptions are granted by the City within the constraints of Texas Constitutional law.
- (3) Total taxable valuation here is based on the certified roll and is net of Tax Incentive Financing Districts (TIF) in the amount of \$150,640. The taxable value upon which the tax levy was based, noted in footnote 3 in the Notes to Basic Financial Statements, includes the TIF value. Subsequent adjustments to the certified roll, Supplemental #1 from the Dallas Central Appraisal District, decreased the taxable value used for the levy by \$554 (\$5,735,842 + \$150,640 - 554 = \$5,885,928).
- (4) Tax rate is per \$100 assessed valuation.

Schedule 6

Less: Exemptions, Abatements, and TIFs (2)

<u>Exemptions Granted</u>	<u>Tax Abatements</u>	<u>Tax Incentive Financing Districts (TIF)</u>	<u>Total Exemptions</u>	<u>Total Taxable Valuation (3)</u>	<u>Tax Rate (4)</u>
402,275	24,191	108,179	534,645	5,844,175	.60148
425,235	25,111	146,325	596,671	6,054,638	.62000
486,038	17,724	189,109	692,871	6,334,441	.64000
960,711	18,695	198,648	1,178,054	6,402,085	.64000
967,223	5,040	156,261	1,128,524	6,047,885	.64000
990,882	10,199	129,621	1,130,702	5,709,877	.64000
1,065,133	10,207	121,721	1,197,061	5,627,571	.64000
1,092,748	-	128,565	1,221,313	5,478,295	.64000
1,143,482	-	148,404	1,291,886	5,464,314	.64000
1,189,509	-	150,640	1,340,149	5,735,842	.64000

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

Fiscal Year	City of Mesquite			Overlapping Rates (1)					Total Direct & Overlapping Rates
	General	Debt Service	Total	Dallas County	Dallas Hospital District	Dallas Community College District	Dallas County School Equalization	Mesquite Independent School District	
2006	.44090	.16058	.60148	.2139	.254	.08100	.00503	1.67	2.82541
2007	.46246	.15754	.62000	.2281	.254	.08040	.00471	1.37	2.55721
2008	.48716	.15284	.64000	.2281	.254	.08940	.00493	1.40	2.61643
2009	.48727	.15273	.64000	.2281	.274	.09490	.00521	1.42	2.66221
2010	.48443	.15557	.64000	.2431	.271	.09923	.01000	1.42	2.68333
2011	.47076	.16924	.64000	.2431	.271	.09967	.01000	1.42	2.68377
2012	.46859	.17141	.64000	.2431	.271	.119375	.009937	1.42	2.70341
2013	.46225	.17775	.64000	.2431	.276	.1247	.01	1.41	2.70380
2014	.46220	.1778	.64000	.2431	.286	.124775	.01	1.41	2.71388
2015	.46220	.1778	.64000	.2431	.286	.12365	.01	1.41	2.71275

Source: (1) Budget Department and Dallas Central Appraisal District, Tax Unit Rates

Notes: Overlapping rates are those of local and county governments that apply to property owners within the city. Not all overlapping rates apply to all city property owners (e.g., the rates for the Mesquite Independent School District apply only to the proportion of the city's property owners whose property is located within the Mesquite I.S.D. geographical boundaries.) A small percent of city property owners are within the boundaries of the Dallas I. S. D. or Garland I. S. D.

**Principal Property Taxpayers
Current Year and Nine Years Ago**

(Unaudited)

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation	Taxable Assessed Value	Rank	Percent of Total Taxable Assessed Valuation
Town East Mall	\$ 129,240,990	1	2.25%	\$ 97,896,350	1	1.68%
Oncor Electric Delivery	48,359,490	2	0.84%			-
Ocean Barons LP	39,856,000	3	0.69%	21,680,000	10	0.37%
Pepsi Cola	39,310,760	4	0.69%	29,858,660	4	0.51%
IRIS USA	34,912,600	5	0.61%			-
Sun Life Asur Co of Can	33,061,260	6	0.58%	42,525,000	3	0.73%
BRE DDR Marketplace	32,500,000	7	0.57%			-
CURCI Mesquite Prop LP	28,124,830	8	0.49%			-
Advenir @ Mission Ranch	27,012,130	9	0.47%			-
Industrial North American	24,812,470	10	0.43%			-
Texas Utilities Electric Co			-	55,750,730	2	0.95%
Southwestern Bell			-	27,809,910	5	0.48%
American Multicinema Inc			-	27,244,000	6	0.47%
Alliance WE LP			-	26,781,110	7	0.46%
Home Depot, Inc			-	24,343,330	8	0.42%
BRH Prescott II LTD PS			-	23,040,000	9	0.39%
Total	<u>\$ 437,190,530</u>		7.62%	<u>\$ 376,929,090</u>		6.45%
Total Taxable Assessed Valuation	<u>\$ 5,735,841,681</u>			<u>\$ 5,844,175,000</u>		

