

FISCAL YEAR END SEPTEMBER 30, 2024


ANNUAL COMPREHENSIVE FINANCIAL REPORT



CITY OF MELISSA

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CITY OF MELISSA, TEXAS
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2024

Prepared by:

Jason Little – City Manager

Gail Dansby – Director of Finance

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ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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INTRODUCTORY SECTION

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February 25, 2025

To the Honorable Mayor and City Council, and
Citizens of the City of Melissa, Texas

The City's Management Team is pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Melissa (the "City") for the fiscal year ending September 30, 2024. The City's Management Team assumes responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects. The data is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. To enable the reader to gain an understanding of the City's financial activities, all necessary disclosures have been included.

In accordance with the City's Charter, bond covenants and Chapter 103 of the Texas Local Government Code, the City is required to obtain an annual audit of the books of account, financial records, and transactions of all administrative departments of the City. The City's financial statements have been audited by Pattillo, Brown, & Hill, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2024, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended September 30, 2024, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The Annual Comprehensive Financial Report (ACFR) is prepared in accordance with GAAP in the United States of America established by the Government Accounting Standards Board. The ACFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes the management's discussion and analysis (MD&A), the government-wide and fund financial statements, notes to basic financial statements, required supplemental information, other supplemental information, as well as the independent auditors' report on the basic financial statements. The statistical section includes selected financial and demographic information which is presented on a multi-year basis.



The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. The MD&A can be found immediately following the independent auditors' report. The letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A.

The Reporting Entity

The City of Melissa was founded in 1846 and is a Home Rule City operating under a Council-Manager form of government adopted in the City's Home Rule Charter in November 2011. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor and a six-member City Council. The City Manager is appointed by the City Council and is responsible for carrying out policies and for the daily management of the City. Effective May 2012, Council Members will serve three-year staggered terms and are elected in an "at-large" system. The Mayor is elected to serve a three-year term and is also elected at-large.

The City of Melissa provides a full range of municipal services including police and fire protection, water and wastewater services, the construction and maintenance of streets, infrastructure and other related facilities, code enforcement, building inspection, parks, library, public improvements, planning and zoning, economic development, and general administrative services. Technical services such as engineering, legal, and solid waste/recycling are outsourced to the private sector.

The accompanying ACFR incorporates all funds of the City and includes all government activities, organizations and functions for which the City is financially accountable. The criteria used in determining activities to be reported within the City's basic financial statements are based upon and consistent with those set forth by the Governmental Accounting Standards Board.

Component units are legally separate organizations that a primary government must include as a part of its financial entity. The City has included financial statements for the Melissa Industrial and Economic Development Corporation (4A) and the Melissa Community and Economic Development Corporation (4B). The 4A and 4B Funds account for the local sales tax used to stimulate local economy, development, and redevelopment.

The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by Fund and department (e.g. police). Department heads may transfer resources within a department with the City Manager's approval. Any amendments and adjustments to the annual budget need approval from the governing Council.



The City of Melissa

The City of Melissa is a fast-growing North Texas community with a population of approximately 25,000. It is located seven miles northeast of McKinney just off State Highway 75, in north central Collin County. Melissa is in a dynamic growth area with a region encompassing nine counties and spanning one hundred miles with a population of over four million. Melissa's close proximity to Dallas and its suburbs offer easy access to all parts of the Metroplex.

From this community came many individuals and families who have been prominent in the business and professional life of Collin County. Some of the first settlers came from the old Highland community, which was located north of present day Melissa. It was here that C.H. Wysong settled as early as 1846. A Post Office was established and Isaac N. Foster became the first Postmaster on September 9, 1853. The location of the Post Office was located at Foster Crossing about 3 miles north of Melissa. The rich soils of the Blackland Prairie and the waters of the Elm Fork of the Trinity River attracted settlers to the area in the 1840s. In 1872, the Houston and Texas Central Railroads were built through the community, and the town of Melissa was laid out. Sources disagree as to the origin of the name of the town. Some say that Melissa was named for Melissa Quinlan, daughter of George A. Quinlan, an official of the Houston and Texas Central Railroad. Others say that it received its name for Melissa Huntington, daughter of C. P. Huntington, a prominent railroad executive.

In 1886 Melissa had a flourmill, two cotton gins that shipped 3,000 bales of cotton annually and several business houses. It became a stop on the Interurban (The Texas Electric Railway), linking Dallas and Denison in 1908. Due to this transportation network, it made Melissa a commercial and community center for area farmers. By 1914, Melissa's population had reached 400. Unlike many rural communities in Texas, Melissa had electric lights, a telephone exchange, and paved roads before 1920. It also had five churches, a large school, and a number of businesses, including a bank. A tornado struck the town on April 13, 1921, killing thirteen people, injuring fifty-four, and demolishing many homes and businesses. Eight years later, on August 8, 1929, a fire destroyed many of the buildings that had been rebuilt after the tornado.

The Great Depression, the mechanization of farming, and job opportunities in the Dallas metropolitan area after World War II further slowed community growth. The population of Melissa declined from 500 in 1925 to 285 in 1949. In 1966 the population was 375. Melissa was incorporated in the early 1970s. In 1980 it had a population of 604 and nine businesses. Melissa encompasses approximately twenty-one square miles of rolling hills situated between the East fork of the Trinity River and Sister Grove Creek. The City of Melissa is located a short distance from two popular Texas lakes, Lake Lavon and Lake Texoma. Melissa has three intersecting highways, Highway 75, State Highway 121 and Highway 5 (McKinney Street) all of which provide easy access south to Dallas, Austin and San Antonio, and north to Oklahoma. Highway 75 also intersects with Interstate 635, the major business loop around Dallas. State



Highway 121 runs northeast and southwest providing access south to DFW International Airport and south to the Dallas North Tollway.

Economic Condition and Outlook

By most measures, Melissa is a city on the rise and continues to attract new residents at a brisk pace. The 2000 Census estimated the population to be 1,350, while the 2024 population estimate is approximately 25,000 residents. People continue to relocate to Melissa because it is a great place to live, attend quality schools, and raise a family, and the City has taken the initiative through comprehensive planning to define what it wants to look like in the face of future growth.

The City continues to focus on the development of its infrastructure systems through a systematic and planned approach. The City felt that being prepared for the growth in the community will allow the City to grow at the pace and standards it wants. Beginning in 2006, the City adopted its first ever Comprehensive Plan to set the ground work for action planning in the future. In early 2007, staff began planning for the infrastructure that would be needed if the City grows at the pace the Comprehensive Plan anticipates. The City has since adopted Capital Improvement Programs (CIP's) for transportation, water/wastewater and a parks/trails system. Both the Comprehensive Plan and CIP's were reviewed, updated and adopted in 2015 and look at the needs and priorities for the community for the next ten years.

The CIP models are built upon the projects that will be needed over the next ten year planning period if the assumed growth is consistent with the Comprehensive Plan projections. Projects are initiated by need, or stress, placed upon the system by growth. Examples of these triggers include the growth in the tax base or increased water customers. In addition to the tangible triggers, the City Council will also evaluate the subjective factors such as general economic conditions and technical components such as traffic congestion and water/wastewater capacity. In all situations, the City attempts to leverage City funds with outside sources and economic development opportunities to maximize value of the asset to the Melissa community. The models are also built with flexibility in the project schedule. If the triggers do not materialize in a given year, the proposed projects are delayed to a future year. If the triggers accelerate past the projections, projects may be moved forward in the plan. Lastly, the plan also allows for the City to be proactive with economic development opportunities by moving a project forward to capture an unforeseen opportunity.

The CIP's again are based upon the assumption of growth. If the growth does not materialize in the manner in which assumed, the projects are not constructed and delayed until appropriate. If the City does not plan aggressively, then the growth that will eventually occur will overwhelm the infrastructure systems. Services, residents, and businesses all suffer when infrastructure systems are at capacity. Appropriate planning is the key to being proactive.



Financial Planning and Fiscal Policies

The City utilizes several planning documents to assist with the City's long-term financial planning process, as any infrastructure investment has a financial implication that must be accounted for. The following is a list of the plans utilized by the City and how they may impact the FY25 budget.

Comprehensive Plan:

Overview: The City adopted its first Comprehensive Plan in 2006 with the help of an outside consulting firm. The document reviewed many building blocks for community development including utilities, thoroughfares, parks, facilities, housing, and many other issues. The action steps that were to be considered in the future were outlined in a specific chapter within the document. These action steps were designed to help the City address any existing issues identified through the study or to help the City proceed in the desired direction. The Comprehensive Plan was updated and adopted in 2015 and is available on the City's website at www.cityofmelissa.com. The Comprehensive Plan is reviewed for any implementation priorities during each budget cycle so funding is identified to address such a priority. In 2023, the City initiated an interim review of the Comprehensive Plan to address new statewide legislative changes that have impacted the growth model contemplated in the 2015 Comprehensive Plan. The addendum should be completed in the first quarter of 2024 and be integrated into the FY 2025 Budget process.

Capital Improvement Programs:

Overview: The City adopted Capital Improvement Programs for water, wastewater, and transportation in 2007. The plans are for the ultimate growth of each of these systems, and total in excess of \$100 million. Each plan is built upon the assumption of growth in the Melissa tax base/customers/community and established general timelines on what infrastructure needs to be in place if certain growth occurs. If the growth does not occur, the projects are not constructed until the need exists. A new ten year Capital Improvement Program will be developed based on the addendum to the Comprehensive Plan currently underway.

Accounting System and Budgetary Control

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. Management must also ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. 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. All internal control evaluations occur within the above framework.



The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues recognized when measurable and available, and expenditures recorded when the liability is incurred. Proprietary operations are maintained on a full accrual basis.

The objective of budgetary controls is to ensure compliance with legal provisions contained in the annual budget approved by the City Council. The budget is developed and controlled at the department level, although appropriations are set at the fund level.

Other Information

Certificate of Achievement:

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to cities for its Annual Comprehensive Financial Report (ACFR) based on certain criteria. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports. The City has submitted and received this award for the ACFR for fifteen consecutive fiscal years (FY 2009 – FY 2023) and will be submitting the ACFR for the fiscal year ending September 30, 2024.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR, whose contents conform to program standards. Such ACFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The City is submitting this ACFR for consideration for the Certificate of Achievement for Excellence in Financial Reporting. In addition, the City of Melissa has submitted and received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended September 30, 2024. This is the sixteenth year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories including policy documentation, financial planning and organization. The budget for fiscal year 2025 will be submitted for the Distinguished Budget Award.

Acknowledgements:

The preparation of this report could not be accomplished without the efficient and dedicated services of the Administrative and Finance Department staff. We would like to express our appreciation to all employees who assisted and contributed to its presentation. Acknowledgement is also given to the representatives of Pattillo, Brown, & Hill, LLP, for their assistance in producing the final product.



We would also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,

Jason Little, City Manager

Gail Dansby, Finance Director



CITY OF MELISSA, TEXAS

LIST OF ELECTED AND APPOINTED OFFICIALS

FISCAL YEAR 2023 OCTOBER 1, 2023 - SEPTEMBER 30, 2024

MAYOR

JAY NORTHCUT

MAYOR PRO TEM

CRAIG ACKERMAN

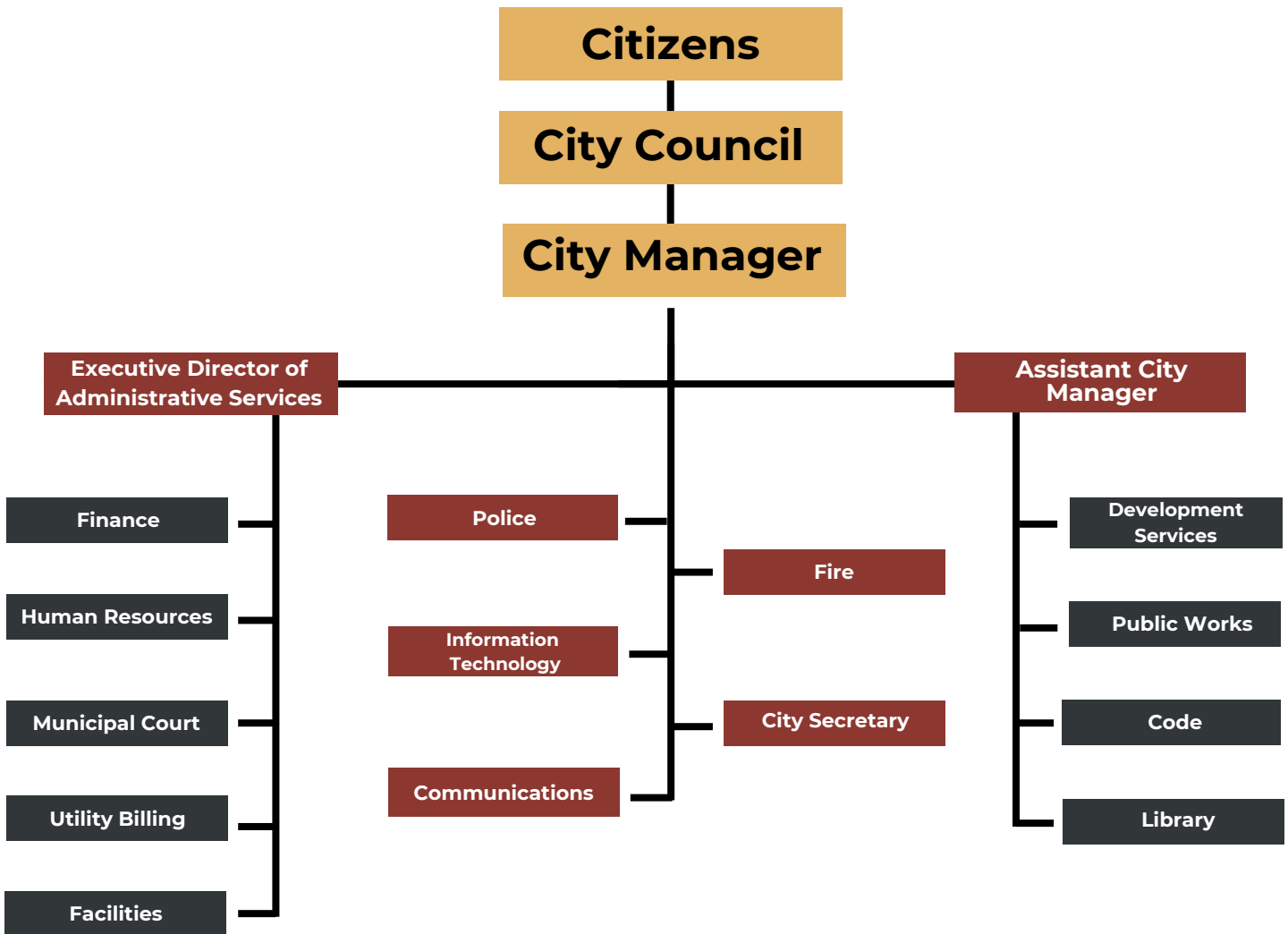
COUNCIL MEMBERS

PRESTON TAYLOR
RENDELL HENDRICKSON
DANA CONKLIN
JOSEPH ARMSTRONG
SEAN LEHR

STAFF

City Manager	Jason Little
Assistant City Manager	Terrell Smith
Executive Director of Administrative Services	Gail Dansby
City Secretary	Hope Baskins
Finance Director	Cheryl Fields
Development & Neighborhood Services Director	Amy Mathews
Human Resources Director	Mitzi McCabe
Police Chief	Erik Stokes
Fire Chief	Carl Nix
Parks & Facilities Manager	Reed Greer
Library Director	Jennifer Nehls
Billing/Customer Relations Director	Chris Thatcher
Communications Director	Bridget Saxton

ORGANIZATION CHART





Government Finance Officers Association

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

Presented to

**City of Melissa
Texas**

For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

September 30, 2023

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of City Council
City of Melissa, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Melissa, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Melissa, Texas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Melissa, Texas, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Melissa, Texas' basic financial statements. The budgetary schedules and discretely presented component unit fund statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules and discretely presented component unit fund statements, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information included in the Annual Comprehensive Financial Report

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2025 on our consideration of the City of Melissa, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Melissa, Texas' 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 of Melissa, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 24, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

As management of The City of Melissa, Texas, we offer readers of The City of Melissa's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Melissa exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$251,067,268 (*net position*) compared to \$198,940,579 for the prior year. Of this amount, \$43,248,756 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$52,126,689. The City's operations increased the governmental activities by \$16,504,061 and increased the business-type activities by \$35,622,628. The majority of the City's net position is invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$94,770,038 at September 30, 2024, an increase of \$11,860,319 from the prior fiscal year; this includes an increase of \$6,452,422 in the general fund, an increase of \$33,755 in the debt service fund, an increase of \$2,511,711 in the transportation construction fund, a decrease of \$8,929,383 in the park construction fund, a decrease of \$6,301,701 in the facilities construction fund, and an increase of \$234,749 in the nonmajor TIF fund. The decreases are primarily due to spending of bond proceeds and receiving developer fees.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$6,376,450 or 21% of total general fund operating expenditures.
- The City's outstanding debt increased by \$17,630,749 (excluding premiums) from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$148,359,376 including premiums.
- The City's net pension liability totaled \$3,320,205 as of year end.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Melissa's basic financial statements. The City's basic financial statements comprise 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.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two 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 most recent fiscal year. All changes in net position are reported as soon as 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 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 other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City include culture and recreation, community development, public safety, and public works. The business-type activities of the City include utility operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Melissa Economic Development Corporation and Community Development Corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found immediately following this management's discussion and analysis.

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 two categories: governmental funds and proprietary 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 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 assessing 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 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six individual 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 fund, debt service fund, transportation construction, park construction and facilities construction funds, which are considered to be major funds. Data from the other governmental fund is combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general, debt service, special revenue, and utility funds. A budgetary comparison schedule has been provided for each governmental fund to demonstrate compliance with their respective budget.

The basic governmental fund financial statements can be found on pages 15-20 of this report.

Proprietary funds. The City maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its public utilities operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements 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 utility fund since it is considered a major fund of the City.

The proprietary fund financial statements can be found on pages 21-24 of this report.

