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(See "Continuing Disclosure of Information" herein)

**PRELIMINARY OFFICIAL STATEMENT**

**Dated April 10, 2024**

**Rating:**
**S&P: "AA"**
**(See "OTHER INFORMATION - Rating" herein)**

**NEW ISSUE - Book-Entry-Only**

In the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas ("Bond Counsel"), interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.

**$20,940,000***
**CITY OF MELISSA, TEXAS**
**(Collin County)**
**COMBINATION TAX AND LIMTED SURPLUS REVENUE**
**CERTIFICATES OF OBLIGATION, SERIES 2024**

**Dated Date: May 15, 2024**
**Interest Accrues from Delivery Date**

**Due: February 15, as shown on page 2**

**PAYMENT TERMS** . . . Interest on the $20,940,000* City of Melissa, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2024 (the "Certificates") will accrue from the Delivery Date (defined below), will be payable February 15 and August 15 of each year until maturity or prior redemption, commencing February 15, 2025, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Certificates is U.S. Bank Trust Company, National Association, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE** . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and an ordinance to be adopted by the City Council (the "Ordinance") on April 23, 2024 and constitute direct obligations of the City of Melissa, Texas (the "City"), payable from an annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, and from a limited pledge (not to exceed $1,000) of the surplus net revenues of the City's waterworks and sewer system as provided in the Ordinance (see "THE CERTIFICATES - Authority for Issuance").

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing and improving streets, roads, alleys and sidewalks, and related utility relocation, drainage, signalization, landscaping, lighting and signage; (ii) acquiring, constructing, installing and equipping municipal park and recreational improvements, including parkland and open space, ball fields, hiking trails and related infrastructure for such improvements; (iii) acquiring, constructing, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, including utility relocation; (iv) acquiring land and interests in land necessary for such projects; and (v) paying legal, fiscal, engineering and architectural fees in connection with these projects (see "PLAN OF FINANCING".)

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**MATURITY SCHEDULE - CERTIFICATES**

**See page 2**

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**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser of the Certificates (the "Initial Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on or about May 23, 2024 (the "Delivery Date").

## BIDS DUE TUESDAY APRIL 23, 2024 AT 11:00 AM, CDT

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* Preliminary, subject to change. See – "Adjustment of Principal Amounts and/or Types of Bids" in the "Notice of Sale and Bidding Instructions."

**COMBINATION TAX AND LIMITED SURPLUS REVENUE**
**CERTIFICATES OF OBLIGATION, SERIES 2024**

**MATURITY SCHEDULE*** **CUSIP Prefix [1]: 585483**

| Amount | Maturity (2/15) | Interest Rate | Initial Yield | CUSIP Suffix [1] | Amount | Maturity (2/15) | Interest Rate | Initial Yield | CUSIP Suffix [1] |
|---|---|---|---|---|---|---|---|---|---|
| $ 220,000 | 2025 | | | | $ 845,000 | 2038 | | | |
| 465,000 | 2026 | | | | 885,000 | 2039 | | | |
| 490,000 | 2027 | | | | 940,000 | 2040 | | | |
| 515,000 | 2028 | | | | 985,000 | 2041 | | | |
| 540,000 | 2029 | | | | 1,030,000 | 2042 | | | |
| 565,000 | 2030 | | | | 1,075,000 | 2043 | | | |
| 595,000 | 2031 | | | | 1,120,000 | 2044 | | | |
| 625,000 | 2032 | | | | 1,165,000 | 2045 | | | |
| 665,000 | 2033 | | | | 1,220,000 | 2046 | | | |
| 690,000 | 2034 | | | | 1,270,000 | 2047 | | | |
| 730,000 | 2035 | | | | 1,335,000 | 2048 | | | |
| 770,000 | 2036 | | | | 1,395,000 | 2049 | | | |
| 805,000 | 2037 | | | | | | | | |

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS") managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Financial Advisor, or the Initial Purchaser of the Certificates take any responsibility for the accuracy of such numbers.

**REDEMPTION** . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Redemption").

* Preliminary, subject to change.

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document constitutes an Official Statement of the City with respect to the Certificates that has been "deemed final" by the City as of its date except for the omission of no more than the information permitted by the Rule.*

*This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.*

*No dealer, broker, salesman or other person has been authorized by the City or the Initial Purchaser of the Certificates to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City.*

*Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Initial Purchaser. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.*

*None of the City, the Initial Purchaser or the Financial Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company, New York, New York ("DTC") or its book-entry-only system, as such information has been provided by DTC.*

*The Certificates are exempt from registration with the United States Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Certificates in accordance with applicable securities law provisions of the jurisdiction in which the Certificates have been registered, qualified or exempted should not be regarded as a recommendation thereof.*

*THE CERTIFICATES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.*

*References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not a part of, this offering document for any purposes.*

*THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.*

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The cover page hereof, this page, the appendices included herein and any addenda, supplement, or amendment hereto, are part of the Official Statement.

## OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

| | |
|---|---|
| **THE CITY** | The City of Melissa, Texas (the "City"), is a political subdivision and home rule municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter adopted November 8, 2011 and amended on November 7, 2023, and is located in Collin County, Texas. The City covers approximately 12 square miles (see "INTRODUCTION - Description of the City"). |
| **THE CERTIFICATES** | The $20,940,000* Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2024 are to mature on February 15 in the years 2025 through 2049, inclusive (see "THE CERTIFICATES - Description of the Certificates"). |
| **PAYMENT OF INTEREST** | Interest on the Certificates accrues from the Delivery Date, and is payable February 15, 2025, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates" and "THE CERTIFICATES - Redemption"). |
| **AUTHORITY FOR ISSUANCE** | The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and an ordinance (the "Ordinance") to be passed by the City Council of the City on April 23, 2024 (see "THE CERTIFICATES - Authority for Issuance"). |
| **SECURITY FOR THE CERTIFICATES** | The Certificates constitute direct Certificates of the City, payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of surplus net revenues of the City's waterworks and sewer system as provided in the Ordinance (see "THE CERTIFICATES - Security and Source of Payment"). |
| **REDEMPTION** | The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Initial Purchaser may select two or more consecutive maturities of the Certificates to be grouped together to form one or more "Term Certificates", and such Term Certificates would be subject to mandatory sinking fund redemption in accordance with the Ordinance. (See "THE CERTIFICATES – Redemption."). |
| **TAX EXEMPTION** | In the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas ("Bond Counsel"), interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. |
| **USE OF PROCEEDS** | Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing and improving streets, roads, alleys and sidewalks, and related utility relocation, drainage, signalization, landscaping, lighting and signage; (ii) acquiring, constructing, installing and equipping municipal park and recreational improvements, including parkland and open space, ball fields, hiking trails and related infrastructure for such improvements; (iii) acquiring, constructing, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, including utility relocation; (iv) acquiring land and interests in land necessary for such projects; and (v) paying legal, fiscal, engineering and architectural fees in connection with these projects (see "PLAN OF FINANCING".) |
| **RATING** | The Certificates and presently outstanding tax supported debt of the City are rated "AA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") (see "OTHER INFORMATION - Ratings"). The City also has outstanding tax supported debt rated by Moody's Investors Service, Inc. ("Moody's"). |
| **BOOK-ENTRY-ONLY SYSTEM** | The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System"). |
| **PAYMENT RECORD** | The City has never defaulted in payment of its general obligation tax debt. |
| **PAYING AGENT/REGISTRAR** | The initial Paying Agent/Registrar for the Certificates is U.S. Bank Trust Company, National Association, Dallas, Texas. |

* Preliminary, subject to change.

**SELECTED FINANCIAL INFORMATION**

| Fiscal Year Ended 9/30 | Estimated City Population [1] | Taxable Assessed Valuation [3] | Per Capita Taxable Assessed Valuation | Total Tax Supported Debt [4] | Per Capita Tax Supported Debt | Ratio Tax Supported Debt to Taxable Assessed Valuation | % of Total Tax Collections |
|---|---|---|---|---|---|---|---|
| 2020 | 14,370 | $ 1,220,969,329 | $ 84,967 | $ 72,935,000 | $ 5,076 | 5.97% | 103.06% |
| 2021 | 16,983 | 1,424,696,611 | 83,890 | 106,845,000 | 6,291 | 7.50% | 103.14% |
| 2022 | 19,850 | 1,753,531,545 | 88,339 | 102,220,000 | 5,150 | 5.83% | 102.85% |
| 2023 | 22,000 | 2,471,802,728 | 112,355 | 138,845,000 | 6,311 | 5.62% | 104.30% |
| 2024 | 24,000 [2] | 3,183,679,477 | 132,653 | 133,910,000 [5] | 5,580 | 4.21% | 90.94% [6] |

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(1) Information provided by North Central Texas Council of Governments and City Officials.
(2) Estimate provided by City staff.
(3) Values include the incremental value allocated within the Tax Increment Financing Reinvestment Zone #1 (see "TAX INFORMATION – Tax Increment Financing Zone").
(4) Includes self-supporting debt.
(5) Projected; includes the Certificates. Preliminary, subject to change.
(6) Collections for part year only, through February 1, 2024.

## CITY OFFICIALS, STAFF, AND CONSULTANTS

### ELECTED OFFICIALS

| City Council | Term Expires | Occupation |
|---|---|---|
| Jay Northcut<br>Mayor | May, 2025 | Financial Representative |
| Jennifer Clark<br>Councilmember, Place 1 | May, 2024 | Property Development |
| Rendell Hendrickson<br>Councilmember, Place 2 | May, 2025 | Consultant |
| Dana Conklin<br>Councilmember, Place 3 | May, 2024 | Retired |
| Joseph Armstrong<br>Councilmember, Place 4 | May, 2025 | Entrepreneur |
| Craig Ackerman<br>Councilmember, Place 5 | May, 2024 | Telecom |
| Sean Lehr<br>Councilmember, Place 6 | May, 2025 | Account Executive |

### SELECTED ADMINISTRATIVE STAFF

| Name | Position | Length of Service |
|---|---|---|
| Jason Little | City Manager | 17 Years |
| Gail Dansby | Finance Director | 20 Years |
| Hope Cory | City Secretary | 2 Years |

### CONSULTANTS AND ADVISORS

Auditors ........................................ Patillo, Brown & Hill .LL.P.
Waco, Texas

Bond Counsel ........................................ McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisors ........................................ Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the City, please contact:

| | | |
|---|---|---|
| Jason Little<br>City Manager<br>City of Melissa<br>3411 Barker Avenue<br>Melissa, Texas 75454<br>(972) 838-4535 | or | Nick Bulaich<br>Hilltop Securities Inc.<br>777 Main Street, Suite 1525<br>Fort Worth, Texas 76102<br>(817) 332-9710 |

**OFFICIAL STATEMENT**

**RELATING TO**

**$20,940,000***
**CITY OF MELISSA, TEXAS**
**COMBINATION TAX AND LIMITED SURPLUS REVENUE**
**CERTIFICATES OF OBLIGATION, SERIES 2024**

## INTRODUCTION

This Preliminary Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $20,940,000* City of Melissa, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2024 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted on the date of sale of the Certificates which authorized the issuance of the Certificates (the "Ordinance") excepts as otherwise indicated herein.