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

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

(Unaudited)

Fiscal Year Ended September 30	Adjusted Current Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2006	35,132,527	34,433,390	98.01	545,427	34,978,817	99.56
2007	37,446,166	36,659,819	97.90	603,746	37,263,565	99.51
2008	40,274,065	39,602,124	98.33	537,354	40,139,478	99.67
2009	40,414,901	39,752,647	98.36	530,121	40,282,768	99.67
2010	38,362,233	37,683,829	98.23	522,554	38,206,383	99.59
2011	36,392,283	35,761,897	98.27	403,063	36,164,960	99.38
2012	35,677,427	35,225,462	98.73	242,180	35,467,642	99.41
2013	34,819,001	34,336,926	98.62	211,387	34,548,313	99.22
2014	34,961,217	34,457,251	98.56	231,831	34,689,082	99.22
2015	36,282,438	35,805,787	98.69	-	35,805,787	98.69

Note: Collections do not include penalty and interest on delinquent taxes.
 Current year collections for fiscal year 2015 are net of the amount collected for the Tax Incentive Financing District (TIF) in the amount of \$960,828.
 (\$35,805,787 + \$960,828 = \$36,766,615; see amount in Note 3)

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

Governmental Activities							
Fiscal Year	General Obligation Bonds	Certificates of Obligations	Net Premium/ (Discount) on Bonds (2)	Public Property Finance Contractual Obligations	Notes Payable	Capital Lease Obligations	Total
2006	45,590,000	28,495,000	-	5,090,000	6,035,453	114,144	85,324,597
2007	41,820,000	47,540,000	-	5,845,000	5,786,733	141,259	101,132,992
2008	38,320,000	55,250,000	-	7,610,000	5,349,753	80,424	106,610,177
2009	37,880,000	61,560,000	-	7,440,000	4,895,392	32,200	111,807,592
2010	34,790,000	72,485,000	-	4,975,000	4,422,953	280,234	116,953,187
2011	37,180,000	77,115,000	-	3,075,000	3,931,712	238,445	121,540,157
2012	37,545,000	79,950,000	-	1,505,000	3,420,915	160,428	122,581,343
2013	38,415,000	80,035,000	-	390,000	2,889,779	78,809	121,808,588
2014	41,355,000	80,605,000	-	-	2,337,487	5,973	124,303,460
2015	40,995,000	88,355,000	3,830,389	-	1,763,191	25,644	134,969,224

Business-Type Activities								
	Water/ Sewer Revenue Bonds	Drainage Utility District Revenue Bonds	Net Premium/ (Discount) on Bonds (2)	Water/ Sewer Capital Lease Obligations	Total	Total Primary Government	Percentage of Effective Buying Income (1)	Per Capita (1)
2006	53,225,000	9,405,000	-	117,338	62,747,338	148,071,935	5.50%	1,089.61
2007	57,945,000	8,565,000	-	236,159	66,746,159	167,879,151	6.69%	1,227.64
2008	62,795,000	7,710,000	-	155,645	70,660,645	177,270,822	6.76%	1,288.88
2009	67,435,000	6,825,000	-	87,420	74,347,420	186,155,012	7.34%	1,350.42
2010	71,500,000	5,905,000	-	48,455	77,453,455	194,406,642	7.84%	1,390.37
2011	72,615,000	5,010,000	-	71,294	77,696,294	199,236,451	7.96%	1,424.44
2012	72,445,000	3,950,000	-	56,700	76,451,700	199,033,043	7.85%	1,422.17
2013	72,095,000	3,335,000	-	41,052	75,471,052	197,279,640	7.52%	1,406.73
2014	73,633,158	2,947,686	-	24,274	76,605,118	200,908,578	7.08%	1,412.76
2015	72,195,000	2,485,000	2,276,216	6,282	76,962,498	211,931,722	8.21%	1,490.06

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

- (1) See Schedule 15 - Demographic and Economic Statistics for effective buying income and population data.
- (2) Net premium/discount on bonds payable is presented starting with fiscal year 2015.