Component Units. The City maintains the accounting and financial statements for two component units. The Melissa Community and Economic Development Corporations are discretely presented component units displayed on the government-wide financial statements.

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 to the financial statements can be found on pages 25-50 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 51-59 of this report.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Melissa, Texas, assets and deferred outflows exceeded liabilities and deferred inflows by \$251,067,268 as of September 30, 2024, in the primary government.

The largest portion of the City's net position, \$163,824,537, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future 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 assets themselves cannot be used to liquidate these liabilities.

Below are summaries of the City's Statement of Net Position and Changes in Net Position.

CITY OF MELISSA'S NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$100,954,838	\$ 90,967,502	\$ 29,375,498	\$ 25,934,430	\$ 130,330,336	\$ 116,901,932
Capital assets	<u>152,967,491</u>	<u>133,157,402</u>	<u>132,522,663</u>	<u>95,452,233</u>	<u>285,490,154</u>	<u>228,609,635</u>
Total assets	<u>253,922,329</u>	<u>224,124,904</u>	<u>161,898,161</u>	<u>121,386,663</u>	<u>415,820,490</u>	<u>345,511,567</u>
Deferred outflows of resources	<u>1,746,357</u>	<u>1,865,862</u>	<u>311,527</u>	<u>292,412</u>	<u>2,057,884</u>	<u>2,158,274</u>
Long-term liabilities	11,378,645	11,582,345	6,322,934	4,779,111	17,701,579	16,361,456
Other liabilities	<u>115,063,094</u>	<u>101,662,169</u>	<u>33,830,132</u>	<u>30,462,761</u>	<u>148,893,226</u>	<u>132,124,930</u>
Total liabilities	<u>126,441,739</u>	<u>113,244,514</u>	<u>40,153,066</u>	<u>35,241,872</u>	<u>166,594,805</u>	<u>148,486,386</u>
Deferred inflows of resources	<u>207,771</u>	<u>231,137</u>	<u>8,530</u>	<u>11,739</u>	<u>216,301</u>	<u>242,876</u>
Net position:						
Net investment in capital assets	67,896,525	55,632,168	95,928,012	62,127,056	163,824,537	117,759,224
Restricted	36,497,390	34,859,134	7,496,585	9,643,251	43,993,975	44,502,385
Unrestricted	<u>24,625,261</u>	<u>22,023,813</u>	<u>18,623,495</u>	<u>14,655,157</u>	<u>43,248,756</u>	<u>36,678,970</u>
Total net position	<u>\$129,019,176</u>	<u>\$ 112,515,115</u>	<u>\$ 122,048,092</u>	<u>\$ 86,425,464</u>	<u>\$ 251,067,268</u>	<u>\$ 198,940,579</u>

Total current and other assets increased by \$70,308,923 due primarily to an increase in infrastructure additions, as well as governmental activities revenues exceeding expenses. Total capital assets increased by \$57,136,519 due to the investment in several major ongoing capital projects and developer donated infrastructure. Total long-term liabilities increased by \$1,340,123 due to the issuance of certificates of obligation offset against regular debt service payments.

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 6,985,143	\$ 6,298,386	\$ 21,147,816	\$ 16,458,501	\$ 28,132,959	\$ 22,756,887
Operating grants and contributions	843,373	1,223,701	-	-	843,373	1,223,701
Capital grants and contributions	10,864,405	10,931,063	38,447,268	10,411,090	49,311,673	21,342,153
General revenues:						
Property taxes	14,680,643	11,495,048	-	-	14,680,643	11,495,048
Sales taxes	4,553,482	4,241,325	-	-	4,553,482	4,241,325
Franchise taxes	1,204,204	903,662	-	-	1,204,204	903,662
Investment earnings	4,830,416	3,549,781	1,163,666	749,338	5,994,082	4,299,119
Other revenue	85,646	67,353	24,305	10,249	109,951	77,602
Total revenues	<u>44,047,312</u>	<u>38,710,319</u>	<u>60,783,055</u>	<u>27,629,178</u>	<u>104,830,367</u>	<u>66,339,497</u>
Expenses:						
General government	12,236,798	7,923,619	-	-	12,236,798	7,923,619
Public safety	9,769,117	7,801,736	-	-	9,769,117	7,801,736
Streets	2,997,765	2,164,445	-	-	2,997,765	2,164,445
Culture and recreational	3,283,626	2,853,551	-	-	3,283,626	2,853,551
Interest and other	4,328,710	2,580,790	1,483,103	1,315,809	5,811,813	3,896,599
Water and sewer	-	-	17,151,066	10,258,099	17,151,066	10,258,099
Sanitation	-	-	1,453,493	1,221,346	1,453,493	1,221,346
Total expenses	<u>32,616,016</u>	<u>23,324,141</u>	<u>20,087,662</u>	<u>12,795,254</u>	<u>52,703,678</u>	<u>36,119,395</u>
Increase (decrease) in net position before transfers	11,431,296	15,386,178	40,695,393	14,833,924	52,126,689	30,220,102
Transfers	5,072,765	441,447	(5,072,765)	(441,447)	-	-
Increase (decrease) in net position	<u>16,504,061</u>	<u>15,827,625</u>	<u>35,622,628</u>	<u>14,392,477</u>	<u>52,126,689</u>	<u>30,220,102</u>
Net position, beginning	<u>112,515,115</u>	<u>96,687,490</u>	<u>86,425,464</u>	<u>72,032,987</u>	<u>198,940,579</u>	<u>168,720,477</u>
Net position, ending	<u>\$ 129,019,176</u>	<u>\$ 112,515,115</u>	<u>\$ 122,048,092</u>	<u>\$ 86,425,464</u>	<u>\$ 251,067,268</u>	<u>\$ 198,940,579</u>

Governmental activities. For the year ended September 30, 2024, revenues from governmental activities totaled \$44,047,312. Property tax and charges for services were the City’s largest general revenue sources and increased by \$3.2 million due to an increase in property values and growth in the City for both residential and commercial activity. Overall revenue decreased \$5,336,993 or 14% from the prior year. The \$66,658 decrease in capital contributions is due to fewer developer projects being completed and accepted by the City in the fiscal year. In contrast, charges for services increased \$686,757 from development fees and larger licenses and permits issued. Operating grants decreased by \$380,328 as the City spent a majority of its ARPA funding in prior years. Property tax revenue increased by \$3,185,595 due to an increase in the overall taxable property values from the preceding year tax roll. Sales tax revenue increased by \$312,157 primarily due to additional retail commercial growth and building supply sales in the City. Franchise tax income increased by \$300,542 primarily due to population and service growth within the City. Investment income increased by \$1,280,635 primarily due to the realization of higher interest rates over the course of the year. Other revenue increased by \$18,293 due to nonrecurring miscellaneous revenue received in the current year.

For the year ended September 30, 2024, expenses for governmental activities totaled \$32,616,016. This represents an increase of \$9,291,875 or 40% from the prior year. The City’s largest functional expense is general government totaling \$12,236,798. General government expenses remain comparable to the prior year, but public safety expenses increased by \$1.9 million attributed to construction costs associated with the public safety complex. Street expenses increased by \$833,320 or 39% primarily due to nonrecurring street maintenance expenditures in the prior year. Culture and recreation expenses increased by \$430,075 or 15% primarily as a result of greater personnel, facilities maintenance, sports facility/park services contract expenses, and annual depreciation expenses. Interest and fiscal charges increased by \$1,747,920 due to greater bond issuance costs incurred in the current year.

Business-type activities. For the year ended September 30, 2024, charges for services by business-type activities totaled \$21,147,816. This is an increase of \$4,689,315 or 28% from the previous year. This increase directly relates to an increase in utility service consumption with the growing customer base in both residential and commercial customers. An annual Water Rate Study is conducted to evaluate the system needs, budget requirements and review the rates.

Total expenses increased \$7,292,408 or 57% to a total of \$20,087,662. This increase is primarily attributed to increased wholesale cost of water and sewer treatment services and growth of the customer base. Water and sewer and interest expenses totaled \$17,151,066 and sanitation totaled \$1,453,493.

Financial Analysis of the City’s Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information of 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 the City's net resources available for spending at the end of the year.

At September 30, 2024, the City's governmental funds reported combined fund balances of \$94,770,038, an increase of \$11,860,319 in comparison with the prior year. Approximately 7% of this amount, \$6,376,450, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted or committed to indicate that it is 1) not in spendable form \$32,544, 2) assigned \$19,122,081 or 3) restricted for particular purposes \$69,238,963.

As of the end of the year the general fund reflected a total fund balance of \$58,578,248. Of this, \$33,047,173 is considered restricted and \$6,376,450 is unassigned. General fund fund balance increased by \$12,240,028. This increase can be attributed to increase in sales tax, property taxes, and permitting fees associated with the residential and commercial growth, evidenced by the 28% tax roll increase; impact service fees assessed and collected; and interest earned from rates staying favorable during the fiscal year.

As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$6,376,450 is 21% of total general fund operating expenditures.

The debt service fund had an ending fund balance of \$1,272,794 as of year end. Total fund balance increased by \$33,755 from the prior year due to an increase in property tax collections offset by debt service payments made in the current year.

The transportation construction fund had an ending fund balance of \$21,080,414 at September 30, 2024, an increase of \$2,511,711 when compared to the previous year. This increase is primarily attributable to the issuance of bonds in the amount of \$4,870,000 in fiscal year 2024, compared to capital expenditures of \$4,012,433.

The park construction fund had an ending fund balance of \$10,736,702 at September 30, 2024, an increase of \$8,929,383. The change in fund balance is attributable to the issuance of bonds in the amount of \$12,165,000 in fiscal year 2024.

The facilities construction fund had an ending fund balance of \$1,262,128 at September 30, 2024, a decrease of \$6,301,701. The decrease is attributable to construction costs of \$11.4 million in the fiscal year.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the City's only proprietary fund, the enterprise fund, totaled \$122,048,092. Unrestricted net position at the close of the fiscal year amounted to \$18,623,495 and a total increase in net position of \$35,622,628 from the previous year. Total investment in capital assets, net of related debt of was \$95,928,012, and capital assets, net of depreciation totaled \$131,114,663.

GENERAL FUND BUDGETARY HIGHLIGHTS

Supplemental budget amendments were approved during the fiscal year increasing total budgeted expenditures by \$2,921,503 and increasing total revenues by \$7,371,100. The primary reasons for the budget revision of revenues were due to higher than expected revenue from property taxes, sales taxes, permit revenue, and platting and development. Budgeted expenditures were increased to account for inspections and engineering on new developments; as well as increased administrative and public safety expenses. Total budgeted revenues of \$25,396,163 were less than actual revenues of \$34,936,845, resulting in a total positive revenue variance of \$9,540,682. The majority of this variance is a result of road impact fees and park development fees not being included in the budget. In addition, actual intergovernmental and other revenues were significantly more than the budgeted amounts. Total budgeted expenditures of \$21,388,136 were less than actual expenditures of \$30,880,692, resulting in a total negative expenditure variance of \$9,492,556. This negative variance is primarily a result of capital outlay expenditures not being appropriated.

Capital Assets

As of the end of the year, the City's governmental activities funds had invested \$152,967,491 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested \$131,114,663 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, park improvements, and infrastructure.

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

East Water Facility	\$1 million
City Hall renovations	\$500 thousand
Downtown Roads	\$350 thousand
Various road projects	\$1.5 million
Utility Relocation Project	\$380 thousand
Cardinal/Highland Rds	\$2.4 million
Phase IV Zplex	\$1 million
Public Safety Complex	\$9.5 million
Parks & Public Works Facilities Renovation	\$1.5 thousand

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 35-36.

CITY OF MELISSA'S CAPITAL ASSETS (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 10,969,382	\$ 5,568,970	\$ 1,482,636	\$ 1,482,636	\$ 12,452,018	\$ 7,051,606
Construction in progress	17,712,728	43,495,566	1,745,517	7,154,318	19,458,245	50,649,884
Buildings and improvements	31,266,324	9,382,952	127,293,119	84,501,347	158,559,443	93,884,299
Equipment	2,565,020	2,059,499	273,606	204,614	2,838,626	2,264,113
Infrastructure	89,548,998	71,692,406	-	-	89,548,998	71,692,406
Right to use equipment	663,181	605,159	319,785	445,318	982,966	1,050,477
SBITA	241,858	352,850	-	-	241,858	352,850
Total	<u>\$ 152,967,491</u>	<u>\$ 133,157,402</u>	<u>\$ 131,114,663</u>	<u>\$ 93,788,233</u>	<u>\$ 284,082,154</u>	<u>\$ 226,945,635</u>

Long-Term Debt

The City's long-term debt obligations increased by \$17,853,749 (excluding premiums) from the prior year. The total bonds, leases, SBITAs, financing arrangements, and certificates of obligation payable at the close of the fiscal year were \$151,782,774, including premiums.

All of the City's debt is backed by a full-faith credit pledge of property taxes with a limited pledge of revenues of the enterprise/utility system. The City monitors its debt obligations and callable bonds for refinancing opportunities with market conditions.

More detailed information about the City's long-term liabilities is presented in the notes to the financial statements on pages 37-43.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 15,810,000	\$ 17,325,000	\$ 1,260,000	\$ 1,495,000	\$ 17,070,000	\$ 18,820,000
Certificates of obligation	90,940,000	76,015,000	25,885,000	23,070,000	116,825,000	99,085,000
Contract revenue bonds	-	-	5,936,750	4,987,500	5,936,750	4,987,500
Bond premiums	6,763,937	6,563,415	1,763,689	1,741,211	8,527,626	8,304,626
Financing arrangements	2,411,800	1,689,874	-	-	2,411,800	1,689,874
Leases	627,606	585,737	383,992	456,288	1,011,598	1,042,025
SBITAs payable	176,349	263,383	47,349	-	223,698	263,383
Total	<u>\$ 116,553,343</u>	<u>\$ 102,179,026</u>	<u>\$ 35,229,431</u>	<u>\$ 31,749,999</u>	<u>\$ 151,782,774</u>	<u>\$ 133,929,025</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget document for Fiscal Year 2024 (FY24) was submitted to the Government Finance Officers Association of America (GFOA) Distinguished Budget Award committee, and the City was awarded its Distinguished Budget Award for the fifteenth consecutive year. Comments submitted by the GFOA reviewers on items for improvement were addressed, and the budget document will be submitted for the FY 2025 award. The goal of the Distinguished Budget Award program is to evaluate the budget document in the context of it serving as a policy guide, operations guide, financial plan, and communication document. These focus areas are intended to ensure the budget provides expanded information to anyone who reads the document, and at the same time, provides for a meaningful feedback tool to the departments and organization on how they are doing in the budget process as well.

The property tax revenue estimated for the Fiscal Year 2025 (FY25) budget is based on an ad valorem tax rate of \$0.454116, a slight reduction of \$0.000612 from the previous tax rate from FY24.

The FY25 assessed property value of the City of Melissa is approximately \$4.05 billion, an overall increase of \$867 million from the preceding year. The top ten taxpayers for 2024 make up 8.67% of the \$4.05 billion taxable appraised value.

Sales Tax is the second largest source of revenue to the City's General Fund, totaling \$4,600,000 or 19% of total revenues.

The City Council remains committed to conducting an annual water rate study to ensure the rate structure pays for the debt and maintenance and operation of the water and wastewater systems. This planning effort is imperative in a community where investments in water and wastewater systems are critical to sustain the growth it is experiencing. The City purchases surface water from the North Texas Municipal Water District (NTMWD) and supplements its water supply with minimal well water. The NTMWD delivers water to the City and treats its wastewater as well. Current wholesale rates increased approximately 5.7% for water and 15% for wastewater treatment and transmission by NTMWD. Over the past three years, the City has been able to absorb the wholesale increases from NTMWD largely due to the growth in utility customers. This year's wholesale increases for water and wastewater, along with the City's implementation of the East Water Facility, will not allow for the absorption of wholesales rates in FY23. The rates will be reviewed again next year.

Capital Improvement Planning projects and expenditures are captured in the Transportation Construction Fund and the Utility Construction Fund respectfully. The ten-year planning program for the City's Transportation, Water and Wastewater Capital Improvement Program will anticipate, plan, and construct the necessary improvements for the roadway system, water, and wastewater system.

All these factors were considered in preparing the City of Melissa's FY25 budget.

The City of Melissa is committed to increasing the contingency or General Fund balance to defray unforeseen budget shortfalls. The Council adopts financial policies annually, including a goal of reserving at least 90 days of operating expenses for the City's General Fund. The fund balance ended at 90 days at 9/30/24. The FY 25 budget provides for an approximate increase of \$1,000,000 in the General Fund balance to remain at the 90 day benchmark.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 3411 Barker Avenue Melissa, Texas 75454.