There follow in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc. ("HilltopSecurities"), Fort Worth, Texas.

**DESCRIPTION OF THE CITY** . . . The City is a political subdivision and home rule municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter adopted November 8, 2011 and amended on November 7, 2023. The City Council operates under the Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The 2010 Census population for the City was 4,695, while the estimated 2024 population is 24,000. The City covers approximately 12 square miles.

## PLAN OF FINANCING

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing and improving streets, roads, alleys and sidewalks, and related utility relocation, drainage, signalization, landscaping, lighting and signage; (ii) acquiring, constructing, installing and equipping municipal park and recreational improvements, including parkland and open space, ball fields, hiking trails and related infrastructure for such improvements; (iii) acquiring, constructing, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, including utility relocation; (iv) acquiring land and interests in land necessary for such projects; and (v) paying legal, fiscal, engineering and architectural fees in connection with these projects.

**SOURCES AND USES OF PROCEEDS** . . . The proceeds from the sale of the Certificates will be applied as follows:

| Sources of Proceeds | The Certificates |
|---|---|
| Par Amount | $ - |
| Net Reoffering Premium | - |
| Total Sources of Funds | $ - |
| | |
| Uses of Proceeds | |
| Deposit to Construction Fund | $ - |
| Cost of Issuance | - |
| Purchaser's Discount | - |
| Total Uses of Funds | $ - |

## THE CERTIFICATES

**DESCRIPTION OF THE CERTIFICATES** . . . The Certificates are dated May 15, 2024 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the Delivery Date, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2025, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "BOOK-ENTRY-ONLY-SYSTEM" herein.

Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity or upon earlier redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "THE CERTIFICATES - Book-Entry-Only System" herein. If the date for any payment on the Certificates shall be a Saturday, a Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

**AUTHORITY FOR ISSUANCE** . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and the Ordinance.

**SECURITY AND SOURCE OF PAYMENT** . . . The principal of and interest on the Certificates is payable from a direct and continuing ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City as provided in the Ordinance. Additionally, the Certificates are payable from a limited pledge (not to exceed $1,000) of the surplus revenues of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other Certificates (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system.

**TAX RATE LIMITATION** . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and provides for a maximum ad valorem tax rate of $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% tax collection rate.

**REDEMPTION** . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Initial Purchaser may select two or more consecutive maturities of the Certificates to be grouped together to form one or more "Term Certificates", and such Term Certificates would be subject to mandatory sinking fund redemption in accordance with the Ordinance.

If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If an Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificates (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Certificates have not been redeemed.

**NOTICE OF REDEMPTION** . . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. If a Certificate (or any portion of its principal sum) shall have been duly called for redemption and any other condition to redemption satisfied, then upon the redemption date such Certificate (or the portion of its principal sum to be redeemed) shall become due and payable, and, if moneys for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable from and after the redemption date on the principal amount redeemed.

**DEFEASANCE** . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity (1) money sufficient to make such payment or (2) Defeasance Securities, to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to take any action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

**BOOK-ENTRY-ONLY SYSTEM** . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and accredited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Initial Purchaser consider the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The City and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC, New York, New York, will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate for each maturity will be issued for the Certificates in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are referred to collectively as the "Participants". DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participant to whose account such Certificates are credited, which may or may not be a Beneficial Owner. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

*Use of Certain Terms in Other Sections of this Official Statement.* In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.
Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor or the Initial Purchaser of the Certificates.

**Effect of Termination of Book-Entry-Only System.** In the event the Book-Entry-Only System with respect to the Certificates is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Certificates is discontinued by the City, printed securities certificates will be issued to the holders of the affected Certificates, and the applicable Certificates will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance, summarized under "THE CERTIFICATES - Transfer, Exchange, and Registration" below.

**Paying Agent/Registrar** . . . The initial Paying Agent/Registrar for the Certificates is U.S. Bank Trust Company, National Association, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

**Transfer, Exchange and Registration** . . . In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" above for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of an Certificate.

**Record Date for Interest Payment** . . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Certificate to be paid on the Special Payment Date that appears on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**Remedies** . . . The Ordinance establish specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provide that any registered owner of a Certificates is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance do not provide for the appointment of a trustee to represent the interest of the owners of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. On April 1, 2016, the Texas Supreme Court ruled in Wasson Interest, Ltds. v. City of

Jacksonville, 489 S.W.3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court has ruled in Tooke v. City of Mexia 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of Certificates may not be able to bring such a suit against the City for breach of the Certificates or the Ordinance covenants in the absence of City action. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the Registered Owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to governmental immunity and to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only Registered Owner of the Certificates will be DTC. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Certificates.

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## AD VALOREM PROPERTY TAXATION

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.*

**VALUATION OF TAXABLE PROPERTY** . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Collin Central Appraisal District and Denton Central Appraisal District (collectively, the "Appraisal District"). Except as generally described below, the Appraisal District is required 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 market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "TAX INFORMATION – City and Taxpayer Remedies").

**STATE MANDATED HOMESTEAD EXEMPTIONS** . . . State law grants, with respect to each city in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty.

**LOCAL OPTION HOMESTEAD EXEMPTIONS** . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

**LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED** . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

**PERSONAL PROPERTY** . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

**FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS** . . . Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

**OTHER EXEMPT PROPERTY** . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

**TAX INCREMENT REINVESTMENT ZONES** . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

**TAX ABATEMENT AGREEMENTS** . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "TAX INFORMATION – Tax Abatement Policy" for descriptions of the City's tax abatement program.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION – City Application of Property Tax Code" herein.