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

(Unaudited)

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Taxable Assessed Value (in 000s) (2)</u>	<u>General Bonded Debt</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Net General Bonded Debt</u>	<u>Percentage of Taxable Value of Property</u>	<u>Net General Bonded Debt Per Capita</u>
2006	135,894	5,844,175	79,175,000	583,706	78,591,294	1.34%	578.33
2007	136,750	6,054,638	95,205,000	918,369	94,286,631	1.56%	689.48
2008	137,550	6,334,441	101,180,000	537,527	100,642,473	1.59%	731.68
2009	137,850	6,402,085	106,880,000	612,164	106,267,836	1.66%	770.89
2010	139,824	6,047,885	112,250,000	563,067	111,686,933	1.85%	798.77
2011	139,870	5,709,877	117,370,000	61,150	117,308,850	2.05%	838.70
2012	139,950	5,627,571	119,000,000	56,293	118,943,707	2.11%	849.90
2013	140,240	5,478,295	118,840,000	138,486	118,701,514	2.17%	846.42
2014	142,210	5,464,314	121,960,000	483,072	121,476,928	2.22%	854.21
2015	142,230	5,735,842	133,180,389	470,685	132,709,704	2.31%	933.06

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

Sources: (1) See Schedule 15
(2) See Schedule 6

**Direct And Overlapping Governmental Activities Debt
As of September 30, 2015**

(Unaudited)

<u>Taxing Jurisdiction</u>	Total Outstanding Debt (1)	Estimated Percent Applicable (2)	Direct and Estimated Overlapping Debt
Direct-			
City of Mesquite	\$ 134,969,224	100.00%	\$ 134,969,224
Overlapping-			
Dallas County	84,725,000	2.98	2,524,805
Dallas County Community College District	321,510,000	2.98	9,580,998
Dallas County Hospital District	728,005,000	2.98	21,694,549
Dallas County Schools	60,215,000	2.98	1,794,407
Kaufman County	43,853,850	0.35	153,488
Mesquite Independent School District	357,347,868	87.26	311,821,750
Dallas Independent School District	2,539,385,000	0.12	3,047,262
Forney Independent School District	275,492,675	0.89	2,451,885
Garland Independent School District	501,756,118	0.04	200,702
 Total overlapping	 <u>4,912,290,511</u>		 <u>353,269,846</u>
 Total direct and estimated overlapping bonded debt	 <u>\$ 5,047,259,735</u>		 <u>\$ 488,239,070</u>

Ratio, direct and estimated overlapping debt to fiscal 2014 taxable assessed valuation (3) 8.51%

Per capita direct and estimated overlapping bonded debt (4) \$3,433

Notes:

- (1) Including bonds payable, notes payable and capital leases. Source is most recent Texas Municipal Reports, publication of the Municipal Advisory Council of Texas
- (2) The methodology for deriving overlapping percentages is to determine the estimated shared assessed valuation of the overlapping taxing body(s) and the City's; divide the shared value by the total assessed value of the overlapping taxing body.
- (3) Fiscal 2015 taxable assessed valuation (Net of TIF): \$5,735,841,681
- (4) Based on 2015 population of 142,230

**Computation of Legal Debt Margin
September 30, 2015**

(Unaudited)

As a home rule city, the City of Mesquite is not limited by law in the amount of debt it may issue. The City's charter (Article 5, Section 2) states:

"The city council shall have the power and is hereby authorized and made its duty to levy, assess, and collect annually for general purposes authorized by laws and for the purpose of paying the interest and providing the sinking fund on the bonded indebtedness of the City of Mesquite now in existence or which may hereafter be created an ad valorem tax on real, personal or mixed property in such amounts and at such rates as shall be determined by the city council subject to applicable limitations and prohibitions now or hereafter contained in the Constitution of the State of Texas."

Article 11, Section 5 of the State of Texas Constitution states in part:

"but no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such city."

The tax rate at September 30, 2015, is \$.64000 per \$100 of assessed valuation with assessed valuation being 100% of market value.