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**BASIC
FINANCIAL STATEMENTS**

CITY OF MELISSA, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Governmental Activities	Business-type Activities	Totals	Component Units	
				Community Development	Economic Development
ASSETS					
Cash and cash equivalents	\$ 98,417,129	\$ 26,517,659	\$ 124,934,788	\$ 3,568,991	\$ 6,238,212
Receivables (net of allowance for uncollectibles):	1,971,273	3,135,731	5,107,004	355,792	355,792
Contribution receivable	-	256,000	256,000	-	-
Internal balances	533,892	(533,892)	-	-	-
Prepaid items and other	32,544	-	32,544	-	-
Total current assets	<u>100,954,838</u>	<u>29,375,498</u>	<u>130,330,336</u>	<u>3,924,783</u>	<u>6,594,004</u>
Contribution receivable, noncurrent	-	1,408,000	1,408,000	-	-
Capital assets:					
Nondepreciable	28,682,110	3,228,153	31,910,263	16,166	129,076
Depreciable, net of accumulated depreciation	<u>124,285,381</u>	<u>127,886,510</u>	<u>252,171,891</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>152,967,491</u>	<u>132,522,663</u>	<u>285,490,154</u>	<u>16,166</u>	<u>129,076</u>
Total assets	<u>253,922,329</u>	<u>161,898,161</u>	<u>415,820,490</u>	<u>3,940,949</u>	<u>6,723,080</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	148,809	42,780	191,589	-	-
Deferred outflow related to pensions	1,569,329	264,000	1,833,329	-	-
Deferred outflow related to OPEB	<u>28,219</u>	<u>4,747</u>	<u>32,966</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>1,746,357</u>	<u>311,527</u>	<u>2,057,884</u>	<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MELISSA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	Governmental Activities	Business-type Activities	Totals	Component Units	
				Community Development	Economic Development
LIABILITIES					
Accounts payable	\$ 4,639,456	\$ 2,287,901	\$ 6,927,357	\$ -	\$ -
Accrued liabilities	694,434	32,813	727,247	-	-
Customer deposits	-	1,739,332	1,739,332	-	-
Unearned revenue	250,000	-	250,000	-	-
Accrued interest	924,457	321,932	1,246,389	-	-
Noncurrent liabilities:					
Due within one year:					
Long-term debt	4,870,298	1,940,956	6,811,254	-	-
Total OPEB liability	3,334	561	3,895	-	-
Due in more than one year:					
Long-term debt	112,124,708	33,335,824	145,460,532	-	-
Net pension liability	2,842,095	478,110	3,320,205	-	-
Total OPEB liability	<u>92,957</u>	<u>15,637</u>	<u>108,594</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>126,441,739</u>	<u>40,153,066</u>	<u>166,594,805</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow related to leases	157,063	-	157,063	-	-
Deferred inflow related to OPEB	<u>50,708</u>	<u>8,530</u>	<u>59,238</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>207,771</u>	<u>8,530</u>	<u>216,301</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	67,896,525	95,928,012	163,824,537	16,166	129,076
Restricted for:					
Municipal court	152,931	-	152,931	-	-
Debt service	2,188,089	-	2,188,089	-	-
Capital projects	33,849,299	7,496,585	41,345,884	-	-
Outfit vehicles	266,400	-	266,400	-	-
PEG fees	40,671	-	40,671	-	-
Community development	-	-	-	3,924,783	-
Economic development	-	-	-	-	6,594,004
Unrestricted	<u>24,625,261</u>	<u>18,623,495</u>	<u>43,248,756</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 129,019,176</u>	<u>\$ 122,048,092</u>	<u>\$ 251,067,268</u>	<u>\$ 3,940,949</u>	<u>\$ 6,723,080</u>

CITY OF MELISSA, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 12,236,798	\$ 5,817,288	\$ 63,290	\$ 683,450
Public safety	9,769,117	921,418	94,871	-
Culture and recreation	3,283,626	246,437	547,045	3,326,300
Public works	2,997,765	-	138,167	6,854,655
Interest and other	4,328,710	-	-	-
Total governmental activities	<u>32,616,016</u>	<u>6,985,143</u>	<u>843,373</u>	<u>10,864,405</u>
Business-type activities:				
Water and sewer	18,634,169	19,506,482	-	38,447,268
Sanitation	1,453,493	1,641,334	-	-
Total business-type activities	<u>20,087,662</u>	<u>21,147,816</u>	<u>-</u>	<u>38,447,268</u>
Total primary government	<u>\$ 52,703,678</u>	<u>\$ 28,132,959</u>	<u>\$ 843,373</u>	<u>\$ 49,311,673</u>
Component units:				
Community development	\$ 1,032,798	\$ -	\$ -	\$ -
Economic development	783,661	-	-	-
Total Component Units	<u>\$ 1,816,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

 Taxes:

 Property tax

 Sales tax

 Franchise and local tax

 Investment earnings

 Miscellaneous

Transfers

 Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

The accompanying notes are an integral part of these financial statements.

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Community Development	Economic Development
\$ (5,672,770)	\$ -	\$ (5,672,770)	\$ -	\$ -
(8,752,828)	-	(8,752,828)	-	-
836,156	-	836,156	-	-
3,995,057	-	3,995,057	-	-
(4,328,710)	-	(4,328,710)	-	-
(13,923,095)	-	(13,923,095)	-	-
-	39,319,581	39,319,581	-	-
-	187,841	187,841	-	-
-	39,507,422	39,507,422	-	-
(13,923,095)	39,507,422	25,584,327	-	-
			(1,032,798)	-
			-	(783,661)
			(1,032,798)	(783,661)
14,680,643	-	14,680,643	-	-
4,553,482	-	4,553,482	2,271,793	2,271,793
1,204,204	-	1,204,204	-	-
4,830,416	1,163,666	5,994,082	143,750	271,985
85,646	24,305	109,951	-	-
5,072,765	(5,072,765)	-	-	-
30,427,156	(3,884,794)	26,542,362	2,415,543	2,543,778
16,504,061	35,622,628	52,126,689	1,382,745	1,760,117
112,515,115	86,425,464	198,940,579	2,558,204	4,962,963
\$ 129,019,176	\$ 122,048,092	\$ 251,067,268	\$ 3,940,949	\$ 6,723,080

CITY OF MELISSA, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	General	Debt Service	Transportation Construction
ASSETS			
Cash and cash equivalents	\$ 60,916,258	\$ 1,330,776	\$ 21,480,323
Receivables, net	1,971,273	-	-
Due from other funds	607,709	-	-
Prepaid items	32,544	-	-
Total assets	<u>63,527,784</u>	<u>1,330,776</u>	<u>21,480,323</u>
LIABILITIES			
Accounts payable	3,351,400	2,000	399,909
Accrued liabilities	387,235	-	-
Unearned revenue	250,000	-	-
Due to other funds	52,792	55,982	-
Total liabilities	<u>4,041,427</u>	<u>57,982</u>	<u>399,909</u>
DEFERRED INFLOWS OF RESOURCES			
Related to leases	157,063	-	-
Unavailable property taxes	83,055	-	-
Unavailable court fines	667,991	-	-
Total deferred inflows of resources	<u>908,109</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable:			
Prepays	32,544	-	-
Restricted:			
Municipal court	152,931	-	-
Debt service	-	1,272,794	-
Capital projects	32,587,171	-	21,080,414
Outfit vehicles	266,400	-	-
PEG fees	40,671	-	-
Assigned	19,122,081	-	-
Unassigned	6,376,450	-	-
Total fund balances	<u>58,578,248</u>	<u>1,272,794</u>	<u>21,080,414</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>63,527,784</u>	\$ <u>1,330,776</u>	\$ <u>21,480,323</u>

The accompanying notes are an integral part of these financial statements.

<u>Park Construction</u>	<u>Facilities Construction</u>	<u>Nonmajor TIF Fund</u>	<u>Total Governmental Funds</u>
\$ 11,512,129	\$ 1,390,683	\$ 1,786,960	\$ 98,417,129
-	-	-	1,971,273
-	-	52,792	660,501
-	-	-	32,544
<u>11,512,129</u>	<u>1,390,683</u>	<u>1,839,752</u>	<u>101,081,447</u>
775,427	110,720	-	4,639,456
-	-	-	387,235
-	-	-	250,000
-	17,835	-	126,609
<u>775,427</u>	<u>128,555</u>	<u>-</u>	<u>5,403,300</u>
-	-	-	157,063
-	-	-	83,055
-	-	-	667,991
<u>-</u>	<u>-</u>	<u>-</u>	<u>908,109</u>
-	-	-	32,544
-	-	-	152,931
-	-	1,839,752	3,112,546
10,736,702	1,262,128	-	65,666,415
-	-	-	266,400
-	-	-	40,671
-	-	-	19,122,081
-	-	-	6,376,450
<u>10,736,702</u>	<u>1,262,128</u>	<u>1,839,752</u>	<u>94,770,038</u>
\$ 11,512,129	\$ 1,390,683	\$ 1,839,752	\$ 101,081,447

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CITY OF MELISSA, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2024

Total fund balances - governmental funds balance sheet \$ 94,770,038

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 152,967,491

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.

Property taxes 83,055
Court fines 667,991

Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.

Deferred outflows - pension related 1,569,329
Deferred outflows - OPEB related 28,219
Deferred inflows - OPEB related (50,708)

Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.

Net pension liability (2,842,095)
OPEB liability (96,291)
General obligation bonds (15,810,000)
Certificates of obligation (90,940,000)
Financing arrangements (2,411,800)
Accrued interest (924,457)
Leases (627,606)
SBITA (176,349)
Compensated absences (265,314)
Retainage payable (307,199)

Governmental funds report the effect of premiums, refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Deferred amount on refunding 148,809
Premium on bonds (6,763,937)

Net position of governmental activities \$ 129,019,176

CITY OF MELISSA, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General	Debt Service	Transportation Construction
REVENUES			
Property taxes	\$ 9,484,939	\$ 3,679,546	\$ -
Sales taxes	4,553,482	-	-
Franchise taxes	1,204,204	-	-
Road impact fees	6,011,692	-	-
Park development fees	3,202,000	-	-
License and permits	4,385,202	-	-
Charges for services	246,437	-	-
Fines and forfeitures	940,863	-	-
Platting and development	1,325,341	-	-
Intergovernmental	216,800	1,434,323	-
Lease	109,975	-	-
Investment earnings	3,170,264	73,879	1,024,144
Miscellaneous	85,646	-	-
Total revenues	<u>34,936,845</u>	<u>5,187,748</u>	<u>1,024,144</u>
EXPENDITURES			
Current:			
General government	10,557,563	-	-
Public safety	8,487,296	-	-
Culture and recreation	2,035,185	-	-
Public works	688,899	-	-
Capital outlay	8,506,918	-	4,012,433
Debt service:			
Principal	499,411	3,625,000	-
Interest and other	105,420	3,848,893	34,629
Total expenditures	<u>30,880,692</u>	<u>7,473,893</u>	<u>4,047,062</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,056,153</u>	<u>(2,286,145)</u>	<u>(3,022,918)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	900,000	-	4,870,000
Premium on issuance of debt	-	-	164,629
Issuance of lease	276,172	-	-
Transfers in	2,948,177	2,319,900	500,000
Transfers out	(1,728,080)	-	-
Total other financing sources and uses	<u>2,396,269</u>	<u>2,319,900</u>	<u>5,534,629</u>
NET CHANGE IN FUND BALANCES	<u>6,452,422</u>	<u>33,755</u>	<u>2,511,711</u>
FUND BALANCES, BEGINNING	<u>52,125,826</u>	<u>1,239,039</u>	<u>18,568,703</u>
FUND BALANCES, ENDING	<u>\$ 58,578,248</u>	<u>\$ 1,272,794</u>	<u>\$ 21,080,414</u>

The accompanying notes are an integral part of these financial statements.

Park Construction	Facilities Construction	Nonmajor TIF Fund	Total Governmental Funds
\$ -	\$ -	\$ 1,558,141	\$ 14,722,626
-	-	-	4,553,482
-	-	-	1,204,204
-	-	-	6,011,692
-	-	-	3,202,000
-	-	-	4,385,202
-	-	-	246,437
-	-	-	940,863
-	-	-	1,325,341
-	-	-	1,651,123
-	-	-	109,975
288,373	195,667	78,089	4,830,416
-	-	-	85,646
<u>288,373</u>	<u>195,667</u>	<u>1,636,230</u>	<u>43,269,007</u>
-	-	-	10,557,563
-	-	-	8,487,296
-	-	-	2,035,185
-	-	-	688,899
1,408,578	11,382,029	-	25,309,958
-	-	-	4,124,411
78,329	-	-	4,067,271
<u>1,486,907</u>	<u>11,382,029</u>	<u>-</u>	<u>55,270,583</u>
<u>(1,198,534)</u>	<u>(11,186,362)</u>	<u>1,636,230</u>	<u>(12,001,576)</u>
12,165,000	-	-	17,935,000
413,329	-	-	577,958
-	-	-	276,172
-	4,884,661	-	10,652,738
(2,450,412)	-	(1,401,481)	(5,579,973)
<u>10,127,917</u>	<u>4,884,661</u>	<u>(1,401,481)</u>	<u>23,861,895</u>
<u>8,929,383</u>	<u>(6,301,701)</u>	<u>234,749</u>	<u>11,860,319</u>
<u>1,807,319</u>	<u>7,563,829</u>	<u>1,605,003</u>	<u>82,909,719</u>
\$ <u>10,736,702</u>	\$ <u>1,262,128</u>	\$ <u>1,839,752</u>	\$ <u>94,770,038</u>

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CITY OF MELISSA, TEXAS

**RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

Net change in fund balances - total governmental funds:	\$11,860,319
<p>Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Capital assets	25,693,724
Depreciation	(7,008,124)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.</p>	
Donation of capital assets	842,963
Disposals of capital assets	(25,673)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Property taxes	(41,983)
Court fines	(22,675)
<p>Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities.</p>	
Principal payments	4,124,411
Long-term debt issuance	(18,789,130)
<p>Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	20,039
Accrued interest	(564,470)
Net pension liability	115,759
Total OPEB liability	(4,130)
Amortization of deferred charges on refunding	(74,405)
Amortization of bond premium	<u>377,436</u>
Change in net position of governmental activities	<u>\$16,504,061</u>

CITY OF MELISSA, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

SEPTEMBER 30, 2024

	Utility Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 26,517,659
Receivables, net	3,135,731
Contribution receivable, current	<u>256,000</u>
Total current assets	<u>29,909,390</u>
Noncurrent assets	
Contribution receivable, noncurrent	1,408,000
Capital assets:	
Nondepreciable	3,228,153
Depreciable, net of accumulated depreciation	<u>127,886,510</u>
Total noncurrent assets	<u>132,522,663</u>
Total assets	<u>162,432,053</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	42,780
Deferred outflow related to pensions	264,000
Deferred outflow related to OPEBs	<u>4,747</u>
Total deferred outflows of resources	<u>311,527</u>
LIABILITIES	
Current liabilities:	
Accounts payable	2,287,901
Accrued liabilities	32,813
Customer deposits	1,739,332
Accrued interest	321,932
Due to other funds	533,892
Compensated absences, current	11,837
Leases, current	100,069
Bonds payable, current	1,829,050
OPEB liability	<u>561</u>
Total current liabilities	<u>6,857,387</u>
Noncurrent liabilities:	
Compensated absences	35,512
Leases	283,923
Bonds payable	33,016,389
Net pension liability	478,110
OPEB liability	<u>15,637</u>
Total noncurrent liabilities	<u>33,829,571</u>
Total liabilities	<u>40,686,958</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow related to OPEB	<u>8,530</u>
Total deferred inflows of resources	<u>8,530</u>
NET POSITION	
Net investment in capital assets	95,928,012
Restricted for capital projects	7,496,585
Unrestricted	<u>18,623,495</u>
Total net position	<u>\$ 122,048,092</u>

CITY OF MELISSA, TEXAS

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenue	\$ 11,148,239
Sanitation revenue	1,641,334
Sewer revenue	7,626,133
Meter installations	283,896
Reconnect fees	285,351
Other	<u>162,863</u>
Total operating revenues	<u>21,147,816</u>
OPERATING EXPENSES	
Personnel services	1,559,989
Materials and supplies	6,103,160
Contractual services	9,032,644
Depreciation	<u>1,887,698</u>
Total operating expenses	<u>18,583,491</u>
OPERATING INCOME	<u>2,564,325</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,163,666
Interest expense	(1,483,103)
Bond issuance costs	(21,068)
Gain on sale of assets	<u>24,305</u>
Total nonoperating revenues (expenses)	<u>(316,200)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>2,248,125</u>
Capital contributions - capital assets	36,523,766
Capital contributions - developer contributions	227,536
Capital contributions - impact fees	1,695,966
Transfers out	<u>(5,072,765)</u>
CHANGE IN NET POSITION	35,622,628
NET POSITION, BEGINNING	<u>86,425,464</u>
NET POSITION, ENDING	<u>\$ 122,048,092</u>

CITY OF MELISSA, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 20,832,356
Cash paid to employees	(1,538,203)
Cash paid to suppliers and service providers	(11,677,446)
Net cash provided by operating activities	<u>7,616,707</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from other funds	572,228
Transfers paid to other funds	(5,072,765)
Net cash provided by noncapital financing activities	<u>(4,500,537)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(489,753)
Capital contributions	277,333
Proceeds from issuance of long-term debt	5,200,068
Principal payment on long-term debt	(1,826,732)
Interest paid on long-term debt	(1,320,003)
Bond issuance costs and fees	(21,068)
Proceeds from sale of assets	24,305
Net cash provided (used) by capital and related financing activities	<u>1,844,150</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	<u>1,163,666</u>
Net cash provided by investing activities	<u>1,163,666</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,123,986
CASH AND CASH EQUIVALENTS, BEGINNING	<u>20,393,673</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 26,517,659</u>

CITY OF MELISSA, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Utility Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 2,564,325
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,887,698
(Increase) decrease in:	
Accounts receivable	(666,410)
Prepays	2,755,767
Deferred outflows	(8,420)
Increase (decrease) in:	
Accounts payable	702,591
Accrued liabilities	11,519
Customer deposits	350,950
Compensated absences	14,399
Net pension liability	4,059
Total OPEB liability	3,438
Deferred inflows	<u>(3,209)</u>
Net cash provided by operating activities	<u>\$ 7,616,707</u>
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Contributions of capital assets	\$ 36,523,766
Right to use equipment on account	34,336

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CITY OF MELISSA, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Melissa, Texas is a municipal corporation governed by an elected six-member council and mayor. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. Each discretely presented component unit has a September 30 year end.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Units

Melissa Industrial and Economic Development Corporation

The Melissa Industrial and Economic Development Corporation (the "MIEDC") serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can remove appointed board members at will. The scope of public service of the MIEDC benefits the City and its citizens by developing economic resources and is operated primarily within the geographic boundaries of the City. The Board is not substantially the same as the City Council, and therefore, is discretely presented.

Melissa Community and Economic Development Corporation

The Melissa Community Development Corporation (the "MCEDC") serves all citizens of the City and is governed by a board appointed by the City's elected council. The City can remove appointed board members at will. The scope of public service of the MCEDC benefits the City and its citizens by developing recreational resources and is operated primarily within the geographic boundaries of the City. The Board is not substantially the same as the City Council, and therefore, is discretely presented.

The MIEDC and MCEDC do not prepare separate financial statements; however, the presentations in the basic financial statements and the other supplementary information are a complete presentation.

B. Government-Wide and Fund 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 nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has two discretely presented component units and are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's utility function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the City's funds. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The principal sources of revenues include local property taxes, sales and franchise taxes, road impact fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and culture and recreation.