**CITY AND TAXPAYER REMEDIES** . . . Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $57.2 million for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "TAX INFORMATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

**LEVY AND COLLECTION OF TAXES** . . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

**PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS** . . . The following terms as used in this section have the meanings provided below:

> "adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.
>
> "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.
>
> "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).
>
> "special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.
>
> "unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.
>
> "voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate."

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

**The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates.**

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

**DEBT TAX RATE LIMITATIONS** . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax supported debt, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of Taxable 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 all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

**THE CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES** . . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**PROPERTY ASSESSMENT AND TAX PAYMENT** . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

**CITY APPLICATION OF TAX CODE** . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $30,000; the disabled are also granted an exemption of $30,000.

The City has granted an additional exemption of 5% of the market value of residence homesteads; minimum exemption of $5,000.

The City has not established a tax freeze for residents 65 years of age or older or the disabled, as may be done on a local option basis.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the Collin County Tax Assessor-Collector collects taxes for the City.

The City does not permit split payments, and discounts are not allowed.

The City does not tax freeport property, and the City does tax goods in transit.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has not adopted a formal tax abatement policy.

**CHAPTER 380 AGREEMENTS** . . . The City has a policy in place relating to Chapter 380 economic development incentive programs, and has entered into eleven such agreements that have minimal impact on the City's finances.

**TAX INCREMENT FINANCING ZONE** . . . Reinvestment Zone Number One, City of Melissa (the "Zone") was created in September 2005, by the City with the consent of other taxing units overlapping the Zone. The 644-acre zone encompasses undeveloped agricultural land, existing residential, Villages of Melissa residential development, and Melissa Town Center. Ad valorem taxes on incremental growth in real property values (levied at the tax rates of each taxing unit assessing real property in the Zone) within the Zone from a base value established on January 1, 2005, are used to contribute to development of the Zone; these tax funds can be used only for public improvements in the Zone or for payment of debt service on bonds issued to provide funds for public improvements. The Zone terminates December 31, 2036, or at an earlier time designated by subsequent ordinance of the City Council, or at such time, subsequent to the issuance of any tax increment bonds, if any, that all project costs, tax increment bonds, notes, or other obligations of the Zone, and the interest thereon, have been paid in full. The base assessed value of real property within the Zone was $15,845,914; the 2023/2024 assessed value is $310,458,884, representing $294,612,970 of incremental value. The City participates at 100% and Collin County participates at 50% of their respective tax increments within the Zone.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

| | | |
|---|---|---|
| 2023/24 Market Valuation Established by Collin Central Appraisal District (excluding totally exempt property) | | $ 3,834,117,083 |
| Less Exemptions/Reductions at 100% Market Value: | | |
| Over 65 and Disabled Homestead Exemption | $ 20,660,538 | |
| Disabled Veterans Exemption | 55,022,383 | |
| Agricultural Land Use Reductions | 126,025,347 | |
| Pollution Control Exemption | 18,928,037 | |
| Homestead Exemption | 107,132,629 | |
| Freeport Exemption | 1,300,486 | |
| Solar | 36,683 | |
| Homestead Cap Adjustment | 321,331,503 | 650,437,606 |
| 2023/24 Taxable Assessed Valuation (including the value of Real Property within the Zone) | | $ 3,183,679,477 |
| 2023/24 Incremental Taxable Assessed Value of Real Property within the Zone | | 294,612,970 |
| 2023/24 Taxable Assessed Valuation (excluding the value of Real Property within the Zone) | | $ 2,889,066,507 |
| Debt Payable from Ad Valorem Taxes (as of 3/1/24) | | |
| Outstanding General Obligation Debt | $ 112,970,000 | |
| The Certificates | 20,940,000 (1) | |
| Debt Payable from Ad Valorem Taxes as of 3/1/24 | | $ 133,910,000 |
| Less Self-Supporting Debt: (2) | | |
| Melissa Economic Development Corporation (4A) Supported Obligations | | $ 5,545,000 |
| Melissa Community Development Corporation (4B) Supported Obligations | | 11,605,000 |
| Water Works and Sewer System Supported Obligations (3) | | 27,150,000 |
| Zone Supported Obligations | | 12,305,000 |
| Net Funded Debt Payable From Ad Valorem Taxes | | $ 77,305,000 |
| Interest and Sinking Fund as of 3/1/24 | | $ 2,612,796 |
| Ratio Tax-Supported Debt to Taxable Assessed Valuation . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | | 4.64% |
| Ratio Net Tax-Supported Debt to Taxable Assessed Valuation . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | | 2.68% |

2024 Estimated Population - 24,000
Per Capita Taxable Assessed Valuation - $120,378
Per Capita Funded Debt - $5,580
Per Capita Net Funded Debt - $3,221

(1) Preliminary, subject to change.
(2) Ad valorem tax debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. If future revenues are insufficient to pay debt service, the City is obligated to levy an ad valorem tax to pay the debt service.
(3) Includes the Certificates, preliminary subject to change.

### TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

| | Taxable Appraised Value for Fiscal Year Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | 2022 | |
| Category | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single Family | $ 3,020,098,088 | 78.77% | $ 2,306,516,516 | 79.26% | $ 1,503,480,015 | 78.05% |
| Real, Residential, Multi Family | 80,993,057 | 2.11% | 9,919,166 | 0.34% | 9,007,946 | 0.47% |
| Real, Vacant Lots/Tracts | 95,282,346 | 2.49% | 106,280,739 | 3.65% | 58,542,616 | 3.04% |
| Real, Acreage (Land Only) | 126,271,016 | 3.29% | 114,520,863 | 3.94% | 109,852,845 | 5.70% |
| Real, Farm and Ranch Improvements | 35,516,915 | 0.93% | 16,733,149 | 0.58% | 9,699,567 | 0.50% |
| Real, Commercial and Industrial | 152,578,539 | 3.98% | 116,790,762 | 4.01% | 88,644,153 | 4.60% |
| Real and Intangible Personal, Utilities | 9,972,494 | 0.26% | 8,396,545 | 0.29% | 22,478,296 | 1.17% |
| Tangible Personal, Business | 80,397,034 | 2.10% | 98,469,829 | 3.38% | 35,016,965 | 1.82% |
| Tangible Personal, Other | 161,012 | 0.00% | 214,448 | 0.01% | 127,941 | 0.01% |
| Real and Special Inventory | 232,846,582 | 6.07% | 132,079,642 | 4.54% | 89,366,293 | 4.64% |
| Total Appraised Value Before Exemptions | $ 3,834,117,083 | 100.00% | $ 2,909,921,659 | 100.00% | $ 1,926,216,637 | 100.00% |
| Less: Total Exemptions/Reductions | (650,437,606) | | (438,118,932) | | (172,685,092) | |
| Taxable Assessed Value | $ 3,183,679,477 (1) | | $ 2,471,802,728 (2) | | $ 1,753,531,545 (3) | |

| | Taxable Appraised Value for Fiscal Year Ended September 30, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| Category | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single Family | $ 1,184,566,799 | 74.62% | $ 1,013,887,494 | 73.30% |
| Real, Residential, Multi Family | 8,517,661 | 0.54% | 8,404,890 | 0.61% |
| Real, Vacant Lots/Tracts | 31,403,098 | 1.98% | 11,020,965 | 0.80% |
| Real, Acreage (Land Only) | 113,425,084 | 7.14% | 119,584,735 | 8.65% |
| Real, Farm and Ranch Improvements | 41,406,401 | 2.61% | 44,182,025 | 3.19% |
| Real, Commercial and Industrial | 70,449,223 | 4.44% | 60,560,628 | 4.38% |
| Real and Intangible Personal, Utilities | 19,203,952 | 1.21% | 16,591,696 | 1.20% |
| Tangible Personal, Business | 33,393,098 | 2.10% | 28,702,066 | 2.08% |
| Tangible Personal, Other | 57,612 | 0.00% | 77,294 | 0.01% |
| Real and Special Inventory | 85,059,874 | 5.36% | 80,129,040 | 5.79% |
| Total Appraised Value Before Exemptions | $ 1,587,482,802 | 100.00% | $ 1,383,140,833 | 100.00% |
| Less: Total Exemptions/Reductions | (162,786,191) | | (162,171,504) | |
| Taxable Assessed Value | $ 1,424,696,611 (4) | | $ 1,220,969,329 (5) | |

(1) Includes the incremental value of $294,612,970 allocated within the Tax Increment Financing Zone.
(2) Includes the incremental value of $270,643,931 allocated within the Tax Increment Financing Zone.
(3) Includes the incremental value of $230,694,837 allocated within the Tax Increment Financing Zone.
(4) Includes the incremental value of $199,067,318 allocated within the Tax Increment Financing Zone.
(5) Includes the incremental value of $174,607,603 allocated within the Tax Increment Financing Zone.

NOTE: Valuations shown are certified taxable assessed values reported by the Collin Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

| Fiscal Year Ended 9/30 | Estimated Population [1] | Taxable Assessed Valuation [3] | Taxable Assessed Valuation Per Capita | Tax Supported Debt Outstanding at End of Year [4] | Ratio of Tax Supported Debt to Taxable Assessed Valuation | Tax Supported Debt Per Capita |
|---|---|---|---|---|---|---|
| 2020 | 14,370 | $ 1,220,969,329 | $ 84,967 | $ 72,935,000 | 5.97% | $ 5,076 |
| 2021 | 16,983 | 1,424,696,611 | 83,890 | 106,845,000 | 7.50% | 6,291 |
| 2022 | 19,850 | 1,753,531,545 | 88,339 | 102,220,000 | 5.83% | 5,150 |
| 2023 | 22,000 | 2,471,802,728 | 112,355 | 138,845,000 | 5.62% | 6,311 |
| 2024 | 24,000 [2] | 3,183,679,477 | 132,653 | 133,910,000 [5] | 4.21% | 5,580 |

(1) Information provided by North Texas Council of Governments and City Officials.
(2) Estimate provided by City staff.
(3) Values include the incremental value allocated within the Tax Increment Financing Reinvestment Zone #1.
(4) Includes self-supporting debt.
(5) Projected, includes the Certificates. Preliminary, subject to change.

**TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY**

| Fiscal Year Ended 9/30 | Tax Rate | General Fund | Interest and Sinking Fund | Tax Levy | % Current Collections | % Total Collections |
|---|---|---|---|---|---|---|
| 2020 | $ 0.609541 | $ 0.460931 | $ 0.148610 | $ 7,293,499 | 101.63% | 103.06% |
| 2021 | 0.609238 | 0.456352 | 0.152886 | 8,678,463 | 99.99% | 103.14% |
| 2022 | 0.568157 | 0.431031 | 0.137126 | 9,841,071 | 100.96% | 102.85% |
| 2023 | 0.456168 | 0.357805 | 0.098363 | 10,737,635 | 102.77% | 104.30% |
| 2024 | 0.454728 | 0.327056 | 0.127672 | 14,477,081 | 90.38% [1] | 90.94% [1] |

(1) Collections for part year only, though February 1, 2024.