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

(Unaudited)

<u>Year Ended September</u>	<u>Operating Revenue and Other (1)</u>	<u>Less: Operating Expense and Other (2)</u>	<u>Net Available Revenue</u>	<u>Total Debt Payments Required (3)</u>	<u>Years Remaining</u>	<u>Average Annual Debt Payment</u>	<u>Coverage (4)</u>
<u>WATER AND SEWER BONDS</u>							
2006	33,798,839	21,259,997	12,538,842	73,841,441	20	3,692,072	3.4
2007	31,363,451	24,220,549	7,142,902	80,115,266	20	4,005,763	1.8
2008	36,536,774	25,384,450	11,152,324	86,091,447	20	4,304,572	2.6
2009	36,344,387	26,806,906	9,537,481	92,010,474	20	4,600,524	2.1
2010	39,705,639	27,830,065	11,875,574	96,880,248	20	4,844,012	2.5
2011	46,068,546	31,283,576	14,784,970	97,779,815	20	4,888,991	3.0
2012	44,339,863	30,452,086	13,887,777	95,751,908	20	4,787,595	2.9
2013	44,892,336	34,046,541	10,845,795	94,114,740	20	4,705,737	2.3
2014	46,909,102	34,731,035	12,178,067	92,892,214	20	4,644,611	2.6
2015	53,676,246	37,584,068	16,092,178	93,172,648	20	4,658,632	3.5
<u>DRAINAGE UTILITY DISTRICT BONDS</u>							
2006	2,262,875	570,903	1,691,972	12,079,052	16	754,941	2.2
2007	2,294,313	715,195	1,579,118	10,862,710	15	724,181	2.2
2008	2,238,126	760,017	1,478,109	9,656,911	14	689,779	2.1
2009	2,219,139	705,047	1,514,092	8,450,808	13	650,062	2.3
2010	2,184,301	693,285	1,491,016	7,242,523	12	603,544	2.5
2011	2,162,146	869,181	1,292,965	5,666,423	11	515,129	2.5
2012	2,201,193	943,626	1,257,567	4,481,859	10	448,186	2.8
2013	2,171,118	661,823	1,509,295	3,763,916	9	418,213	3.6
2014	2,804,769	687,903	2,116,866	3,237,015	8	404,627	5.2
2015	3,380,515	717,806	2,662,709	2,739,938	7	391,420	6.8

Notes:

- (1) Includes operating and nonoperating revenues.
- (2) Includes operating and non-operating expenses exclusive of depreciation and interest expense.
- (3) Includes principal and interest of revenue bonds only. Principal and interest amounts represent the amounts payable in subsequent fiscal years.
- (4) The Water and Sewer Bond coverage requirement is 1.5 and the Drainage Utility District Bond coverage requirement is 1.25. The coverage calculation is Net Revenue Available divided by the Average Annual Debt Payment.

**Demographic and Economic Statistics
Last Ten Fiscal Years**

(Unaudited)

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Total Retail Sales (in thousands of dollars) (2)</u>	<u>Effective Buying Income (EBI) (in thousands of dollars) (2)</u>	<u>Median Household EBI (2)</u>	<u>Number of Households (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2006	135,894	N/A	2,690,272	50,424	53,353	34,318	4.7%
2007	136,750	N/A	2,508,204	50,134	50,030	34,408	3.8%
2008	137,539	N/A	2,623,330	51,780	50,663	34,786	4.0%
2009	137,850	N/A	2,537,530	50,043	50,707	35,381	7.0%
2010	139,824	N/A	2,478,391	51,217	48,390	36,687	8.7%
2011	139,870	N/A	2,503,265	51,368	48,732	37,137	8.5%
2012	139,950	N/A	2,536,152	51,773	48,986	38,118	6.8%
2013	140,240	N/A	2,624,125	51,763	50,695	38,609	6.3%
2014	142,210	N/A	2,836,910	55,076	51,509	39,220	5.2%
2015	142,230	N/A	2,581,622	49,871	51,766	39,527	4.3%

Sources: (1) Population estimates were prepared by North Central Texas Council of Governments for 2009 and prior; 2010 population count was from the official US Census Bureau; 2011 forward were determined by official ordinance adopted by City Council as of Oct 1 of each year.
 (2) 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

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

<u>Employer</u>	<u>2015</u> <u>Range</u>	<u>2006</u> <u>Range</u>
Mesquite Independent School District	1,000 +	
United Parcel Service Inc.	1,000 +	1,000 +
City of Mesquite	1,000 +	1,000 +
Dallas Regional Medical Center (Formerly Mesquite Community Hospital)	500 - 999	500 - 999
Honeywell	500 - 999	
Pepsi Beverages Co	500 - 999	
Walmart Supercenter	500 - 999	500 - 999
Eastfield College	500 - 999	100 - 499
Texas Dept of Transportation - Dallas District	100 - 499	
Integracolor Ltd	100 - 499	
Medical Center of Mesquite		500 - 999
Tyco Electronics Power Sys		500 - 999
Schnieder National		100 - 499
Sears		100 - 499
Baker Drywall LTD		100 - 499
<hr/>		
Total Estimated City Employment	75,318	71,423

Source: Texas Workforce Commission and Sites on Texas.