The debt service fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The transportation construction fund is a capital projects fund for the acquisition of capital assets or construction of roads projects financed with restricted resources.

The facilities construction fund is a capital projects fund for the acquisition of assets or construction of public facilities financed by restricted resources.

The City reports the following major proprietary fund:

The utility fund is a proprietary fund used to account for those operations that are financed and operated in a manner similar to private business or where the council had decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The City's utility fund is for water, sewer, and sanitation operations.

Additionally, the government reports the following fund types:

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund. This consist of the tax increment fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements and proprietary funds are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). 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 within 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.

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

Investments for the City are reported at fair value, except for the position in investment pools. The City's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories of supplies are valued at cost. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

Capital Assets

Capital assets, which include property, plant, equipment, right to use assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Years
Vehicles	5
Machinery and equipment	5-10
Infrastructure	40
Buildings and improvements	40
Right to use equipment	5
Right to use SBITAs	2-5

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category: deferred charges on refunding and deferred outflow related to pensions and OPEB reported in the government-wide statement of net position. 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. The item related to retiree benefit plans represents the City's share of the unrecognized plan deferred outflow of resources which the retiree benefit plans use in calculating the ending net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also recognizes their share of the unrecognized retiree benefit plan deferred inflows of resources which the retiree benefit plan uses in calculating the ending net pension and OPEB liabilities. Lastly, the City recognizes deferred inflows related to leases for its lessor transactions. These amounts offset the receivable related to the lease and will be recognized systematically in future years over the life of the lease.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The government has adopted a policy to maintain a minimum reserve of unassigned fund balance in the general fund at an amount equal to or greater than 25% of operating expenditures of that fund.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

Leases

The City has entered into various lease agreements as either lessee and lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

Lessee. The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor. The City is a lessor in an arrangement allowing the placement of a cellular tower on City property. In both the government-wide financial statements and the governmental fund financial statements, the City initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

Subscription-Based IT Arrangements

The City is a lessee for noncancellable subscription-based IT arrangements (SBITAs). The City recognizes a liability and an intangible right-to-use assets in the government-wide financial statements.

At the commencement of a SBITA, the City initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) agreed upon payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.
- The agreement term includes the noncancellable period of the SBITA.
- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

These right to use assets are reported with other capital assets and liabilities are reported with long term debt on the statement of net position.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in 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.

Other Postemployment Benefits ("OPEB")

Supplemental Death Benefit. For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the total OPEB liability, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

Estimates

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

D. Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as 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 segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature which affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods. In addition, this legislature creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide appraisal districts and for a State Property Tax Board which commenced operation in January 1980. The appraisal of property within the City is the responsibility of the Williamson County Tax Appraisal District. The Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment rations. The value of real property within the Appraisal District must be reviewed at least every four years. The City, at its own expense, 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 property within the City limits. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements and revaluation, exceeds the rate of the previous year by more than eight percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than eight percent above the rate of the previous year.

Compensated Absences

The City's policies permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City.

All vacation and qualifying sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 utility fund are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures Over Appropriations

For the year ended September 30, 2024, the general fund's total expenditures exceeded appropriations at the legal level of control by \$9,492,556. These overages were funded with more than anticipated revenue and assigned fund balance.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

DEPOSITS AND INVESTMENTS

The primary government and its component units may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposits, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act.

Interest rate risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the City's investment in external investment pools is less than 60 days.

Credit risk: The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2024, the City did not maintain funds in any investment pools.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2024, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

RECEIVABLES

The following comprise receivable balances of the primary government at year end:

	General	Utility	Totals
Property tax	\$ 118,233	\$ -	\$ 118,233
Sales tax	711,588	-	711,588
Franchise tax	239,506	-	239,506
Court fines	3,339,954	-	3,339,954
Lease	157,625	-	157,625
Other	76,330	-	76,330
Customer accounts	-	3,534,718	3,534,718
Allowance	(2,671,963)	(398,987)	(3,070,950)
Totals	<u>\$ 1,971,273</u>	<u>\$ 3,135,731</u>	<u>\$ 5,107,004</u>

The following comprise receivable balances of the component units at year end:

	Community Development	Economic Development	Total
Sales tax	\$ 355,792	\$ 355,792	\$ 711,584

Lease receivable - On July 1, 2016, an agreement as lessor for the placement of cellular tower on the City's property by a telecommunications company was renewed. The lessee is required to make monthly fixed payments of \$4,830, and the City recognized lease revenue of \$57,114 during the fiscal year. As of year end the lessee has 3 extension options, each for 60 months remaining.

Contribution receivable - In May 2016, the City entered into an Interlocal Agreement with North Texas Municipal Water District ("NTMWD"). The City and NTMWD determined a mutual need for the construction of a sanitary sewer line to serve the Stiff Creek basin. NTMWD owns and operates the 121 Regional Disposal Landfill Facility and would like to dispose of discharge by connecting the landfill to the Stiff Creek Sewer line. The agreement stipulates a contribution to the City by NTMWD to offset a portion of the City's capital costs. The City is responsible for the design, construction and maintenance of the sewer line. Upon completion of the project and once the sewer line can service the landfill, the City is responsible to notify the NTMWD, which initiates the capital contribution. Upon completion and notification, the NTMWD is obligated to make payments bi-annually on the last day of June and December, in accordance with the following payment schedule. As of September 30, 2024, the utility fund recorded a contribution receivable balance of \$1,664,000 on the statement of net position.

Fiscal Year	Amount
2025	\$ 256,000
2026	234,667
2027	213,333
2028	192,000
2029	170,667
2030-2034	533,333
2035-2036	<u>64,000</u>
	<u>\$ 1,664,000</u>

INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2024, is as follows:

Due from other funds	Due to other funds	Amount
General	Debt Service	\$ 55,982
General	Utility	551,727
Nonmajor	General	52,792
Total		<u>\$ 660,501</u>

Interfund receivables and payables generally arise from short-term cash advances between different funds with balances being repaid generally within one year.

Interfund transfers for the year ended September 30, 2024, are as follows:

Transfer To	Transfer From	Amount	Purpose
General	Utility fund	\$ 497,765	Payment in lieu of taxes
General	Park Construction	2,450,412	Partial funding of land purchase
Debt Service	General	918,419	Debt service
Debt Service	TIF Fund	1,401,481	Debt service
Transportation Construction	General	500,000	Partial funding of capital project
Facility Construction	General	309,661	Partial funding of capital project
Facility Construction	Utility fund	4,575,000	Partial funding of capital project
Total		<u>\$ 10,652,738</u>	

CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024 was as follows:

	Beginning Balance	Additions	Deletions	Adjustments/ Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 5,568,970	\$ 5,400,412	\$ -	\$ -	\$ 10,969,382
Construction in progress	<u>43,495,566</u>	<u>17,132,435</u>	<u>-</u>	<u>(42,915,273)</u>	<u>17,712,728</u>
Total assets not being depreciated	<u>49,064,536</u>	<u>22,532,847</u>	<u>-</u>	<u>(42,915,273)</u>	<u>28,682,110</u>
Capital assets, being depreciated:					
Building and improvements	15,570,683	2,937,241	-	20,588,864	39,096,788
Equipment	4,781,105	1,005,517	(40,330)	-	5,746,292
Infrastructure	87,147,450	47,715	-	22,326,409	109,521,574
Right to use vehicles	903,388	313,875	(246,848)	-	970,415
Right to use SBITA	<u>463,842</u>	<u>6,693</u>	<u>(44,852)</u>	<u>-</u>	<u>425,683</u>
Total capital assets being depreciated	<u>108,866,468</u>	<u>4,311,041</u>	<u>(332,030)</u>	<u>42,915,273</u>	<u>155,760,752</u>
Less accumulated depreciation:					
Building and improvements	(6,187,731)	(1,642,733)	-	-	(7,830,464)
Equipment	(2,721,606)	(499,996)	40,330	-	(3,181,272)
Infrastructure	(15,455,044)	(4,517,532)	-	-	(19,972,576)
Right to use vehicles	(298,229)	(230,180)	221,175	-	(307,234)
Right to use SBITA	<u>(110,992)</u>	<u>(117,685)</u>	<u>44,852</u>	<u>-</u>	<u>(183,825)</u>
Total accumulated depreciation	<u>(24,773,602)</u>	<u>(7,008,126)</u>	<u>306,357</u>	<u>-</u>	<u>(31,475,371)</u>
Total capital assets being depreciated, net	<u>84,092,866</u>	<u>(2,697,085)</u>	<u>(25,673)</u>	<u>42,915,273</u>	<u>124,285,381</u>
Governmental activities capital assets, net	<u>\$ 133,157,402</u>	<u>\$ 19,835,762</u>	<u>\$ (25,673)</u>	<u>\$ -</u>	<u>\$ 152,967,491</u>

Depreciation was charged to governmental functions as follows:

Governmental activities:	
General government	\$ 1,723,022
Public safety	1,706,678
Culture and recreation	1,277,236
Public works	<u>2,301,190</u>
Total depreciation expense - governmental activities	<u>\$ 7,008,126</u>

A summary of changes in business-type activities capital assets for the year end was as follows:

	Ending Balance	Additions	Deletions	Adjustments/ Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 1,482,636	\$ -	\$ -	\$ -	\$ 1,482,636
Construction in progress	<u>7,154,318</u>	<u>1,231,029</u>	<u>-</u>	<u>(6,639,830)</u>	<u>1,745,517</u>
Total assets not being depreciated	<u>8,636,954</u>	<u>1,231,029</u>	<u>-</u>	<u>(6,639,830)</u>	<u>3,228,153</u>
Capital assets, being depreciated:					
Building and system	85,081,902	36,523,766	-	6,639,830	128,245,498
GTUA - Waterlines	9,804,167	1,364,000	-	-	11,168,167
Equipment	800,762	113,051	-	-	913,813
Right to use vehicles	<u>531,376</u>	<u>35,580</u>	<u>(53,298)</u>	<u>-</u>	<u>513,658</u>
Total capital assets being depreciated	<u>96,218,207</u>	<u>38,036,397</u>	<u>(53,298)</u>	<u>6,639,830</u>	<u>140,841,136</u>
Less accumulated depreciation:					
Building and system	(6,980,511)	(1,456,620)	-	-	(8,437,131)
GTUA - Waterlines	(3,404,211)	(279,204)	-	-	(3,683,415)
Equipment	(596,148)	(44,059)	-	-	(640,207)
Right to use vehicles	<u>(86,058)</u>	<u>(107,815)</u>	<u>-</u>	<u>-</u>	<u>(193,873)</u>
Total accumulated depreciation	<u>(11,066,928)</u>	<u>(1,887,698)</u>	<u>-</u>	<u>-</u>	<u>(12,954,626)</u>
Total capital assets being depreciated, net	<u>85,151,279</u>	<u>36,148,699</u>	<u>(53,298)</u>	<u>6,639,830</u>	<u>127,886,510</u>
Business-type activities capital assets, net	<u>\$ 93,788,233</u>	<u>\$ 37,379,728</u>	<u>\$ (53,298)</u>	<u>\$ -</u>	<u>\$ 131,114,663</u>

Depreciation was charged to business-type activities as follows:

Business-type activities:	
Water and sewer	<u>\$ 1,887,698</u>
Total depreciation expense - business-type activities	<u>\$ 1,887,698</u>

A summary of changes in component-unit activities capital assets for the year end was as follows:

	Beginning Balance	Additions	Deletions	Adjustments/ Transfers	Ending Balance
Component-Unit activities:					
Capital assets, not being depreciated:					
Land	\$ 129,076	\$ -	\$ -	\$ -	\$ 129,076
Construction in progress	<u>16,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,166</u>
Total assets not being depreciated	<u>\$ 145,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,242</u>

LONG-TERM LIABILITIES

Changes in the City's long-term liabilities for the year ended September 30, 2024 are as follows:

	Balance Beginning	Additions	Reductions	Balance Ending	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 17,325,000	\$ -	\$ 1,515,000	\$ 15,810,000	\$ 1,440,000
Certificates of obligation	76,015,000	17,035,000	2,110,000	90,940,000	2,730,000
Bond premiums	6,563,415	577,958	377,436	6,763,937	-
Financing arrangements	1,689,874	900,000	178,074	2,411,800	389,958
Leases	585,737	276,172	234,303	627,606	173,979
SBITA	263,383	-	87,034	176,349	70,032
Compensated absences	285,353	13,987	34,026	265,314	66,329
Total Governmental Activities	<u>\$ 102,727,762</u>	<u>\$ 18,803,117</u>	<u>\$ 4,535,873</u>	<u>\$ 116,995,006</u>	<u>\$ 4,870,298</u>
Business-type activities:					
General obligation bonds	\$ 1,495,000	\$ -	\$ 235,000	\$ 1,260,000	\$ 240,000
Certificates of obligation	23,070,000	3,890,000	1,075,000	25,885,000	1,160,000
Contract revenue bonds	4,987,500	1,364,000	414,750	5,936,750	429,050
Bond premiums	1,741,211	131,068	108,590	1,763,689	-
Leases	456,288	35,647	107,943	383,992	100,069
Compensated absences	32,950	15,124	725	47,349	11,837
Total Business-type Activities	<u>31,782,949</u>	<u>5,435,839</u>	<u>1,942,008</u>	<u>35,276,780</u>	<u>1,940,956</u>
Total Primary Government	<u>\$ 134,510,711</u>	<u>\$ 24,238,956</u>	<u>\$ 6,477,881</u>	<u>\$ 152,271,786</u>	<u>\$ 6,811,254</u>

Compensated absences of the governmental activities and business-type activities are paid by the General Fund and Utility Fund, respectively. Direct financing arrangements and leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.

Long-term debt at year end was comprised of the following:

Certificates of Obligation

2005A Certificates of Obligation issued December 30, 2005 due in annual installments through February 15, 2026, bearing interest rates at 4.05%, payable February 15 & August 15.	\$ 115,000
2015 Certificates of Obligation issued January 1, 2015 due in annual installments through February 15, 2040, bearing interest at rates ranging from 2.375% to 4%, payable February 15 & August 15.	6,380,000
2016 Certificates of Obligation issued October 13, 2016 due in annual installments through September 30 2036, bearing interest rates ranging from 2.0% to 4.0%, payable February 15 & August 15.	3,440,000
2017 Certificates of Obligation issued July 13, 2017 due in annual installments through September 30 2037, bearing interest rates ranging from 3.0 to 4.0%, payable February 15 & August 15.	4,120,000
2018 Certificates of Obligation issued September 27, 2018 due in annual installments through September 30 2043, bearing interest rates ranging from 3.0 to 5.0%, payable February 15 & August 15.	8,020,000
2020 Certificates of Obligation issued May 27, 2020 due in annual installments through September 30, 2045, bearing interest rates ranging from 2.0 to 4.0%, payable February 15 & August 15.	3,980,000
2021 Certificates of Obligation issued September 23, 2021 due in annual installments through September 30, 2046, bearing interest rates ranging from 2.0 to 4.0%, payable February 15 & August 15.	27,605,000
2023 Certificates of Obligation issued March 30, 2023 due in annual installments through September 30, 2048 bearing interest rates ranging from 4% to 5%, payable February 15 & August 15.	20,245,000
2024 Certificates of Obligation issued May 23, 2024 due in annual installments through September 30, 2046 bearing interest rates ranging from 6% to 4%, payable February 15 & August 15.	17,035,000
Total Certificates of Obligation - Governmental Activities	<u>\$ 90,940,000</u>

Certificates of Obligation

2013 Certificates of Obligation issued February 12, 2013 due in annual installments through February 15, 2032, bearing interest rates from 2.0% to 3.0%, payable February 15 & August 15.	\$ 2,285,000
2014 Certificates of Obligation issued June 15, 2014 due in annual installments through February 15, 2034 bearing interest rates ranging from 2.0% to 3.75%, payable February 15 & August 15.	1,280,000
2015 Certificates of Obligation issued January 15, 2015 due in annual installments through February 15, 2040 bearing interest rates ranging from 2.375% to 4%, payable February 15 & August 15.	1,285,000
2016 Certificates of Obligation issued January 15, 2015 due in annual installments through February 15, 2040 bearing interest rate of 4%, payable February 15 & August 15.	3,615,000
2018 Certificates of Obligation issued September 27, 2018 due in annual installments through September 30, 2043 bearing interest rates ranging from 3% to 5%, payable February 15 & August 15.	6,470,000
2021 Certificates of Obligation issued September 30, 2021 due in annual installments through September 30, 2046 bearing interest rates ranging from 3% to 4%, payable February 15 & August 15.	7,060,000
2024 Certificates of Obligation issued May 23, 2024 due in annual installments through September 30, 2046 bearing interest rates ranging from 6% to 4%, payable February 15 & August 15.	<u>3,890,000</u>
Total Certificates of Obligation - Business-type Activities	<u><u>\$ 25,885,000</u></u>

General Obligation

2013 General Obligation Refunding & Improvement Bonds issued January 1, 2013 due in annual installments through February 15, 2032, bearing interest at rates ranging from 1.0% to 3.0%, payable February 15 & August 15.	\$ 410,000
2015 General Obligation Bonds issued January 15, 2015 due in annual installments through February 15, 2035, bearing interest at rates ranging from 2.3% to 4%, payable February 15 & August 15.	1,410,000
2016 General Obligation Bonds issued November 15, 2016 due in annual installments through February 15, 2036, bearing interest at rates ranging from 2.3% to 4%, payable February 15 & August 15.	7,400,000
2017 General Obligation Bonds issued July 13, 2017 due in annual installments through September 30, 2037, bearing interest at rates ranging from 3% to 4%, payable February 15 & August 15.	2,840,000
2018 General Obligation Bonds issued September 27, 2018 due in annual installments through September 30, 2043, bearing interest at rates ranging from 3% to 5%, payable February 15 & August 15.	3,540,000
2021 General Obligation Bonds issued September 23, 2021 due in annual installments through September 30, 2032, bearing an interest rate of 4%, payable February 15 & August 15.	<u>210,000</u>
Total General Obligation bonds - Governmental Activities	<u><u>\$ 15,810,000</u></u>