**TABLE 5 - TEN LARGEST TAXPAYERS**

| Name of Taxpayer | Nature of Property | 2023/24 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation [1] |
|---|---|---|---|
| Nexmetro Springs LP | Building Materials | $ 29,755,890 | 0.93% |
| Nexmetro Stoneridge LP | Retail | 22,268,645 | 0.70% |
| Buc-ees LTD | Retail | 19,821,202 | 0.62% |
| Meritage Homes of Texas LLC | Residential Development | 18,453,328 | 0.58% |
| Melissa Farmhouse LLC | Apartments | 16,646,818 | 0.52% |
| Bryant Farms LLC | Residential Development | 12,578,000 | 0.40% |
| Pacesetter Homes LLC | Residential Development | 11,942,696 | 0.38% |
| Ballout 3 LLC | Real Estate | 10,421,417 | 0.33% |
| Taylor Morrison of Texas Inc. | Residential Development | 9,295,374 | 0.29% |
| Construction Specialties Platform Holdings LLC | Residential Development | 8,865,324 | 0.28% |
| | | $ 160,048,694 | 5.03% |

(1) Calculations are based on the City's taxable valuation that includes the incremental value of $294,612,970 allocated within the Tax Increment Financing Zone.

**GENERAL OBLIGATION DEBT LIMITATION** . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (however, see "THE CERTIFICATES - Tax Rate Limitation").

**TABLE 6 - TAX ADEQUACY** (1)

| | |
|---|---|
| 2024 Principal and Interest Requirements | $ 4,879,785 |
| $0.1549 Tax Rate at 99% Collection Produces | $ 4,882,204 |
| | |
| Average Annual Principal and Interest Requirements, 2024 - 2049 | $ 4,627,147 |
| $0.1469 Tax Rate at 99% Collection Produces | $ 4,630,057 |
| | |
| Maximum Principal and Interest Requirements, 2025 | $ 5,898,625 |
| $0.1872 Tax Rate at 99% Collection Produces | $ 5,900,250 |

(1) Includes the Certificates and does not include self-supporting debt. The City's policy to pay such self-supporting debt from other revenues is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such Certificates, the City will be required to levy an ad valorem tax to pay such debt service (see "Table 10 - Computation of Self-Supporting Debt"). Preliminary, subject to change.

**TABLE 7 - ESTIMATED OVERLAPPING DEBT**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax Certificates ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

| Taxing Jurisdiction | 2024 Taxable Assessed Value | 2024 Tax Rate | Total Tax Supported Debt As of 3-1-24 | Estimated % Applicable | City's Overlapping Tax Supported Debt As of 3-1-24 | Authorized But Unissued Debt As Of 3-1-24 |
|---|---|---|---|---|---|---|
| City of Melissa | $ 3,183,679,477 | $ 0.45473 | $ 77,305,000 (1) | 100.00% | $ 77,305,000 (1) | $ 1,630,000 |
| Collin County | 225,503,440,075 | 0.14931 | 658,360,000 | 1.23% | 8,097,828 | 702,000,000 |
| Collin County Community College District | 202,101,257,599 | 0.08122 | 480,350,000 | 1.23% | 5,908,305 | - |
| Melissa Independent School District | 3,435,916,866 | 1.27500 | 379,210,000 | 77.17% | 292,636,357 | 223,000,000 |
| Total Direct and Overlapping Tax Debt | | | | | $383,947,490 | |
| Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation | | | | | 12.06% | |
| Per Capita Direct and Overlapping Tax Debt | | | | | $ 15,997.81 | |

(1) Includes the Certificates and does not include self-supporting debt. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such Certificates, the City will be required to levy an ad valorem tax to pay such debt service (see "Table 10 - Computation of Self-Supporting Debt").