City of Mesquite, Texas

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

(Unaudited)

	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
By Functions					
General government	87.00	92.00	100.50	102.00	102.00
Fire services	197.00	202.50	206.00	206.50	206.50
Police services	299.50	299.50	310.50	314.50	315.50
Field services	130.00	129.00	130.00	130.00	130.00
Public works	24.00	21.00	21.00	22.00	21.00
Community development	43.70	44.20	35.70	35.70	37.50
Housing services	10.00	18.70	22.30	21.30	20.50
Library services	34.55	34.55	34.93	34.93	31.45
Parks and recreation	130.09	130.09	130.09	129.59	128.59
Community services	27.00	17.35	29.00	28.00	28.00
Water and Sewer	102.57	103.57	104.57	104.57	107.07
Drainage utility district	7.00	7.00	7.00	7.00	7.00
Municipal airport	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
Total employees by function	<u>1,099.79</u>	<u>1,106.84</u>	<u>1,138.97</u>	<u>1,143.47</u>	<u>1,142.49</u>
By Departments					
Administration	10.00	11.00	12.00	14.00	14.00
City Secretary	3.00	3.00	3.00	3.00	3.00
City Attorney	6.00	6.00	7.00	7.00	7.00
Human Resources	14.00	14.00	15.00	15.00	15.00
Budget and Research	2.00	2.00	2.00	2.00	2.00
Finance	68.50	68.50	55.00	54.50	55.00
Information Technology	-	-	19.00	19.00	19.00
Fire service	197.00	202.50	206.00	206.50	206.50
Police Service	299.50	299.50	310.50	314.50	315.50
Public Works	247.07	248.07	250.07	251.07	252.07
Housing and community service	37.00	36.05	51.30	49.30	48.50
Community development	43.70	44.20	35.70	35.70	37.50
Parks/ Recreation/Building service	130.09	130.09	130.09	129.59	128.59
Library service	34.55	34.55	34.93	34.93	31.45
Airport service	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>	<u>7.38</u>
Total employees by department	<u>1,099.79</u>	<u>1,106.84</u>	<u>1,138.97</u>	<u>1,143.47</u>	<u>1,142.49</u>
By Fund					
General	963.19	970.19	997.72	1,002.72	1,000.04
Grants	19.65	18.70	22.30	21.80	21.00
Water and Sewer	102.57	103.57	104.57	104.57	107.07
Drainage Utility District	7.00	7.00	7.00	7.00	7.00
Municipal Airport	7.38	7.38	7.38	7.38	7.38
Hotel/Motel	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total employees by fund	<u>1,099.79</u>	<u>1,106.84</u>	<u>1,138.97</u>	<u>1,143.47</u>	<u>1,142.49</u>

Source: Current and prior year City of Mesquite Annual Operating Budget documents
 Note: Information Technology was split out from Finance Department in 2008

Schedule 17

Fiscal Year				
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
112.00	111.13	113.25	117.25	118.50
207.00	207.00	208.00	206.00	207.00
315.50	315.00	315.00	314.50	314.50
129.00	129.00	129.00	129.00	129.00
24.00	24.00	24.00	23.00	22.00
37.60	37.40	35.40	36.40	36.40
21.40	21.60	21.60	21.10	20.60
31.45	32.08	32.08	32.08	31.71
120.66	123.68	123.68	123.54	117.47
28.00	28.10	28.10	27.85	27.35
107.07	107.07	109.07	109.07	109.07
7.00	7.00	7.00	7.00	7.00
<u>7.38</u>	<u>7.38</u>	<u>8.05</u>	<u>7.90</u>	<u>7.90</u>
<u>1,148.06</u>	<u>1,150.44</u>	<u>1,154.23</u>	<u>1,154.69</u>	<u>1,148.50</u>
29.50	28.50	30.00	31.00	33.50
3.00	3.00	3.00	3.00	3.00
7.00	7.00	7.00	8.00	8.00
14.00	14.00	14.00	15.00	14.00
2.00	2.00	2.00	1.00	1.00
54.50	54.63	57.25	58.25	58.00
15.00	15.00	15.00	16.00	16.00
207.00	207.00	208.00	206.00	207.00
315.50	315.00	315.00	314.50	314.50
254.07	254.07	254.07	253.07	252.07
49.40	49.70	49.70	48.95	47.95
37.60	37.40	35.40	36.40	36.40
120.66	123.68	123.68	123.54	117.47
31.45	32.08	32.08	32.08	31.71
<u>7.38</u>	<u>7.38</u>	<u>8.05</u>	<u>7.90</u>	<u>7.90</u>
<u>1,148.06</u>	<u>1,150.44</u>	<u>1,154.23</u>	<u>1,154.69</u>	<u>1,148.50</u>
1,002.21	1,004.39	1,005.51	1,007.62	1,000.43
22.40	22.60	22.60	21.10	20.60
107.07	107.07	109.07	109.07	110.07
7.00	7.00	7.00	7.00	7.00
7.38	7.38	8.05	7.90	7.90
<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.50</u>
<u>1,148.06</u>	<u>1,150.44</u>	<u>1,154.23</u>	<u>1,154.69</u>	<u>1,148.50</u>