General Obligation

2016 General Obligation Bonds issued January 15, 2015 due in annual installments through February 15, 2040 bearing interest rates ranging from 2.375% to 4%, payable February 15 & August 15.	\$ 660,000
2021 General Obligation Bonds issued September 30, 2021 due in annual installments through September 30, 2032 bearing an interest rate of 4%, payable February 15 & August 15.	<u>600,000</u>
Total General Obligation bonds - Business-type Activities	<u><u>\$ 1,260,000</u></u>

Contract Revenue Bonds

2005 Contract Revenue Bonds issued September 20, 2005 due in annual installments through October 1, 2028, bearing interest rates ranging from 2.29% to 5.74%, payable April 1 \$306,250 & October 1.	\$ 323,750
2006 Contract Revenue Bonds issued July 15, 2006 due in annual installments through February 1, 2040, bearing interest rates of 5.68% to 5.83%, payable February 1.	3,036,250
2006 Contract Revenue Bonds issued November 1, 2006 due in annual installments through June 1, 2026, bearing interest rates ranging from 2.95% to 3.75%, payable June 1 & December 1.	236,250
2007 Contract Revenue Bonds issued February 20, 2007 due in annual installments through October 1, 2036, bearing interest rates from 2.67% to 5.62%, payable October 1 & April 1.	1,144,500
2007A Contract Revenue Bonds issued February 7, 2008 due in annual installments through June 1, 2028, bearing interest rates ranging from 2.95% to 4.10%, payable December 1 & June 1.	296,000
2009A Contract Revenue Bonds issued December 18, 2009 due in annual installments through June 1, 2029, bearing interest rates ranging from 1.55% to 5.4%, payable June 1 & December 1.	405,000
2009B Contract Revenue Bonds issued December 18, 2009 due in annual installments through June 1, 2029, bearing interest rates ranging from 0.66% to 4.45%, payable June 1 & December 1.	<u>495,000</u>
Total Contract Revenue Bonds - Business-type Activities	<u><u>\$ 5,936,750</u></u>

Financing Arrangements

\$634,768 financing arrangements for the purchase of a Ferrara pumper and equipment. Payments are made annually at \$72,825 through 2028, interest at 3.21%.	\$ 269,526
\$861,000 financing arrangements for the purchase of a fire truck. Payments are made annually at \$66,908 through 2036, interest at 1.98%.	708,440
\$580,000 financing arrangements for the purchase of a fire truck. Payments are made annually at \$75,021 through 2033, interest at 1.98%.	533,834
\$900,000 financing arrangements for the purchase of a ten police vehicles. Payments are made annually and range from \$211 thousand to \$238 thousand through 2027, interest at 6.23%.	<u>900,000</u>
Total Financing Arrangements - Governmental Activities	<u><u>\$ 2,411,800</u></u>

Leases

The City has entered into various lease agreements for vehicles and is required to make monthly fixed payments. The interest rates range from 0.2480% to 2.3660%.	<u>\$ 627,606</u>
Total Leases - Governmental Activities	<u><u>\$ 627,606</u></u>

Leases

The City has entered into various lease agreements for vehicles and is required to make monthly fixed payments. The interest rates range from 0.2480% to 2.3660%.	<u>\$ 383,992</u>
Total Leases - Business-type Activities	<u><u>\$ 383,992</u></u>

SBITAs

\$309,690 subscription liability entered into on October 1, 2022 for the use of Incode software. Payments are made annually at \$54,834 through 2027, interest at 3.207%. The value of the right to use asset at year end is \$363,390 with accumulated amortization of \$143,051. The City has 5 extension options, each for 12 months.

\$ 154,489

\$60,473 subscription liability entered into on October 1, 2022 for the use of Abila - MIP Advance Upgrade. Payments are made monthly at \$1,713 through 2025, interest at 3.144%. The value of the right to use asset at year end is \$62,293 with accumulated amortization of \$40,774. The City has 3 extension options, each for 12 months.

21,860

Total SBITAs - Governmental Activities

\$ 176,349

The annual debt service requirements to maturity for long-term debt outstanding as of September 30, 2024, are as follows:

Certificates of Obligation

Fiscal Year	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 2,730,000	\$ 2,934,503	\$ 1,160,000	\$ 992,447
2026	3,030,000	2,784,599	1,230,000	910,363
2027	3,085,000	2,700,588	1,285,000	866,166
2028	3,210,000	2,602,413	1,335,000	818,498
2029	3,345,000	2,493,563	2,525,000	768,827
2030-2034	19,085,000	13,146,513	7,415,000	3,033,328
2035-2039	21,520,000	8,965,000	5,800,000	1,806,106
2040-2044	21,660,000	5,000,247	3,720,000	898,444
2045-2049	13,275,000	1,163,944	1,415,000	129,094
Totals	<u>\$ 90,940,000</u>	<u>\$ 41,791,369</u>	<u>\$ 25,885,000</u>	<u>\$ 10,223,272</u>

General Obligation Bonds

Fiscal Year	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 1,440,000	\$ 546,203	\$ 245,000	\$ 45,500
2026	1,430,000	491,153	245,000	35,700
2027	1,360,000	437,428	215,000	26,500
2028	1,430,000	384,428	230,000	17,600
2029	1,100,000	338,203	75,000	11,500
2030-2034	6,020,000	1,068,176	250,000	15,200
2035-2039	2,045,000	315,328	-	-
2040-2043	985,000	73,316	-	-
Totals	<u>\$ 15,810,000</u>	<u>\$ 3,654,235</u>	<u>\$ 1,260,000</u>	<u>\$ 152,000</u>

Contract Revenue Bonds

Fiscal Year	Business Type Activities	
	Principal	Interest
2025	\$ 429,050	\$ 483,525
2026	596,100	322,699
2027	498,450	298,190
2028	525,650	245,402
2029	468,000	254,329
2030-2034	1,484,000	806,173
2035-2039	1,645,000	343,567
2040	<u>290,500</u>	<u>16,936</u>
Totals	<u>\$ 5,936,750</u>	<u>\$ 2,770,820</u>

Financing Arrangements

Fiscal Year	Governmental Activities	
	Principal	Interest
2025	\$ 389,958	\$ 78,650
2026	382,834	85,774
2027	401,742	66,866
2028	421,686	46,923
2029	116,046	25,883
2030-2034	569,592	65,032
2035-2039	<u>129,942</u>	<u>3,872</u>
Totals	<u>\$ 2,411,800</u>	<u>\$ 373,000</u>

Leases

Fiscal Year	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 173,979	\$ 15,179	\$ 100,069	\$ 15,034
2026	164,726	10,791	101,688	11,110
2027	154,944	6,348	104,333	7,044
2028	116,834	2,288	74,773	3,208
2029	<u>17,123</u>	<u>174</u>	<u>3,129</u>	<u>49</u>
Total	<u>\$ 627,606</u>	<u>\$ 34,780</u>	<u>\$ 383,992</u>	<u>\$ 36,445</u>

SBITAs

Fiscal Year	Governmental Activities	
	Principal	Interest
2025	\$ 70,032	\$ 5,353
2026	53,187	3,359
2027	<u>53,130</u>	<u>1,704</u>
Totals	<u>\$ 176,349</u>	<u>\$ 10,416</u>

Defeased Debt

In prior years, the City defeased certificates of obligation and general obligation bonds by placing the proceeds of the net bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the government's financial statements. At September 30, 2024 the City had no defeased bonds outstanding.

ASSIGNED AND RESTRICTED GENERAL FUND BALANCE

The following includes assignments and restrictions of General fund balance.

	Restricted	Assigned
Municipal court	\$ 152,931	\$ -
PEG fees	40,671	-
Capital projects	-	2,595,135
Information technology	-	722,382
City Hall	-	183,437
Special projects	-	4,870,365
Economic development	-	180,000
Body cameras	-	12,411
Tree and park projects	15,231,021	-
Roadway impact fees	17,356,150	-
Outfit vehicles	266,400	-
Facilities	-	4,700,000
Road repairs	-	782,680
Ticket writer program	-	28,171
Sale of land-various obligations	-	5,047,500
Totals	<u>\$ 33,047,173</u>	<u>\$ 19,122,081</u>

CONTRACTUAL OBLIGATIONS

Greater Texoma Utility Authority

Included in amounts reported as City's long-term debt are obligations entered into with the Greater Texoma Utility Authority (GTUA). Under the terms of the long-term water supply and sewer service contracts, GTUA uses bonded debt to finance and manage the construction of water and sewer infrastructure that is used by the City in operations. In turn, GTUA is granted an undivided ownership interest in the constructed assets equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance of GTUA bonds. The City is then obligated to make payments to GTUA sufficient to fund:

1. The principal and interest on GTUA's bonds;
2. The maintenance of a reserve fund for the security and payment of GTUA's bonds;
3. The administrative and overhead expenses of GTUA directly attributable to the bonds; and
4. Any extraordinary expenses incurred by GTUA in connection with the bonds.

These agreements are in effect for each related GTUA bond project and remain in effect until that bond has been paid in full, is retired, and is no longer outstanding. At that time, GTUA's ownership interest in the facilities terminates.

As part of the City's obligation to GTUA, the City covenants that it will charge water fees sufficient to cover the debt service each year using operating funds. For the year ended September 30, 2024, operating revenues of the Utility fund were \$16.5 million, and the required payments made to GTUA under these agreements were \$885 thousand.

Collin Grayson Municipal Alliance Transmission Water Pipeline

In 2004, the City, along with the City of Van Alstyne, Howe, and Anna, formed a group called the Collin-Grayson Municipal Alliance ("CGMA"). CGMA entered into a long-term contractual obligation with GTUA for the purpose of providing funds for the construction of a transmission water pipeline that will provide water to CGMA cities. The cost of the pipeline is being funded in four phases.

Under the agreement, the City is obligated to purchase water under a take-or-pay arrangement, wherein the City is billed for actual water consumption but must pay a calculated minimum amount even if actual consumption is lower. The take-or-pay is calculated by CGMA annually and is based on CGMA's own take-or-pay arrangement with its water supplier.

Additionally, each CGMA city is obligated to fund a portion of the pipeline's costs, including maintenance and production costs as well as debt service. Initially, each city was responsible for 25% of costs until the pipeline project was completed. Subsequently, once the pipeline was operational and water was sold to each CGMA city, the debt service on the obligation is prorated to each City based upon its proportion of the total water purchased by the four cities. The sum of the four fractional amounts shall always equal 100% of the debt service on the contractual obligation with GTUA. The billing rates for each City will be calculated to provide funds necessary to cover the contractual obligation, interest, repairs, maintenance, and production costs. As of September 30, 2024, Melissa has a obligation of 35% of the water pipeline with change in debt service of \$1,359,350.

At the end of the contractual obligation with GTUA, the City will own an undivided interest in the transmission water pipeline based on the percentage of water it utilized and paid for during the contract term. The contract will expire and the transfer of ownership will occur during the fiscal year ended September 30, 2040, as long as no new debt is issued.

RISK MANAGEMENT

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City's general liability, automobile and property insurance is underwritten through a self-insurance fund for Texas political subdivisions. Premiums are paid to the carrier, and they administer all claims. The City is also insured for workers' compensation claims through a self-insurance fund for Texas political subdivisions. Rates are determined by the state, and the pool assigns discount rates to premiums based upon the City's claims history. The City retains, as a risk, only the deductible amount of each policy.

The City has maintained insurance coverage in all major categories of risk comparable to that of the prior year with no reduction in coverage. The amount of settlements during the past three years has not exceeded the insurance coverage.

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The City's responsibility is to transmit employee contributions to the third-party plan administrator for deposit to the credit of the individual participant accounts. The City does not have significant administrative involvement for the assets of the plan and does not perform the investment function for the plan.

DEFINED BENEFIT PENSION PLANS

Plan Description

The City participates as one of 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.org.

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

Benefits Provided

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

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, the city-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. The plan provisions for the City were as follows:

Employee deposit rate	7%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Retirement eligibility (age/service)	60/5, 0/20
Updated service credit	100% repeating, transfers
Retiree Cost of Living Adjustment	70% of CPI

Employees covered by benefit terms

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries current receiving benefits	28
Inactive employees entitled to but not yet received benefits	50
Active employees	<u>83</u>
Total	<u><u>161</u></u>

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 17.46% and 17.49% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$1,368,468, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) 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, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 12,013,733	\$ 8,548,445	\$ 3,465,288
Changes for the year:			
Service cost	1,206,010	-	1,206,010
Interest	841,851	-	841,851
Difference between expected and actual experience	357,071	-	357,071
Change in assumptions	29,268	-	29,268
Contributions - employer	-	1,133,312	(1,133,312)
Contributions - employee	-	454,363	(454,363)
Net investment income	-	997,946	(997,946)
Benefits payments, including refunds of employee contributions	(289,729)	(289,729)	-
Administrative expense	-	(6,294)	6,294
Other change	-	(44)	44
Net changes	2,144,471	2,289,554	(145,083)
Balance at 12/31/2023	<u>\$ 14,158,204</u>	<u>\$ 10,837,999</u>	<u>\$ 3,320,205</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in in Discount Rate (7.75%)
City's net pension liability	\$ 5,841,950	\$ 3,320,205	\$ 1,301,984

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmr.org.

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

For the year ended September 30, 2024, the City recognized pension expense of \$1,236,254.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 552,963	\$ -
Changes in actuarial assumptions	23,158	-
Difference between projected and actual investment earnings	187,460	-
Contributions subsequent to the measurement date	1,069,748	-
Totals	<u>\$ 1,833,329</u>	<u>\$ -</u>

\$1,069,748 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2025	\$ 276,611
2026	236,744
2027	270,693
2028	(20,467)

A. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The City voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>83</u>
Total	<u>108</u>

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.22% and 0.19% for the calendar years 2023 and 2024, of which 0.06% and 0.03% represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's retiree-only portion of contributions to the SDBF for the years ended September 30, 2024 was \$3,895, representing contributions for both active and retiree coverage, which equaled the required contributions.

Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

Within the governmental activities, the General Fund generally liquidates the total OPEB liability. In the business-type activities, the total OPEB liability is liquidated by the Utility Fund.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups.

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.60% to 11.85% Including Inflation
Discount Rate	3.77% (Based on Fidelity Index's 20-Year Municipal GO AA Index as of December 31, 2023)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis with Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Changes in the OPEB Liability

	Total OPEB Liability
Balance at 12/31/2022	\$ 93,272
Changes for the year:	
Service cost	9,736
Interest	3,896
Difference between expected and actual experience	3,568
Changes of assumptions and other inputs	5,912
Benefit payments**	<u>(3,895)</u>
Net changes	<u>19,217</u>
Balance at 12/31/2023	<u><u>\$ 112,489</u></u>

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Decrease (2.77%)	Current Discount Rate (3.77%)	1% Increase (4.77%)
Total OPEB Liability	\$ 138,468	\$ 112,489	\$ 92,640

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$8,804, which is attributable to governmental and business-type activities in the amounts of \$7,536 and \$1,268, respectively. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources relate to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,510	\$ 15,577
Changes in actuarial assumptions	23,621	43,661
Contributions subsequent to the measurement date	<u>1,835</u>	<u>-</u>
Totals	<u>\$ 32,966</u>	<u>\$ 59,238</u>

\$1,835 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the City paid with own assets and will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2025	\$ (5,120)
2026	(4,841)
2027	(3,207)
2028	(5,751)
2029	(7,705)
Thereafter	(1,482)

CONTINGENT LIABILITIES

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

CONSTRUCTION COMMITMENTS

Projects	Contract Amount	Spent- to-Date	Remaining Commitment
Governmental Activities:			
Melissa Road West	\$ 2,000,000	\$ 535,480	\$ 1,464,520
Downtown Overlay District Roadways	6,470,263	482,884	5,987,379
Cardinal/Highland Rds	7,248,009	6,105,846	1,142,163
High School Collector Roads	7,248,450	6,518,012	730,438
Traffic Signals	500,000	335,424	164,576
Telephone Road (City Limits N. to Throckmorton	6,000,000	-	6,000,000
Telephone Road (Middle)	5,000,000	776,378	4,223,622
Cardinal Road Extension to Fannin	1,500,000	296,804	1,203,196
Zplex Phase 4	7,927,500	7,041,731	885,769
Melissa Lake Park	5,550,000	4,952,699	597,301
Trail Connector SH121	340,500	34,060	306,440
Parks and Public Works Admin Building Renovation	2,075,000	2,028,644	46,356
Public Safety Complex Facility	23,286,436	22,294,603	991,833
Business-type Activities:			
East Water Take Point Design	3,444,864	1,641,704	1,803,160
SH5 Utility Relocation w/Gravity Sewer	6,416,033	5,990,614	425,419
Totals	<u>\$ 85,007,055</u>	<u>\$ 59,034,883</u>	<u>\$ 25,972,172</u>

TAX ABATEMENTS

The City of Melissa negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with four entities as of September 30, 2024:

Entity Type	Percentage of Taxes Abated During the Fiscal Year	Amount of Taxes Abated During the Fiscal Year Property Tax	Amount of Taxes Abated During the Fiscal Year Sales Tax
Building Materials	80%	\$ -	\$ 55,800
Developer Grant	50%/75%	15,171	85,815
Retail Sales	100%	30,956	551,535
Totals		<u>\$ 46,127</u>	<u>\$ 693,150</u>

Each agreement was negotiated under Article III, Section 52-a, Texas Constitution, and Chapter 380, Texas Local Gov't Code, stating that the City may establish and provide for the administration of a program for making loans and grants of public money to promote state or local economic development and to stimulate business and commercial activity in the municipality. The agreement is in accordance with Section 501.103, Texas Local Gov' t Code. Taxes were abated through a rebate of taxes received. Recipients of the sales tax abatements agree to operate within the City limits through the term of their agreement.

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities. The City has chosen to disclose information about its tax abatement agreements individually. It established a quantitative threshold of 100% percent of the total dollar amount of taxes abated during the year.

NEW ACCOUNTING GUIDANCE

Significant new accounting guidance issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF MELISSA, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Property taxes	\$ 9,452,099	\$ 9,442,099	\$ 9,484,939	\$ 42,840
Sales taxes	3,500,000	4,609,200	4,553,482	(55,718)
Franchise taxes	800,000	965,000	1,204,204	239,204
Road impact fees	-	-	6,011,692	6,011,692
Park development fees	-	-	3,202,000	3,202,000
License and permits	2,540,000	4,140,000	4,385,202	245,202
Charges for services	53,800	241,000	246,437	5,437
Fines and forfeitures	610,000	948,000	940,863	(7,137)
Platting and development	500,000	1,320,000	1,325,341	5,341
Intergovernmental	151,700	212,400	216,800	4,400
Lease	125,000	125,000	109,975	(15,025)
Investment earnings	241,664	3,341,664	3,170,264	(171,400)
Miscellaneous	50,800	51,800	85,646	33,846
Total revenues	<u>18,025,063</u>	<u>25,396,163</u>	<u>34,936,845</u>	<u>9,540,682</u>
EXPENDITURES				
Current:				
General government:				
Administration	3,837,986	4,880,333	6,450,284	(1,569,951)
Planning and development	2,143,614	3,237,470	3,277,751	(40,281)
Code enforcement	186,410	184,250	174,937	9,313
Building maintenance	242,997	480,672	241,458	239,214
Communications	214,477	200,179	413,133	(212,954)
Total general government	<u>6,625,484</u>	<u>8,982,904</u>	<u>10,557,563</u>	<u>(1,574,659)</u>
Public safety:				
Police	4,382,897	4,591,398	4,290,548	300,850
Fire	3,577,276	3,770,715	3,623,647	147,068
Municipal court	433,843	515,836	573,101	(57,265)
Total public safety	<u>8,394,016</u>	<u>8,877,949</u>	<u>8,487,296</u>	<u>390,653</u>
Culture and recreation:				
Public library	513,165	522,163	532,308	(10,145)
Parks and recreation	1,409,702	1,414,739	1,502,877	(88,138)
Total culture and recreation	<u>1,922,867</u>	<u>1,936,902</u>	<u>2,035,185</u>	<u>(98,283)</u>
Public works:				
Streets	698,690	674,805	688,899	(14,094)
Total public works	<u>698,690</u>	<u>674,805</u>	<u>688,899</u>	<u>(14,094)</u>
Capital outlay	265,730	355,730	8,506,918	(8,151,188)
Debt service:				
Principal	499,411	499,411	499,411	-
Interest and fiscal charges	60,435	60,435	105,420	(44,985)
Total debt service	<u>559,846</u>	<u>559,846</u>	<u>604,831</u>	<u>(44,985)</u>
Total expenditures	<u>18,466,633</u>	<u>21,388,136</u>	<u>30,880,692</u>	<u>(9,492,556)</u>

CITY OF MELISSA, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (441,570)	\$ 4,008,027	\$ 4,056,153	\$ 48,126
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	26,494	-	(26,494)
Issuance of debt	-	-	900,000	900,000
Issuance of leases			276,172	276,172
Transfers in	497,765	497,765	2,948,177	2,450,412
Transfers out	-	-	(1,728,080)	(1,728,080)
Total other financing sources (uses)	<u>497,765</u>	<u>524,259</u>	<u>2,396,269</u>	<u>1,872,010</u>
NET CHANGE IN FUND BALANCE	56,195	4,532,286	6,452,422	1,920,136
FUND BALANCE, BEGINNING	<u>52,125,826</u>	<u>52,125,826</u>	<u>52,125,826</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 52,182,021</u>	<u>\$ 56,658,112</u>	<u>\$ 58,578,248</u>	<u>\$ 1,920,136</u>

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CITY OF MELISSA, TEXAS

NOTES TO BUDGETARY SCHEDULE

SEPTEMBER 30, 2024

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund, Debt Service Fund, TIF and Enterprise Funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by the City Council. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

Expenditures in Excess of Budgeted Appropriations

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund, Debt Service Fund, TIF and Enterprise Funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter total expenditures of any fund must be approved by the City Council. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

CITY OF MELISSA, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement Date December 31,	2014	2015	2016	2017
A. Total pension liability				
Service cost	\$ 214,284	\$ 273,760	\$ 325,842	\$ 368,325
Interest (on the Total Pension Liability)	144,926	171,825	198,997	302,767
Changes of benefit terms	-	-	-	1,037,592
Difference between expected and actual experience	38,722	(14,746)	33,857	(53,040)
Change of assumptions	-	89,627	-	-
Benefit payments, including refunds of employee contributions	<u>(42,295)</u>	<u>(44,530)</u>	<u>(61,534)</u>	<u>(98,867)</u>
Net change in total pension liability	<u>355,637</u>	<u>475,936</u>	<u>497,162</u>	<u>1,556,777</u>
Total pension liability - beginning	<u>1,984,384</u>	<u>2,340,021</u>	<u>2,815,957</u>	<u>3,313,119</u>
Total pension liability - ending (a)	<u>\$ 2,340,021</u>	<u>\$ 2,815,957</u>	<u>\$ 3,313,119</u>	<u>\$ 4,869,896</u>
B. Plan fiduciary net position				
Contributions - employer	\$ 81,796	\$ 114,584	\$ 146,688	\$ 192,773
Contributions - employee	130,197	144,519	165,883	187,784
Net investment income	107,092	3,169	159,684	384,328
Benefit payments, including refunds of employee contributions	(42,295)	(44,530)	(61,534)	(98,867)
Administrative expenses	(1,118)	(1,930)	(1,803)	(1,991)
Other	<u>(92)</u>	<u>(95)</u>	<u>(96)</u>	<u>(102)</u>
Net change in plan fiduciary net position	<u>275,580</u>	<u>215,717</u>	<u>408,822</u>	<u>663,925</u>
Plan fiduciary net position - beginning	<u>1,871,298</u>	<u>2,146,878</u>	<u>2,362,595</u>	<u>2,771,417</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,146,878</u>	<u>\$ 2,362,595</u>	<u>\$ 2,771,417</u>	<u>\$ 3,435,342</u>
C. Net pension liability - ending (a) - (b)	\$ 193,143	\$ 453,362	\$ 541,702	\$ 1,434,554
D. Plan fiduciary net position as a percentage of total pension liability	91.75%	83.90%	83.65%	70.54%
E. Covered payroll	\$ 1,859,951	\$ 2,064,559	\$ 2,369,763	\$ 2,682,628
F. Net position liability as a percentage of covered payroll	10.38%	21.96%	22.86%	53.48%

2018	2019	2020	2021	2022	2023
\$ 495,439	\$ 550,485	\$ 626,629	\$ 836,730	\$ 963,145	\$ 1,206,010
342,747	394,623	445,845	606,882	716,545	841,851
-	-	-	1,364,173	-	-
32,826	(67,127)	53,607	298,910	295,896	357,071
-	57,155	-	-	-	29,268
<u>(79,754)</u>	<u>(180,249)</u>	<u>(248,488)</u>	<u>(170,668)</u>	<u>(191,514)</u>	<u>(289,729)</u>
<u>791,258</u>	<u>754,887</u>	<u>877,593</u>	<u>2,936,027</u>	<u>1,784,072</u>	<u>2,144,471</u>
<u>4,869,896</u>	<u>5,661,154</u>	<u>6,416,041</u>	<u>7,293,634</u>	<u>10,229,661</u>	<u>12,013,733</u>
<u>\$ 5,661,154</u>	<u>\$ 6,416,041</u>	<u>\$ 7,293,634</u>	<u>\$ 10,229,661</u>	<u>\$ 12,013,733</u>	<u>\$ 14,158,204</u>
\$ 413,069	\$ 456,607	\$ 520,148	\$ 1,256,907	\$ 901,950	\$ 1,133,312
212,765	235,538	268,118	311,880	359,958	454,363
(103,060)	601,023	379,762	772,582	(592,797)	997,946
(79,754)	(180,249)	(248,488)	(170,668)	(191,514)	(289,729)
(1,989)	(3,386)	(2,449)	(3,560)	(5,097)	(6,294)
<u>(102)</u>	<u>(101)</u>	<u>(96)</u>	<u>24</u>	<u>6,082</u>	<u>(44)</u>
<u>440,929</u>	<u>1,109,432</u>	<u>916,995</u>	<u>2,167,165</u>	<u>478,582</u>	<u>2,289,553</u>
<u>3,435,342</u>	<u>3,876,271</u>	<u>4,985,703</u>	<u>5,902,698</u>	<u>8,069,863</u>	<u>8,548,445</u>
<u>\$ 3,876,271</u>	<u>\$ 4,985,703</u>	<u>\$ 5,902,698</u>	<u>\$ 8,069,863</u>	<u>\$ 8,548,445</u>	<u>\$ 10,837,998</u>
\$ 1,784,883	\$ 1,430,338	\$ 1,390,936	\$ 2,159,798	\$ 3,465,288	\$ 3,320,206
68.47%	77.71%	80.93%	78.89%	71.16%	76.55%
\$ 3,039,506	\$ 3,364,825	\$ 3,830,253	\$ 4,455,431	\$ 5,142,249	\$ 6,490,905
58.72%	42.51%	36.31%	48.48%	67.39%	51.15%

CITY OF MELISSA, TEXAS

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Fiscal Year Ended September 30,	2015	2016	2017	2018
Actuarial determined contribution	\$ 105,230	\$ 141,014	\$ 180,435	\$ 343,590
Contributions in relation to the actuarially determined contribution	<u>(105,230)</u>	<u>(141,014)</u>	<u>(180,435)</u>	<u>(343,590)</u>
Contribution deficiency (excess)	-	-	-	-
Covered payroll	1,942,041	2,826,657	2,607,147	2,894,355
Contributions as a percentage of covered payroll	5.42%	4.99%	6.92%	11.87%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date

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	22 years
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

There were no benefit changes during the year.

2019	2020	2021	2022	2023	2024
\$ 447,945	\$ 509,363	\$ 598,429	\$ 850,336	\$ 1,094,107	\$ 1,293,331
<u>(447,945)</u>	<u>(509,363)</u>	<u>(598,429)</u>	<u>(1,450,336)</u>	<u>(1,094,107)</u>	<u>(1,293,331)</u>
-	-	-	(600,000)	-	
3,380,237	3,748,072	4,403,452	4,847,983	6,199,628	7,827,223
13.25%	13.59%	13.59%	29.92%	17.65%	16.52%

CITY OF MELISSA, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement Date December 31,	<u>2017</u>	<u>2018</u>	<u>2019</u>
A. Total OPEB liability			
Service Cost	\$ 6,170	\$ 8,207	\$ 8,076
Interest on the total OPEB liability	2,785	2,973	2,966
Difference between expected and actual experience	6,749	(14,588)	(9,204)
Changes of assumptions and other inputs	-	(5,594)	15,541
Benefit payments	<u>(537)</u>	<u>(608)</u>	<u>(1,009)</u>
Net change in Total OPEB liability	<u>15,167</u>	<u>(9,610)</u>	<u>16,370</u>
Total OPEB liability - beginning	<u>70,853</u>	<u>86,020</u>	<u>76,410</u>
Total OPEB liability - ending	<u>\$ 86,020</u>	<u>\$ 76,410</u>	<u>\$ 92,780</u>
B. Covered-employee payroll	\$ 2,682,628	\$ 3,039,506	\$ 3,364,825
C. Total OPEB liability as a percentage of covered-employee payroll	3.21%	2.51%	2.76%

Notes to Schedule:

- This schedule is required to have 10 years of information, but the information prior to 2017 is not available.
- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

2020	2021	2022	2023
\$ 10,725	\$ 11,584	\$ 14,398	\$ 9,736
2,688	2,782	2,782	3,896
9,449	(5,781)	(7,840)	3,568
19,776	5,218	(58,250)	5,912
<u>(766)</u>	<u>(2,673)</u>	<u>(3,600)</u>	<u>(3,895)</u>
<u>41,872</u>	<u>11,130</u>	<u>(52,510)</u>	<u>19,217</u>
<u>92,780</u>	<u>134,652</u>	<u>145,782</u>	<u>93,272</u>
<u>\$ 134,652</u>	<u>\$ 145,782</u>	<u>\$ 93,272</u>	<u>\$ 112,489</u>
\$ 3,830,253	\$ 4,455,431	\$ 5,142,249	\$ 6,490,905
3.52%	3.27%	1.81%	1.73%

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BUDGETARY SCHEDULES

CITY OF MELISSA, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,722,399	\$ 3,722,399	\$ 3,679,546	\$ (42,853)
Intergovernmental	750,877	750,877	1,434,323	683,446
Investment earnings	-	-	73,879	73,879
Total revenues	<u>4,473,276</u>	<u>4,473,276</u>	<u>5,187,748</u>	<u>714,472</u>
EXPENDITURES				
Debt service:				
Principal	3,645,000	3,645,000	3,625,000	20,000
Interest and fiscal charges	<u>3,845,626</u>	<u>3,845,626</u>	<u>3,848,893</u>	<u>(3,267)</u>
Total expenditures	<u>7,490,626</u>	<u>7,490,626</u>	<u>7,473,893</u>	<u>16,733</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,017,350)	(3,017,350)	(2,286,145)	731,205
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,887,350</u>	<u>2,887,350</u>	<u>2,319,900</u>	<u>(567,450)</u>
Total other financing sources (uses)	<u>2,887,350</u>	<u>2,887,350</u>	<u>2,319,900</u>	<u>(567,450)</u>
NET CHANGE IN FUND BALANCE	<u>(130,000)</u>	<u>(130,000)</u>	<u>33,755</u>	<u>163,755</u>
FUND BALANCE, BEGINNING	<u>1,239,039</u>	<u>1,239,039</u>	<u>1,239,039</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,109,039</u>	<u>\$ 1,109,039</u>	<u>\$ 1,272,794</u>	<u>\$ 163,755</u>

CITY OF MELISSA, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TIF FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,607,524	\$ 1,607,524	\$ 1,558,141	\$ (49,383)
Investment earnings	-	-	78,089	78,089
Total revenues	<u>1,607,524</u>	<u>1,607,524</u>	<u>1,636,230</u>	<u>28,706</u>
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,607,524</u>	<u>1,607,524</u>	<u>1,636,230</u>	<u>28,706</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,285,481)</u>	<u>(1,285,481)</u>	<u>(1,401,481)</u>	<u>(116,000)</u>
Total other financing sources (uses)	<u>(1,285,481)</u>	<u>(1,285,481)</u>	<u>(1,401,481)</u>	<u>(116,000)</u>
NET CHANGE IN FUND BALANCE	<u>322,043</u>	<u>322,043</u>	<u>234,749</u>	<u>(87,294)</u>
FUND BALANCE, BEGINNING	<u>1,605,003</u>	<u>1,605,003</u>	<u>1,605,003</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,927,046</u>	<u>\$ 1,927,046</u>	<u>\$ 1,839,752</u>	<u>\$ (87,294)</u>

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COMPONENT UNIT FUND STATEMENTS

CITY OF MELISSA, TEXAS**BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS**

SEPTEMBER 30, 2024

	<u>Community Development</u>	<u>Economic Development</u>
ASSETS		
Cash and investments	\$ 3,568,991	\$ 6,238,212
Sales tax receivable	<u>355,792</u>	<u>355,792</u>
Total assets	<u>3,924,783</u>	<u>6,594,004</u>
FUND BALANCES		
Restricted for:		
Community development	3,924,783	-
Economic development	<u>-</u>	<u>6,594,004</u>
Total fund balances	<u>3,924,783</u>	<u>6,594,004</u>
 Total liabilities and fund balances	 <u>\$ 3,924,783</u>	 <u>\$ 6,594,004</u>
 Reconciliation of the balance sheet to the statement of net position:		
Total fund balances	\$ 3,924,783	\$ 6,594,004
 Adjustments for the Statement of Net Position:		
 Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	 <u>16,166</u>	 <u>129,076</u>
 Net position of the discretely presented component units	 <u>\$ 3,940,949</u>	 <u>\$ 6,723,080</u>

CITY OF MELISSA, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNITS**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Community Development</u>	<u>Economic Development</u>
REVENUES		
Sales tax	\$ 2,271,793	\$ 2,271,793
Investment income	<u>143,750</u>	<u>271,985</u>
Total revenues	<u>2,415,543</u>	<u>2,543,778</u>
EXPENDITURES		
Current:		
Community development	1,032,798	-
Economic development	<u>-</u>	<u>783,661</u>
Total expenditures	<u>1,032,798</u>	<u>783,661</u>
NET CHANGE IN FUND BALANCES	<u>1,382,745</u>	<u>1,760,117</u>
FUND BALANCES, BEGINNING	<u>2,542,038</u>	<u>4,833,887</u>
FUND BALANCES, ENDING	<u>\$ 3,924,783</u>	<u>\$ 6,594,004</u>

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STATISTICAL SECTION

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**STATISTICAL SECTION
(Unaudited)**

This part of the City of Melissa's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	65 - 74
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources.	75 - 86
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	87 - 89
Operating Information 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.	90 - 95

CITY OF MELISSA, TEXAS**NET POSITION BY COMPONENT**

LAST TEN FISCAL YEARS
(UNAUDITED)
(amounts expressed in thousands)

	Fiscal Year			
	2015	2016	2017	2018
Governmental activities:				
Net investment in capital assets	\$ 8,834	\$ 2,148	\$ 15,186	\$ 21,081
Restricted	440	503	4,285	7,221
Unrestricted	<u>1,484</u>	<u>12,304</u>	<u>3,004</u>	<u>3,533</u>
Total governmental activities net position	<u>\$ 10,758</u>	<u>\$ 14,955</u>	<u>\$ 22,475</u>	<u>\$ 31,835</u>
Business-type activities:				
Net investment in capital assets	\$ 1,350	\$ 3,460	\$ 4,017	\$ 4,655
Restricted	-	925	1,743	2,947
Unrestricted	<u>4,625</u>	<u>2,837</u>	<u>1,054</u>	<u>4,807</u>
Total business-type activities net position	<u>\$ 5,975</u>	<u>\$ 7,222</u>	<u>\$ 6,814</u>	<u>\$ 12,409</u>
Primary government:				
Net investment in capital assets	\$ 10,184	\$ 5,608	\$ 19,203	\$ 25,736
Restricted	440	503	6,028	10,168
Unrestricted	<u>6,109</u>	<u>15,141</u>	<u>4,058</u>	<u>8,340</u>
Total primary government net position	<u>\$ 16,733</u>	<u>\$ 21,252</u>	<u>\$ 29,289</u>	<u>\$ 44,244</u>