City of Mesquite, Texas

Operating Indicators by Function Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Functions				
Fire services				
Number of calls answered	11,746	11,898	13,156	14,048
Inspections	6,736	6,800	8,811	7,916
Police services				
Reported index crimes	5,554	6,118	6,120	6,149
Criminal arrests - index crimes	1,198	1,535	1,492	1,535
Criminal arrests - non-index crimes	3,262	3,508	3,294	3,360
Traffic citations	36,372	35,620	36,563	36,810
Field services				
Residential solid waste customers	36,000	37,000	37,500	37,900
Annual tons recycled	23,678	22,608	29,000	28,500
Work hours per mile of streets and alleys	81.85	81.19	80.19	74.43
Public works				
Traffic studies conducted	346	327	328	190
Engineering Information requests	85,146	75,846	86,603	98,000
Housing services				
Number of HUD allocated unit months	16,308	16,308	16,308	16,380
Community development				
Residential building permits	2,175	1,635	1,394	1,260
Commercial building permits	738	294	316	215
Environmental code violations	31,553	67,793	33,488	18,184
Food inspections conducted	1,407	998	1,417	1,759
Library services				
Library visits per capita	3.00	2.65	2.97	2.91
Registered borrowers per capita	0.28	0.40	0.31	0.30
Parks and recreation				
Work hours per acre of park land	52.15	55.02	56.95	58.54
Athletic program participants	13,527	16,276	16,500	16,500
Aquatic program participants	82,605	65,000	61,500	61,500
Tennis program participants	7,700	7,964	7,800	7,800
Recreation centers programs offered	838	904	824	835
Community services				
Number of health clinic clients	5,534	5,624	5,573	6,274
Number of volunteer hours	30,093	22,324	25,209	45,000
Arts center events	757	575	611	611
Arts center participants	104,128	130,229	105,951	92,000
Animals processed by animal shelter	13,141	14,474	9,705	8,363
Water and Sewer				
Number of gallons of water pumped (000s)	6,800,000	5,641,217	6,521,600	6,346,928
Water main breaks	360	240	190	198
Miles of sewer mains cleaned	130	130	130	134

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

Schedule 18

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
14,058	12,151	15,247	15,086	16,823	17,693
8,461	4,151	4,784	3,279	3,077	2,493
7,273	6,997	6,940	6,865	6,237	6,346
1,532	1,525	1,562	1,534	1,372	1,403
3,256	3,682	3,754	3,552	3,365	3,276
31,254	36,745	38,477	42,330	33,970	24,965
38,000	37,500	37,500	37,500	37,540	37,540
33,850	31,268	32,124	35,556	37,804	37,850
77.38	81.51	80.62	79.08	84.10	82.25
201	355	314	313	302	330
16,988	52,845	55,998	52,744	41,377	107,853
16,190	15,156	16,848	16,848	16,848	16,848
1,208	1,375	1,272	1,414	1,344	1,580
197	252	147	166	299	626
18,012	12,791	20,205	15,094	15,685	15,881
1,868	1,949	1,806	1,411	1,917	1,909
2.78	2.61	2.52	2.42	2.24	2.32
0.30	0.28	0.33	0.33	0.31	0.31
59.84	59.84	59.84	60.13	60.13	59.23
13,054	20,417	15,020	2,111	2,945	3,100
79,678	99,350	92,738	76,242	76,301	85,000
7,437	7,200	6,000	8,589	8,691	8,500
854	850	1,010	1,000	1,100	1,000
4,850	3,709	3,787	2,844	2,624	2,430
46,250	49,483	54,622	59,564	65,733	68,868
516	489	601	486	588	1,206
80,530	95,002	67,227	57,318	70,925	138,225
7,896	6,605	7,419	6,523	6,648	6,592
6,312,198	6,893,829	6,164,038	5,789,895	5,516,359	5,855,090
225	334	237	306	286	276
120	167	129	128	116	82

City of Mesquite, Texas

Capital Asset Statistics by Function Last Ten Fiscal Years

(Unaudited)

	Fiscal Year			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Functions				
Police services				
Police vehicles	192	196	218	223
Field services				
Miles of streets	400	440	440	440
Miles of alleys	220	220	220	220
Number of vehicles in City fleet	636	651	677	677
Parks and recreation				
Parks acreage	1,422	1,422	1,422	1,430
Number of parks	67	67	67	68
Water and Sewer				
Water system miles	538	566	567	567
Water system connections	50,598	51,903	53,109	51,709
Sewer system miles	476	492	492	493
Sewer system connections	36,900	50,658	50,658	51,500

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

Schedule 19

Fiscal Year					
<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
220	233	223	226	262	221
440	440	440	440	440	440
220	220	220	220	220	220
681	715	702	690	760	734
1,430	1,430	1,430	1,450	1,450	1,650
69	68	68	68	69	70
567	567	567	567	567	568
54,828	54,921	54,961	54,000	54,964	55,135
493	493	493	493	493	494
54,674	53,677	53,750	53,700	53,714	53,764

MESQUITE

T E X A S

Real. Texas. Flavor.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mesquite, Texas (City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2016, which contained Emphasis of Matters paragraphs regarding a change in accounting principle and a correction of an error.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the City's internal control to determine the 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 City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency in internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We also noted certain matters that we reported to the City's management in a separate letter dated March 23, 2016.

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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
March 23, 2016

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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Mesquite, Texas (City) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Dallas, Texas
March 23, 2016

City of Mesquite, Texas
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

FEDERAL AGENCY/PASS-THROUGH ENTITY	CFDA NUMBER	GRANT OR IDENTIFYING NUMBER	AMOUNT EXPENDED
Department of Housing and Urban Development			
Direct Programs:			
CDBG – Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218		\$ 937,423
Neighborhood Stabilization Program (NSP1)	14.218		<u>16,023</u>
Total CDBG – Entitlement Grant Cluster			<u>953,446</u>
Housing Choice Voucher Program (HCVP)			
Section 8 Housing Choice Vouchers	14.871		<u>11,735,035</u>
Total Department of Housing and Urban Development			<u>12,688,481</u>
Department of Homeland Security			
Federal Emergency Management Agency			
Passed Through from:			
Texas Department of Public Safety			
Homeland Security Grant Program			
Urban Areas Security Initiative	97.067	EMW-2013-SS-00045	18,568
Urban Areas Security Initiative	97.067	EMW-2014-SS-00029	139,899
State Homeland Security Program (HMGP)	97.039	DR-1999-025	<u>10,000</u>
Total Department of Homeland Security			<u>168,467</u>
Department of Transportation			
Direct Programs:			
Federal Transit – Formula Grants			
Job Access/Reverse Commute	20.516		<u>165,322</u>
Total Department of Transportation			<u>165,322</u>
Department of Justice			
Direct Programs:			
Equitable Sharing for State and Local Law Enforcement Agencies			
	16.922		657,473
Passed Through from:			
The City of Dallas			
2013 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-H3945-TX-DJ	620
2013 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-H1562-TX-DJ	<u>727</u>
Total Department of Justice			<u>658,820</u>
Department of Treasury			
Direct Programs:			
Equitable Sharing for State and Local Law Enforcement Agencies (Treasury Forfeiture Fund Program)			
	21.000		<u>357,466</u>
Total Department of Treasury			<u>357,466</u>
Department of Health and Human Services			
Passed through from:			
Dallas Area Agency on Aging			
Special Programs for the Aging Title III, Part C Nutrition Services			
	93.045	N/A	<u>79,624</u>
Total Department of Health and Human Services			<u>79,624</u>
Total Federal Awards Expended			<u>\$ 14,118,180</u>

City of Mesquite, Texas
Schedule of Expenditures of State Awards
Year Ended September 30, 2015