TABLE 1

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 22,148	\$ 24,161	\$ 24,984	\$ 55,262	\$ 55,632	\$ 67,897
8,660	10,861	13,535	24,613	34,859	36,497
<u>3,984</u>	<u>6,139</u>	<u>14,500</u>	<u>16,812</u>	<u>22,024</u>	<u>24,625</u>
<u>\$ 34,792</u>	<u>\$ 41,161</u>	<u>\$ 53,019</u>	<u>\$ 96,687</u>	<u>\$ 112,515</u>	<u>\$ 129,019</u>
\$ 5,589	\$ 6,975	\$ 3,886	\$ 50,624	\$ 62,127	\$ 95,928
3,797	5,706	9,590	7,507	9,643	7,497
<u>4,656</u>	<u>4,764</u>	<u>4,652</u>	<u>13,902</u>	<u>14,655</u>	<u>18,623</u>
<u>\$ 14,042</u>	<u>\$ 17,445</u>	<u>\$ 18,128</u>	<u>\$ 72,033</u>	<u>\$ 86,425</u>	<u>\$ 122,048</u>
\$ 27,737	\$ 31,136	\$ 28,870	\$ 105,886	\$ 117,759	\$ 163,825
12,457	16,567	23,125	32,120	44,502	43,994
<u>8,640</u>	<u>10,903</u>	<u>19,152</u>	<u>30,714</u>	<u>36,679</u>	<u>43,248</u>
<u>\$ 48,834</u>	<u>\$ 58,606</u>	<u>\$ 71,147</u>	<u>\$ 168,720</u>	<u>\$ 198,940</u>	<u>\$ 251,067</u>

CITY OF MELISSA, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(UNAUDITED)
(amounts expressed in thousands)

	Fiscal Year			
	2015	2016	2017	2018
EXPENSES				
Governmental activities:				
General government	\$ 2,917	\$ 2,849	\$ 2,818	\$ 3,751
Public safety	1,726	2,135	2,608	3,414
Cultural and recreation	689	593	758	1,002
Public works	909	1,010	1,368	1,500
Interest and other	<u>867</u>	<u>1,120</u>	<u>1,364</u>	<u>1,399</u>
Total governmental activities expenses	<u>7,108</u>	<u>7,707</u>	<u>8,916</u>	<u>11,066</u>
Business-type activities:				
Water and sewer	4,178	5,779	5,629	6,736
Sanitation	<u>233</u>	<u>338</u>	<u>381</u>	<u>418</u>
Total business-type activities	<u>4,411</u>	<u>6,117</u>	<u>6,010</u>	<u>7,154</u>
Total primary government program expenses	<u>\$ 11,519</u>	<u>\$ 13,824</u>	<u>\$ 14,926</u>	<u>\$ 18,220</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	\$ 958	\$ 1,192	\$ 1,861	\$ 2,136
Public safety	560	546	466	424
Cultural and recreational	-	-	-	-
Operating grants and contributions	158	203	230	1,141
Capital grants and contributions	<u>422</u>	<u>157</u>	<u>4,908</u>	<u>7,524</u>
Total governmental activities program revenues	<u>2,098</u>	<u>2,098</u>	<u>7,465</u>	<u>11,225</u>
Business-type activities:				
Charges for services:				
Water and sewer	4,478	5,133	6,057	7,452
Sanitation	314	314	463	509
Capital grants and contributions	<u>228</u>	<u>612</u>	<u>229</u>	<u>4,068</u>
Total business-type activities program revenues	<u>5,020</u>	<u>6,059</u>	<u>6,749</u>	<u>12,029</u>
Total primary government program revenues	<u>\$ 7,118</u>	<u>\$ 8,157</u>	<u>\$ 14,214</u>	<u>\$ 23,254</u>

TABLE 2

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 3,672	\$ 4,820	\$ 7,351	\$ 7,854	\$ 7,924	\$ 12,237
3,346	4,055	4,428	5,778	7,802	9,769
1,523	1,683	2,171	2,835	2,854	3,283
2,505	2,696	2,586	2,333	2,164	2,998
<u>1,743</u>	<u>1,812</u>	<u>2,025</u>	<u>2,547</u>	<u>2,580</u>	<u>4,329</u>
<u>12,789</u>	<u>15,066</u>	<u>18,561</u>	<u>21,347</u>	<u>23,324</u>	<u>32,616</u>
7,559	7,886	9,080	9,832	11,574	18,635
<u>480</u>	<u>567</u>	<u>808</u>	<u>984</u>	<u>1,221</u>	<u>1,453</u>
<u>8,039</u>	<u>8,453</u>	<u>9,888</u>	<u>10,816</u>	<u>12,795</u>	<u>20,088</u>
<u>\$ 20,828</u>	<u>\$ 23,519</u>	<u>\$ 28,449</u>	<u>\$ 32,163</u>	<u>\$ 36,119</u>	<u>\$ 52,704</u>
\$ 1,795	\$ 3,279	\$ 4,759	\$ 7,031	\$ 5,358	\$ 5,817
435	384	485	1,180	753	921
712	1,538	2,260	140	188	246
1,221	1,616	2,374	2,301	1,224	844
<u>2,203</u>	<u>3,043</u>	<u>4,326</u>	<u>34,392</u>	<u>10,930</u>	<u>10,865</u>
<u>6,366</u>	<u>9,860</u>	<u>14,204</u>	<u>45,044</u>	<u>18,453</u>	<u>18,693</u>
7,903	9,653	10,660	13,394	15,078	19,506
571	660	888	1,119	1,381	1,641
<u>1,062</u>	<u>2,175</u>	<u>2,514</u>	<u>38,755</u>	<u>10,411</u>	<u>38,448</u>
<u>9,536</u>	<u>12,488</u>	<u>14,062</u>	<u>53,268</u>	<u>26,870</u>	<u>59,595</u>
<u>\$ 15,902</u>	<u>\$ 22,348</u>	<u>\$ 28,266</u>	<u>\$ 98,312</u>	<u>\$ 45,323</u>	<u>\$ 78,288</u>

CITY OF MELISSA, TEXAS

CHANGES IN NET POSITION

**LAST TEN FISCAL YEARS
(UNAUDITED)**

	Fiscal Year			
	2015	2016	2017	2018
NET (EXPENSE) REVENUES				
Governmental activities	\$ (5,010)	\$ (5,609)	\$ (1,451)	\$ 159
Business-type activities	609	(58)	739	4,875
Total primary government net expense	<u>(4,401)</u>	<u>(5,667)</u>	<u>(712)</u>	<u>5,034</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	3,059	3,699	4,489	5,679
Sales	822	1,129	1,164	1,324
Franchise	306	339	382	479
Investment earnings	139	40	45	146
Miscellaneous	161	271	1,050	1,277
Transfers	441	1,001	1,842	296
Total governmental activities	<u>4,928</u>	<u>6,479</u>	<u>8,972</u>	<u>9,201</u>
Business-type activities:				
Investment earnings	27	17	24	35
Miscellaneous	167	34	673	980
Transfers	(441)	(194)	(1,842)	(296)
Total business-type activities	<u>(247)</u>	<u>(143)</u>	<u>(1,145)</u>	<u>719</u>
Total primary government	<u>4,681</u>	<u>6,336</u>	<u>7,827</u>	<u>9,920</u>
CHANGE IN NET POSITION				
Governmental activities	(82)	870	7,521	9,360
Business-type activities	362	(201)	(406)	5,594
Total primary government	<u>\$ 280</u>	<u>\$ 669</u>	<u>\$ 7,115</u>	<u>\$ 14,954</u>

TABLE 2

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ (6,423)	\$ (5,206)	\$ (4,357)	\$ 23,698	\$ (4,871)	\$ (13,923)
1,497	4,035	4,174	42,452	14,074	39,507
(4,926)	(1,171)	(183)	66,150	9,203	25,584
6,559	7,590	9,116	10,298	11,496	14,681
1,393	1,701	2,322	3,238	4,241	4,553
568	582	606	758	904	1,204
428	466	147	415	3,550	4,830
256	155	188	394	67	86
176	1,081	3,836	(2,162)	441	5,073
9,380	11,575	16,215	12,941	20,699	30,427
163	232	55	91	749	1,164
149	216	290	-	10	24
(176)	(1,081)	(3,836)	2,162	(441)	(5,073)
136	(633)	(3,491)	2,253	318	(3,885)
9,516	10,942	12,724	15,194	21,017	26,542
2,957	6,369	11,858	36,639	15,828	16,504
1,633	3,402	683	44,706	14,392	35,623
\$ 4,590	\$ 9,771	\$ 12,541	\$ 81,345	\$ 30,220	\$ 52,127

CITY OF MELISSA, TEXASFUND BALANCES
GOVERNMENTAL FUNDSLAST TEN FISCAL YEARS
(UNAUDITED)
(amounts expressed in thousands)

	Fiscal Year			
	2015	2016	2017	2018
General fund:				
Nonspendable	\$ 38	\$ 55	\$ 52	\$ 1
Committed	100	76	3,691	6,247
Assigned	414	420	1,665	2,848
Unassigned	<u>1,404</u>	<u>2,022</u>	<u>1,802</u>	<u>2,116</u>
Total general fund	<u>\$ 1,956</u>	<u>\$ 2,573</u>	<u>\$ 7,210</u>	<u>\$ 11,212</u>
All other governmental funds				
Restricted	\$ 14,148	\$ 6,887	\$ 10,317	\$ 22,551
Unassigned	<u>-</u>	<u>-</u>	<u>(35)</u>	<u>-</u>
Total all other governmental funds	<u>\$ 14,148</u>	<u>\$ 6,887</u>	<u>\$ 10,282</u>	<u>\$ 22,551</u>

TABLE 3

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 1	\$ 5	\$ 34	\$ 13	\$ 30	\$ 33
6,318	7,478	10,766	22,076	29,129	33,047
2,910	3,695	12,226	13,443	17,759	19,122
<u>2,535</u>	<u>4,034</u>	<u>3,606</u>	<u>4,355</u>	<u>5,208</u>	<u>6,376</u>
<u>\$ 11,764</u>	<u>\$ 15,212</u>	<u>\$ 26,632</u>	<u>\$ 39,887</u>	<u>\$ 52,126</u>	<u>\$ 58,578</u>
\$ 11,367	\$ 15,908	\$ 47,760	\$ 28,629	\$ 30,784	\$ 36,192
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 11,367</u>	<u>\$ 15,908</u>	<u>\$ 47,760</u>	<u>\$ 28,629</u>	<u>\$ 30,784</u>	<u>\$ 36,192</u>

CITY OF MELISSA, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(UNAUDITED)
(amounts expressed in thousands)

	Fiscal Year			
	2015	2016	2017	2018
REVENUES				
Taxes	\$ 4,182	\$ 5,159	\$ 5,991	\$ 10,091
Licenses and permits	976	1,342	2,854	1,581
Intergovernmental	400	-	4,140	6,066
Charges for services	4	8	5	556
Fines and forfeitures	560	546	466	424
Interest income	140	40	45	146
Contributions	157	203	-	-
Miscellaneous	161	247	1,050	1,274
Total revenues	<u>6,580</u>	<u>7,545</u>	<u>14,551</u>	<u>20,138</u>
EXPENDITURES				
General government	2,489	2,515	2,475	3,156
Public safety	1,572	1,901	2,303	2,994
Streets	257	281	275	360
Culture and recreation	600	511	526	709
Capital outlay	909	4,901	19,620	7,618
Debt service				
Principal	971	994	1,555	1,885
Interest and other	681	1,242	1,359	1,529
Total expenditures	<u>7,479</u>	<u>12,345</u>	<u>28,113</u>	<u>18,251</u>
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ (899)</u>	<u>\$ (4,800)</u>	<u>\$ (13,562)</u>	<u>\$ 1,887</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,368	\$ 2,264	\$ 19,264	\$ 15,799
Transfers out	(927)	(1,262)	(17,422)	(15,503)
Proceeds from insurance recoveries	-	24	-	-
Issuance of debt	-	-	-	-
Premium on debt	10,490	-	29,006	13,987
Issuance of lease	-	-	-	-
Issuance of financing arrangement	229	341	-	45
Proceeds from sale of capital asset	-	-	-	57
Payment to escrow agent	-	-	(12,884)	-
Total other financing sources (uses)	<u>11,160</u>	<u>1,367</u>	<u>17,964</u>	<u>14,385</u>
NET CHANGE IN FUND BALANCES	<u>\$ 10,261</u>	<u>\$ (3,433)</u>	<u>\$ 4,402</u>	<u>\$ 16,272</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>25.10%</u>	<u>30.00%</u>	<u>32.90%</u>	<u>32.10%</u>

TABLE 4

Fiscal Year					
2019	2020	2021	2022	2023	2024
\$ 9,987	\$ 12,567	\$ 14,562	\$ 14,286	\$ 21,057	\$ 26,492
1,385	2,465	3,606	5,642	3,507	4,385
1,220	1,614	3,883	3,102	2,925	1,651
410	814	3,413	137	5,844	4,774
435	384	485	623	618	941
428	466	147	415	3,550	4,830
-	-	-	-	-	-
1,326	2,361	223	383	157	196
<u>15,191</u>	<u>20,671</u>	<u>26,319</u>	<u>24,588</u>	<u>37,658</u>	<u>43,269</u>
3,798	4,312	4,821	7,251	7,411	10,558
3,288	4,015	4,365	5,185	7,193	8,487
670	1,448	1,149	439	974	689
986	1,064	1,335	1,600	1,568	2,035
13,734	3,315	11,745	22,632	21,861	25,310
2,419	2,411	2,587	3,693	3,909	4,124
1,779	1,840	2,162	2,742	2,872	4,067
<u>26,674</u>	<u>18,405</u>	<u>28,164</u>	<u>43,542</u>	<u>45,788</u>	<u>55,270</u>
<u>\$ (11,483)</u>	<u>\$ 2,266</u>	<u>\$ (1,845)</u>	<u>\$ (18,954)</u>	<u>\$ (8,130)</u>	<u>\$ (12,001)</u>
\$ 2,034	\$ 4,728	\$ 18,202	\$ 2,610	\$ 2,645	\$ 10,653
(1,858)	(3,647)	(14,366)	(3,887)	(2,203)	(5,580)
-	-	-	-	-	-
-	-	-	-	20,345	17,934
-	4,572	35,447	-	782	578
-	-	-	-	368	276
635	-	861	-	580	-
41	70	5,288	29	8	-
<u>-</u>	<u>-</u>	<u>(315)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>852</u>	<u>5,723</u>	<u>45,117</u>	<u>(1,248)</u>	<u>22,525</u>	<u>23,861</u>
<u>\$ (10,631)</u>	<u>\$ 7,989</u>	<u>\$ 43,272</u>	<u>\$ (20,202)</u>	<u>\$ 14,395</u>	<u>\$ 11,860</u>
<u>32.40%</u>	<u>28.20%</u>	<u>28.90%</u>	<u>31.45%</u>	<u>28.14%</u>	<u>27.69%</u>

CITY OF MELISSA, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years (Unaudited)
 (amounts expressed in thousands)

Fiscal Year	Real Property		Less Exemptions Real Property	Total Assessed Value	Tax Rate	Estimated Tax Value	Ratio of Total Assessed Value to Total Estimated Actual Value
	Residential Assessed Value	Commercial Assessed Value					
2015	\$ 428,704	\$ 128,724	\$ 41,884	\$ 515,544	0.610000	\$ 515,544	100.0%
2016	521,736	105,965	71,635	556,066	0.610000	556,066	100.0%
2017	636,670	118,120	79,280	675,510	0.610000	675,510	100.0%
2018	777,991	146,315	94,309	829,998	0.610000	829,998	100.0%
2019	925,629	196,143	124,273	997,499	0.609541	997,499	100.0%
2020	1,096,204	206,020	139,442	1,162,782	0.609541	1,162,782	100.0%
2021	1,284,739	249,544	169,889	1,364,393	0.609238	1,364,393	100.0%
2022	1,592,739	317,337	224,734	1,685,342	0.568157	1,685,342	100.0%
2023	2,202,358	409,565	258,148	2,353,775	0.456168	2,353,775	100.0%
2024	2,943,397	578,138	439,938	3,081,597	0.454728	3,081,597	100.0%

Note: The appraisal of property within the City is the responsibility of the Collin County Central Appraisal District. The Appraisal District is required under the Texas Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal, and the market data comparison basis of appraisal, and the method considered most appropriate by the chief appraiser is to be used. The value placed upon property within the Appraisal District is subject to review by a three member Appraisal Review Board.