STATE AGENCY/PASS-THROUGH ENTITY	GRANT NUMBER	AMOUNT EXPENDED
Texas Criminal Justice Division		
Pass through from:		
Dallas County		
Equitable Sharing for State and Local Law Enforcement Agencies	TX0571800	\$ 25,177
Total Texas Criminal Justice Division		25,177
Texas Department of Transportation		
State Section 5307 Urban Public Transportation Project Grant	51526F7063	129,061
STEPS Coit Grant	585XXF6001	21,859
Total Texas Department of Transportation		150,920
Texas Department of Transportation – Aviation Division		
Routine Airport Maintenance Program (RAMP) Grant	M118MSQTE	18,487
Total Texas Department of Transportation – Aviation Division		18,487
North Central Texas Council of Governments		
2009 Sustainable Development Grant	0918-47-020	3,017
Total North Central Texas Council of Governments		3,017
Texas Commission on Environmental Quality		
Passed through from:		
NCTCOG		
Solid Waste Implementation Grant Project (Athletic Facilities Recycling Project)	15.04.G02	42,552
Solid Waste Implementation Grant Project (Recycling and Electronic Trailer/Education)	14.04.G02	37,143
Total Texas Commission on Environmental Quality		79,695
Total State Awards Expended		\$ 277,296

City of Mesquite, Texas
Notes to Schedules of Expenditures of Federal and State Awards
Year Ended September 30, 2015

Notes to Schedule

1. The accompanying schedules of expenditures of federal and state awards include the federal and state award activity of the City of Mesquite, Texas (City) under programs of the federal and state government for the year ended September 30, 2015. The information in these schedules are presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Uniform Grant Management Standards* issued by the Governor's Office of Budget and Planning. Because the schedules present 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 or cash flows of the City.
2. Expenditures reported on the schedules of expenditures of federal and state awards are reported on the accrual basis of accounting. Federal expenditures are recognized following, as applicable, either the cost principles in OMB A-87, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.
3. Of the federal expenditures presented in this schedule, the City of Mesquite, Texas, provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
Community Development Block Grants/Entitlement Grants	14.218	Mequite Social Services	\$ 9,000
Community Development Block Grants/Entitlement Grants	14.218	Mission East Dallas County Health	9,000
Community Development Block Grants/Entitlement Grants	14.218	New Beginnings Center	12,000
Community Development Block Grants/Entitlement Grants	14.218	Sharing Life Community Outreach	9,000
			\$ 39,000

City of Mesquite, Texas
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Summary of Auditor's Results

1. The opinions expressed in the independent auditor's report were:
 Unmodified Qualified Adverse Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
Significant deficiency(ies)? Yes None reported
Material weakness(es)? Yes No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards programs was:
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

City of Mesquite, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2015

7. The City's major federal programs were:

CFDA Number	Name of Program
14.871	Section 8 Housing Choice Vouchers
16.922	Equitable Sharing for State and Local Law Enforcement Agencies

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$423,545.

9. The City qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

City of Mesquite, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2015

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2015-001	<p><i>Criteria or Specific Requirement:</i> Management is responsible for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP.)</p> <p><i>Condition</i> The City's financial statements required a prior period adjustment for proper financial statement presentation.</p> <p><i>Context</i> In previous years, the City did not properly record bond premiums/discounts in its governmental activities on the government wide-financial statements.</p> <p><i>Effect</i> The beginning net position of the 2015 government-wide governmental activities was restated in order to conform with GAAP.</p> <p><i>Cause</i> Internal controls and review processes were not in place to ensure all debt related activity were properly recorded in the comprehensive annual financial report.</p> <p><i>Recommendation</i> Management should review procedures to help ensure that controls are in place that will allow for the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> Prior to GASB 65, the City recorded the premiums/discounts in one general ledger account along with the bond costs and amortized the appropriate amounts annually. With GASB 65, amortization of bond costs were no longer allowed. The unamortized bond issuance costs were removed from the balance sheet. The City inadvertently removed the unamortized premiums/discounts through implementing GASB 65. The current year reflects a restatement of the prior year beginning balance. Going forward, the City will track the unamortized premiums/discounts in its governmental activities and amortize appropriately. The business-type activities were recorded correctly.</p>

City of Mesquite, Texas
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2015

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
-----------------------------	----------------	-----------------------------

No matters are reportable.

City of Mesquite, Texas
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2015

Reference Number	Summary of Finding	Status
-----------------------------	---------------------------	---------------

No matters are reportable.

MESQUITE

T E X A S

Real. Texas. Flavor.

City of Mesquite
P.O. Box 850137
Mesquite, TX 75185-0137

Accounting Office
Phone: 972-288-7711
www.cityofmesquite.com