CITY OF MELISSA, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years (Unaudited)

Fiscal Year	CITY OF MELISSA			Melissa Independent School District	Collin County	Collin County College District	Total Rate
	General	Debt Service	Total City of Melissa Rate				
2015	0.463642	0.14636	0.610000	1.67000	0.22500	0.08196	2.586960
2016	0.478910	0.13109	0.610000	1.67000	0.22500	0.08196	2.586960
2017	0.462173	0.14783	0.610000	1.67000	0.20840	0.08122	2.569617
2018	0.457305	0.15270	0.610000	1.67000	0.19225	0.07981	2.552056
2019	0.441232	0.16831	0.609541	1.67000	0.18079	0.08122	2.541546
2020	0.460931	0.14861	0.609541	1.56835	0.17495	0.08122	2.434062
2021	0.456352	0.15289	0.609238	1.46300	0.17253	0.08122	2.325988
2022	0.431031	0.13713	0.568157	1.46030	0.16809	0.08122	2.277764
2023	0.357805	0.09836	0.456168	1.44290	0.15244	0.08122	1.676560
2024	0.327056	0.12767	0.454728	1.25750	0.14934	0.08122	1.488063

Source: Collin County Central Appraisal District

City of Melissa, Texas

PRINCIPAL PROPERTY TAX PAYERS
Current and Nine Years Ago (Unaudited)

2024 Total Assessed Value \$4,033,655,618			
Taxpayer	Assessed Valuation	Rank	Percentage of Total City Assessed Valuation
Prose Melissa LLC	\$ 52,054,080	1	1.29%
NexMetro Springs LP	44,753,440	2	1.11%
Landing at Willow Grove LLC	44,657,319	3	1.11%
NexMetro Stoneridge LP	44,652,355	4	1.11%
Melissa Farmhouse LLC	41,133,586	5	1.02%
CH-AFH I/Dallas Melissa LP	35,671,497	6	0.88%
TC/F Melissa LP	31,181,485	7	0.77%
Buc-ee's LTD	20,321,203	8	0.50%
PS LPT Properties Investors	18,354,289	9	0.46%
H-E-B LP	18,246,444	10	0.45%
D R Horton - Texas LTD	-	-	-
Hillwood RLD LP	-	-	-
Alpha Steel Fab Inc	-	-	-
Zachry Construction Co	-	-	-
Ed Bell Construction	-	-	-
CMC Rebar	-	-	-
Jessh Enterprises	-	-	-
First National Bank of Trenton	-	-	-
Mesquite Creek Development Inc	-	-	-
Oncor Electric Delivery Company	-	-	-
Total	\$ 351,025,698		8.70%

Source: Collin County Central Appraisal District

2015 Total Assessed Value \$587,265,033		
Assessed Valuation	Rank	Percentage of Total City Assessed Valuation
\$ -	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
4,563,039	1	1.13%
4,265,196	2	1.06%
4,210,558	3	1.05%
3,098,031	4	0.77%
2,731,938	5	0.68%
2,704,129	6	0.67%
2,410,376	7	0.60%
2,358,269	8	0.59%
2,177,275	9	0.54%
<u>2,077,740</u>	10	<u>0.52%</u>
<u>\$ 30,596,551</u>		<u>7.61%</u>

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City of Melissa, Texas
PROPERTY TAX LEVIES AND COLLECTIONS (1)
Last Ten Fiscal Years (Unaudited)

TABLE 8

Fiscal Year	Total Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Tax Levy		Amount	Percentage of Tax Levy
2015	\$ 2,953,734	\$ 2,932,886	99.3%	\$ 19,278	\$ 2,952,164	99.9%
2016	3,585,389	3,570,609	99.6%	13,275	3,583,884	100.0%
2017	4,334,553	4,310,559	99.4%	23,994	4,334,553	100.0%
2018	5,278,488	5,253,887	99.5%	21,906	5,275,793	99.9%
2019	6,324,248	6,295,381	99.5%	16,925	6,312,306	99.8%
2020	7,416,549	7,392,134	99.7%	(6,759)	7,385,375	99.6%
2021	8,678,463	8,654,622	99.7%	(9,107)	8,645,515	99.6%
2022	9,841,071	9,910,988	100.7%	(69,917)	9,841,071	100.0%
2023	11,040,337	11,005,223	99.7%	(3,247)	11,001,976	99.7%
2024	14,477,081	14,316,233	98.9%	-	14,316,233	98.9%

Notes: (1) Includes general and debt service funds.
Source: Collin County Tax Assessor Collector.

CITY OF MELISSA, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years (Unaudited)
(Amounts Expressed In Thousands, Except per Capita Amount)

Fiscal Year	Governmental Activities					Business-type Activities	
	General Obligation Bonds	Certificates of Obligation	Leases	SBITAs	Financing Arrangements	Revenue Bonds	General Obligation Bonds
2015	\$ 27,575	\$ -	\$ -	\$ -	\$ 429	\$ 19,085	\$ 740
2016	26,695	-	-	-	656	18,306	630
2017	20,866	21,217	-	-	498	7,019	2,296
2018	24,348	29,832	-	-	433	6,713	2,130
2019	23,046	28,715	-	-	899	6,394	1,843
2020	22,477	32,175	-	-	753	6,068	1,546
2021	21,001	66,096	-	-	1,462	5,723	2,160
2022	19,450	53,753	408	-	1,288	5,368	1,912
2023	17,843	82,060	585	263	1,690	4,988	1,653
2024	16,192	97,322	628	176	2,412	5,937	1,389

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

TABLE 9

Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita	Personal Income
Certificates of Obligation	Leases	Financing Arrangements				
\$ -	\$ -	\$ 81	\$ 47,910	12.80%	\$ 5,323	\$ 374,364
-	-	57	46,344	11.32%	4,634	409,230
14,241	-	23	66,160	14.98%	6,301	441,630
21,367	-	5	84,828	16.35%	7,069	518,976
20,505	-	-	81,402	15.07%	5,814	540,106
19,653	-	-	82,672	12.75%	4,863	648,278
26,873	-	-	123,315	17.38%	5,872	709,548
22,442	112	-	104,733	9.70%	4,655	1,080,090
24,653	456	-	134,191	10.62%	5,591	1,263,696
27,519	384	-	151,959	13.10%	6,078	1,160,275

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years (Unaudited)
(Amounts Expressed in Thousands, Except per Capita Amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value ¹ of Property	Per Capita ²
2015	\$ 28,315	\$ 304	\$ 28,011	4.74%	\$ 3,112
2016	27,325	379	26,946	4.74%	2,695
2017	22,915	608	22,307	3.14%	2,124
2018	26,205	840	25,365	2.93%	2,114
2019	24,640	1,161	23,479	2.27%	1,677
2020	23,045	1,410	21,635	1.77%	1,273
2021	22,155	1,531	20,624	1.45%	982
2022	20,520	1,468	19,052	1.09%	847
2023	18,820	1,239	17,581	0.71%	733
2024	17,070	1,273	15,797	0.51%	632

¹See the Schedule of Assessed and Estimated Actual Value of Taxable Property for property value data.

²Population data can be found in the Schedule of Demographic and Economic Statistics.

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

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2024 (Unaudited)
(Amounts Expressed in Thousands)

	<u>Debt Outstanding</u>		<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Governmental Unit				
Debt repaid with property taxes:				
Melissa I.S.D.	\$ 503,040,000	*	78.45%	\$ 394,634,880
Collin County	841,715,000	*	1.39%	11,699,839
Collin County College District	459,865,000	**	1.39%	6,392,124
Total, overlapping debt				<u>412,726,842</u>
 City of Melissa Direct Debt			100%	116,729,692
 Total direct and overlapping debt				<u><u>\$ 529,456,534</u></u>

Source: Various entity financial statements as of the most recently issued financial statements.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping by the residents and businesses of Statistical. This process recognizes that, when considering the city's ability governments that is borne to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply the every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the governmental unit's taxable assessed value that is within the governmental's boundaries and dividing it by the governmental unit's total taxable assessed value.

CITY OF MELISSA, TEXAS

LEGAL DEBT MARGIN INFORMATION Last Ten Fiscal Years (Unaudited) (amounts expressed in thousands)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Debt limit	\$ 352,154	\$ 159,693	\$ 197,827	\$ 159,693	\$ 136,041
Total net debt applicable to limit	<u>16,308</u>	<u>18,257</u>	<u>19,052</u>	<u>20,624</u>	<u>23,674</u>
Legal debt margin	<u>\$ 335,846</u>	<u>\$ 141,436</u>	<u>\$ 178,775</u>	<u>\$ 139,069</u>	<u>\$ 112,367</u>
Total net debt applicable to limit as a percentage of debt limit	4.63%	11.43%	9.63%	12.91%	17.40%

Legal Debt Margin Calculation for Fiscal Year 2024

Assessed value	\$ 3,081,597
Add back: exempt real property	<u>439,938</u>
Total assessed value	<u>3,521,535</u>
Debt limit (10% of total assessed value)	352,154
Debt applicable to limit:	
General obligation bonds	17,581
Less: Amount set aside for repayment of general obligation debt	<u>(1,273)</u>
Total net debt applicable to limit	<u>16,308</u>
Legal debt margin	<u>\$ 335,846</u>

Note: There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter (Article XI, Section 5, Texas Constitution), that limits the maximum tax rate, for all city purposes, to \$2.50 per \$100 assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation debt service.

Source: City of Melissa, Texas

TABLE 12

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 117,107	\$ 96,071	\$ 88,783	\$ 76,943	\$ 54,166
<u>20,624</u>	<u>27,699</u>	<u>24,656</u>	<u>26,316</u>	<u>27,271</u>
\$ <u>96,483</u>	\$ <u>68,372</u>	\$ <u>64,127</u>	\$ <u>50,627</u>	\$ <u>26,895</u>
17.61%	28.83%	27.77%	34.20%	50.35%

City of Melissa, Texas
PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years (Unaudited)
 (Amounts Expressed in Thousands)

TABLE 13

	Water & Sewer Revenue Bonds						
Fiscal Year	Charges and Other	Less:	Net	Debt Service		Coverage	
		Operating Expenses	Available Revenue	Principal	Interest		
2015	\$ 5,214	\$ 3,228	\$ 1,986	\$ 850	\$ 739	125%	
2016	6,110	3,932	2,178	889	1,550	89%	
2017	6,520	4,911	1,609	862	765	99%	
2018	7,961	5,547	2,414	1,019	849	129%	
2019	8,474	6,144	2,330	1,429	1,063	93%	
2020	10,312	6,589	3,723	1,431	1,013	152%	
2021	11,548	7,968	3,580	1,479	962	147%	
2022	14,513	9,029	5,484	1,601	899	219%	
2023	16,459	9,703	6,756	1,265	910	311%	
2024	21,148	16,696	4,452	1,310	867	205%	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
 Operating expenses do not include interest or depreciation.

Source: City of Melissa, Texas

CITY OF MELISSA, TEXAS**TABLE 14**

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Population (1)	Total Personal Income (Amounts expressed in	Per Capita Personal Income (2)	Average Age (3)	School Enrollment (4)	Unemployment Rate (5)
2015	9,000	\$ 374,364	\$ 41,596	31.0	2,159	4.4%
2016	10,000	409,230	40,923	31.1	2,399	4.4%
2017	10,500	441,630	42,060	32.7	2,624	3.6%
2018	12,000	518,976	43,248	36.5	3,216	3.1%
2019	14,000	540,106	38,579	36.5	3,400	2.9%
2020	17,000	648,278	38,134	33.7	3,982	3.2%
2021	21,000	709,548	33,788	33.4	4,633	2.2%
2022	22,500	1,080,090	48,004	37.0	5,687	3.0%
2023	24,000	1,263,696	52,654	37.2	6,842	3.5%
2024	25,000	1,160,275	46,411	36.5	6,984	4.1%

Data Sources:

1. North Central Texas Council of Governments & Staff Estimates
2. DeptOfNumbers.com
3. WorldPopulationReview.com
4. Melissa ISD
5. Texas Workforce Commission; Labor Market & Career Information

City of Melissa, Texas**PRINCIPAL EMPLOYERS**
Current and Nine Years Ago (Unaudited)

Employer	2024		
	No. Employees	Rank	Percentage of Total City Employment
Melissa ISD	800	1	13.6%
Redden Concrete, Inc.	428	2	7.3%
Beam Concrete Construction (formerly Kirk Concrete Construction)	315	3	5.3%
Buc-ee's	313	4	5.3%
NTMWD Regional Disposal	113	5	1.9%
City of Melissa	90	6	1.5%
McDonalds	65	7	1.1%
Calhar Utility Construction	62	8	1.1%
Braum's	45	9	0.8%
CMC Rebar	35	10	0.6%
Total	<u>2,266</u>		<u>38.4%</u>

Source: Texas Workforce Commission; Labor Market & Career Information

TABLE 15

Employer	2015		Percentage of Total City Employment
	No. Employees	Rank	
Melissa ISD	239	1	25.90%
Kirk Concrete Construction Inc.	130	2	14.09%
Calhar Utility Contractors	80	3	8.67%
Alpha Industries Fabricated Structural Steel	71	4	7.70%
NTMWD Regional Disposal Activities	47	5	5.10%
City of Melissa	44	6	4.77%
Mudpies & Lullabies	34	7	3.69%
First Melissa Church	28	8	3.04%
CMC Rebar	28	9	3.04%
Sonic Drive In	24	10	2.60%
	<u>725</u>		<u>78.6%</u>

City of Melissa, Texas

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years (Unaudited)

Function/Program	Fiscal Year				
	2024	2023	2022	2021	2020
General Government	18.0	14.0	9.5	10.0	10.0
Public Safety:					
Police	25.5	22.5	20.0	17.5	16.5
Municipal Court	2.0	1.5	1.5	1.5	1.5
Fire	22.5	19.0	15.5	15.5	13.5
Code Enforcement	2.0	2.0	2.0	1.0	1.0
Streets	-	-	0.5	0.5	0.5
Culture & Recreation:					
Parks & Recreation	4.0	4.0	4.0	3.0	3.0
Libraries	7.0	5.5	4.5	4.5	4.5
Water & Wastewater	10.5	11.5	8.5	8.5	8.5
Utility Administration	6.5	5.5	5.5	4.5	3.5
Totals	<u>98.0</u>	<u>85.5</u>	<u>71.5</u>	<u>66.5</u>	<u>62.5</u>

Source: City of Melissa, Texas

TABLE 16

Fiscal Year				
2019	2018	2017	2016	2015
9.5	9.5	8.5	7.5	7.5
13.0	13.0	12.0	11.0	11.0
2.0	2.0	2.0	1.5	1.5
10.5	9.0	10.0	9.0	9.0
1.0	1.0	1.0	-	-
0.5	0.5	0.5	0.5	0.5
3.0	3.0	2.0	2.0	2.0
4.5	4.0	4.5	4.0	4.0
4.5	4.5	4.5	4.5	4.5
2.5	2.5	2.5	3.5	3.5
51.0	49.0	47.5	43.5	43.5

CITY OF MELISSA, TEXAS

OPERATING INDICATORS BY FUNCTIONS/PROGRAM
Last Ten Fiscal Years

<u>Function/Program</u>	Fiscal Year			
	2024	2023	2022	2021
<u>General government</u>				
Building permits issued				
Commercial	47	34	36	36
Total Dollar Value of Permits Issued	\$229,334,849	\$64,362,662	\$44,452,122	\$37,935,114
Residential	1,442	903	905	925
Total Dollar Value of Permits Issued	n/a	n/a	n/a	n/a
<u>Public Safety</u>				
Police				
Physical arrests	327	218	227	176
Accidents	383	279	246	236
Citations	5,313	5,707	3,498	2,076
Fire				
Calls for Service- Fire & EMS	2,352	1,822	1,675	1,713
Number of Fire Safety Programs	297	23	22	12
Number of Calls Answered	2,352	1,822	1,675	1,713
Inspections	281	256	216	186
Fires Extinguished	103	81	59	48
<u>Municipal Court</u>				
Number of Cases Filed	4,552	3,286	3,232	2,505
Number of cases closed	3,238	2,223	2,703	2,093
<u>Culture, Parks, & Recreation</u>				
Athletic Field Reservations Issued	6,060	2,664	2,104	1,397
Park Facilities Reservations Issued	41	27	41	43
Weekend Tournaments (Avg. 3 days)	26	41	33	32
<u>Public Works</u>				
Water & Sewer				
New water connections	1,856	1,124	907	876
Avg. daily consumption of water (thousands of gallons)	2,955,237	2,609,275	2,557,000	1,732,367
Avg. daily treatment of wastewater (thousands of gallons)	797,219	766,383	589,416	604,494
Streets				
Potholes Repaired (tons of material)	171	246	226	221
Concrete Streets Repaired (yards)	75	44	58	62

Source: City of Melissa, Texas

TABLE 17

Fiscal Year					
2020	2019	2018	2017	2016	2015
29	5	4	20	23	4
\$49,984,205	\$3,960,162	\$21,024,377	\$33,274,421	\$3,641,774	\$3,425,350
745	482	523	317	238	334
\$144,045,940	\$124,537,435	\$132,234,242	\$83,028,982	\$60,904,323	\$72,037,803
243	218	156	104	162	128
186	217	304	211	259	234
1,547	1,934	3,116	2,905	2,799	3,461
1,610	1,376	1,395	1,210	1,120	920
9	26	24	5	30	30
1,610	1,376	1,395	1,210	1,120	950
146	425	150	200	400	450
9	71	97	85	95	150
1,883	2,402	2,966	2,639	3,382	3,461
1,696	2,450	2,616	2,603	2,933	3,077
1,095	689	55	15	22	60
14	34	26	24	26	15
19	26	28	-	-	-
768	586	485	336	284	295
1,312,334	1,484,737	1,695,406	1,755,863	835,180	915,316
476,651	553,804	469,471	734,400	1,395,918	1,557,289
242	319	726	360	310	195
64	59	109	6,857	13,028	-

CITY OF MELISSA, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function	Fiscal Year				
	2024	2023	2022	2021	2020
Public Safety:					
Police stations	1	1	1	1	1
Fire stations	1	1	1	1	1
Streets and Drainage:					
Streets (miles)	108.5	100.00	137.52	130.76	121.12
Storm Sewers (miles)	69.1	53.50	49.65	39.87	32.61
Culture and Recreation:					
Parks Acreage	106	106*	81	61	61
Melissa Sports Facility (Acreage)	100	100	100	100	100
Water:					
Water Mains (in miles) (miles)	156.3	117.18	123.70	117.15	104.44
Fire Hydrants	1367	1,141	1,134	1,080	890
Storage Capacity (millions of gallons)	3500	3,500	3,500	1,500	1,500
Sewer:					
Sanitary Sewer (miles)	122	101.40	99.04	92.82	85.33

Source: City of Melissa, Texas

*Note: Increase by 25 acres for Melissa Lake Park which includes lake, parking lot, and trails around lake

**Note: Streets & Water Mains (in miles) provided by Engineering and are more accurate now due to GIS/GPS

TABLE 18

Fiscal Year				
2019	2018	2017	2016	2015
1	1	1	1	1
1	1	1	1	1
73.02	75.20	71.00	62.94	61.46
28.28	31.11	27.89	22.32	21.30
58	58	33	31	31
100	100	100	100	0
90.17	76.68	70.97	61.54	57.50
789	655	618	515	478
1,500	1,750	1,750	1,750	1,750
77.34	69.54	65.11	52.78	50.60

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor
and Members of City Council
City of Melissa, 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Melissa, Texas as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Melissa, Texas' basic financial statements, and have issued our report thereon dated February 24, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Melissa, Texas' internal control over financial reporting (internal control) as a basis for designing 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 of Melissa, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Melissa, Texas' 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 of Melissa, Texas' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Purpose of This Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 24, 2025