**TABLE 8 – PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

| Fiscal Year | Outstanding Debt [1] Principal | Outstanding Debt [1] Interest | The Certificates [2] Principal | The Certificates [2] Interest | Total Tax-Supported Debt Service Requirements | Less: Self-Supporting Water and Sewer Debt Requirements [3] | Less: Self-Supporting (4A) Economic Development Requirements | Less: Self-Supporting (4B) Community Development Requirements | Less: Self-Supporting Tax Increment Financing Zone Requirements | Net Tax-Supported Debt Service Requirements | % of Principal Retired |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | $ 4,935,000 | $ 4,712,615 | $ - | $ - | $ 9,647,615 | $ 2,176,990 | $ 441,525 | $ 979,834 | $ 1,169,481 | $ 4,879,785 | |
| 2025 | 5,345,000 | 4,160,905 | 220,000 | 1,200,462 | 10,926,367 | 2,443,379 | 440,750 | 973,406 | 1,170,206 | 5,898,625 | |
| 2026 | 5,470,000 | 3,960,352 | 465,000 | 959,606 | 10,854,958 | 2,425,981 | 437,100 | 972,615 | 1,166,831 | 5,852,431 | |
| 2027 | 5,455,000 | 3,764,106 | 490,000 | 935,731 | 10,644,838 | 2,397,798 | 361,400 | 917,837 | 1,124,581 | 5,843,221 | |
| 2028 | 5,690,000 | 3,556,863 | 515,000 | 910,606 | 10,672,469 | 2,406,229 | 361,225 | 918,006 | 1,131,306 | 5,855,703 | 20.59% |
| 2029 | 5,370,000 | 3,346,517 | 540,000 | 884,231 | 10,140,748 | 2,250,458 | 363,975 | 916,075 | 1,121,106 | 5,489,134 | |
| 2030 | 5,570,000 | 3,133,668 | 565,000 | 856,606 | 10,125,274 | 2,240,884 | 359,600 | 911,725 | 1,118,956 | 5,494,109 | |
| 2031 | 5,830,000 | 2,911,737 | 595,000 | 827,606 | 10,164,343 | 2,252,888 | 359,850 | 911,362 | 1,135,156 | 5,505,087 | |
| 2032 | 6,055,000 | 2,684,193 | 625,000 | 797,106 | 10,161,299 | 2,246,669 | 360,650 | 910,825 | 1,130,381 | 5,512,774 | |
| 2033 | 5,805,000 | 2,461,365 | 665,000 | 764,856 | 9,696,221 | 1,845,869 | 362,050 | 915,172 | 1,125,147 | 5,447,984 | 43.36% |
| 2034 | 6,040,000 | 2,238,685 | 690,000 | 730,981 | 9,699,666 | 1,850,250 | 363,050 | 908,600 | 1,133,538 | 5,444,229 | |
| 2035 | 5,465,000 | 2,021,684 | 730,000 | 695,481 | 8,912,166 | 1,690,166 | 363,650 | 911,044 | 478,609 | 5,468,697 | |
| 2036 | 5,510,000 | 1,813,489 | 770,000 | 657,981 | 8,751,471 | 1,695,738 | 358,950 | 907,487 | 480,909 | 5,308,386 | |
| 2037 | 4,930,000 | 1,614,170 | 805,000 | 618,606 | 7,967,776 | 1,311,981 | 358,950 | 780,519 | 487,463 | 5,028,864 | |
| 2038 | 4,455,000 | 1,441,325 | 845,000 | 577,356 | 7,318,681 | 1,320,659 | 359,875 | 781,225 | 484,475 | 4,372,447 | 65.14% |
| 2039 | 4,615,000 | 1,284,859 | 885,000 | 534,106 | 7,318,966 | 1,314,344 | 361,775 | 777,347 | 482,147 | 4,383,353 | |
| 2040 | 4,775,000 | 1,126,672 | 940,000 | 488,481 | 7,330,153 | 1,316,663 | 363,375 | 777,766 | 489,256 | 4,383,094 | |
| 2041 | 4,285,000 | 973,138 | 985,000 | 440,356 | 6,683,494 | 1,209,325 | 359,750 | 316,425 | 412,113 | 4,385,881 | |
| 2042 | 4,455,000 | 813,881 | 1,030,000 | 394,488 | 6,693,369 | 1,206,322 | 359,400 | 317,300 | 414,609 | 4,395,738 | |
| 2043 | 4,630,000 | 637,306 | 1,075,000 | 351,072 | 6,693,378 | 1,205,488 | 362,100 | 316,500 | 415,313 | 4,393,978 | 85.07% |
| 2044 | 3,470,000 | 476,694 | 1,120,000 | 305,100 | 5,371,794 | 736,575 | 359,300 | 320,200 | 292,700 | 3,663,019 | |
| 2045 | 3,615,000 | 333,138 | 1,165,000 | 256,544 | 5,369,681 | 735,144 | 361,000 | 318,400 | 291,900 | 3,663,238 | |
| 2046 | 3,505,000 | 187,469 | 1,220,000 | 205,100 | 5,117,569 | 737,453 | 362,100 | 316,200 | 290,700 | 3,411,116 | |
| 2047 | 1,285,000 | 86,953 | 1,270,000 | 150,631 | 2,792,584 | 263,091 | - | - | - | 2,529,494 | |
| 2048 | 1,345,000 | 29,422 | 1,335,000 | 92,813 | 2,802,234 | 267,325 | - | - | - | 2,534,909 | 99.00% |
| 2049 | - | - | 1,395,000 | 31,388 | 1,426,388 | 265,850 | - | - | - | 1,160,538 | 100.00% |
| | $ 117,905,000 | $ 49,771,207 | $ 20,940,000 | $ 14,667,296 | $ 203,283,503 | $ 39,813,517 | $ 8,541,400 | $ 17,075,870 | $ 17,546,885 | $ 120,305,831 | |

(1) "Outstanding Debt" does not include lease/purchase obligations, includes self-supporting debt.
(2) Average life of the Certificates is 15.308 Years. Interest on the Certificates has been calculated at the rate of 4.28% for purposes of illustration. Preliminary, subject to change.
(3) Includes the Certificates. Preliminary, subject to change.

**TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION**

| | | |
|---|---|---|
| Net Tax-Supported Debt Service Requirements, Fiscal Year Ending 9/30/2024 (1) | | $ 7,470,625 |
| Interest and Sinking Fund Balance as of 9/30/23 | $ 1,239,039 | |
| Transfer In - 4A EDC | 501,525 | |
| Transfer In - 4B CDC | 932,803 | |
| Transfer In - TIF Fund | 1,285,481 | |
| Transfer In - Park Development Fee | 918,419 | |
| Budgeted Interest and Sinking Fund Tax Levy | 3,722,399 | 8,599,666 |
| Estimated Balance, 9/30/24 | | $ 1,129,042 |

(1) Excludes self-supporting water and sewer debt.

**TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT**

| | |
|---|---|
| Waterworks and Sewer System | |
| Revenue Available for Debt Service from Waterworks and Sewer System, Fiscal Year Ended 9-30-23 | $ 7,504,788 |
| Less: Revenue Bonds Requirements 2024 Fiscal Year | |
| Balance Available for Other Purposes | $ 7,504,788 |
| System Ad Valorem Tax Debt Requirements 2024 Fiscal Year | 2,176,990 |
| Balance | $ 5,327,798 |
| Percentage of System General Obligation Bonds Self-Supporting | 100.00% |
| Economic Development Corporation | |
| Revenue Available for Debt Service from Economic Development Corporation, Fiscal Year Ended 9-30-23 | $ 2,271,962 |
| Economic Development Corporation Ad Valorem Tax Debt Requirements, 2024 Fiscal Year | 441,525 |
| Balance | $ 1,830,437 |
| Percentage of Economic Development Corporation General Obligation Bonds, Self-Supporting | 100.00% |
| Community Development Corporation | |
| Revenue Available for Debt Service from Community Development Corporation Fund, Fiscal Year Ended 9-30-23 | $ 2,176,006 |
| Community Development Corporation Ad Valorem Tax Debt Requirements, 2024 Fiscal Year | 979,834 |
| Balance | $ 1,196,172 |
| Percentage of Community Development Corporation General Obligation Bonds, Self-Supporting | 100.00% |
| Tax Increment Financing Zone | |
| Revenue Available for Debt Service from Tax Increment Financing Zone Fund, Fiscal Year Ended 9-30-23 | $ 1,470,376 |
| Tax Increment Financing Zone Ad Valorem Tax Debt Requirements, 2024 Fiscal Year | 1,169,481 |
| Balance | $ 300,895 |
| Percentage of Tax Increment Financing Zone General Obligation Bonds, Self-Supporting | 100.00% |

NOTE: It is the City's current policy to pay the self-supporting debt listed in the Table above from the respective revenues sources listed above. Such policy, however, is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

**TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

| Purpose | Date Authorized | Amount Authorized | Amount Previously Issued | Amount Being Issued | Unissued Balance |
|---|---|---|---|---|---|
| Street and Road Improvements | 11/6/2007 | $ 19,100,000 | $ 17,470,000 | $ - | $ 1,630,000 |

**ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT** . . . The City has called a $2,450,000 bond election to be held on May 4, 2024 for the purpose of creating additional administrative offices in the City. If approved by voters, the City may issue all or a portion of such authorized bonds within the next 12 months.

**TABLE 12 – OTHER OBLIGATIONS**

The City has entered into certain capital lease agreements and other financing arrangements. The following is a schedule of future minimum lease payments and unsecured note payments as of September 30, 2023.

| **Financing Arrangements** | |
|---|---|
| $158,218 financing arrangement for the purchase of fire department equipment. Payments are made annually at $18,415 through 2024, interest at 3.29% | $ 17,828 |
| $634,78 financing arrangements for the purchase of a Ferrara pumer and equipment. Payments are made annually at $72,825 through 2028, interest at 3.21%. | 331,753 |
| $861, 000 financing arrangements for the purchase of a fire truck. Payments are made annually at $66,908 through 2036, interest at 1.98%. | 760,293 |
| $580,000 financing arrangements for the purchase of a fire truck. Payments are made annually at $75,021 through 2033, interest at 1.98%. | 580,000 |
| **Total Financing Arrangements - Governmental Activities** | $ 1,689,874 |
| | |
| **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%. | $ 585,737 |
| **Total Leases - Governmental Activities** | $ 585,737 |
| | |
| **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%. | $ 456,288 |
| **Total Leases - Business-type Activities** | $ 456,288 |

**PENSION FUND** . . . The City participates as one of 909 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 TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

<u>Benefits Provided</u> . . . 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:  TMRS. The plan provisions for the City were as follows:

| | |
|---|---|
| Employee deposit rate | 7.0% |
| 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 |

<u>Employees Covered by Benefit Terms</u> . . . At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive Employees or Beneficiaries Currently Receving Benefits | 23 |
| Inactive Employees Entitled to But Not Yet Receving Benefits | 52 |
| Active Employees | 74 |
| | 149 |

<u>Contributions</u> . . . 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 17.54% and 17.68% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were $1,094,107, and were equal to the required contributions.

<u>Net Pension Liability</u> . . . The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

<u>Actuarial Assumptions</u> . . . he Total Pension Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.50% per year |
| Overall payroll growth | 2.75% per year |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Global Public Equity | 35% | 7.55% |
| Core Fixed Income | 6% | 2.00% |
| Non-Core Fixed Income | 20% | 5.68% |
| Other Publice and Private Markets | 12% | 7.22% |
| Real Estate | 12% | 6.85% |
| Hedge Funds | 5% | 5.35% |
| Private Equity | 10% | 10.00% |
| **Total** | **100%** | |

*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 member 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

*Changes in the Net Pension Liability*

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
|---|---|---|---|
| Balance at 12/31/2021 | $ 10,229,661 | $ 8,069,863 | $ 2,159,798 |
| Changes for the year: | | | |
| Service cost | 963,145 | - | 963,145 |
| Interest | 716,545 | - | 716,545 |
| Difference between expected and | | | - |
| actual experience | 295,896 | - | 295,896 |
| Contributions - employer | - | 901,950 | (901,950) |
| Contributions - employee | - | 359,958 | (359,958) |
| Net investment income | - | (592,797) | 592,797 |
| Benefit payments, including | | | - |
| refunds of employee contributions | (191,514) | (191,514) | - |
| Administrative expense | - | (5,097) | 5,097 |
| Other changes | - | 6,082 | (6,082) |
| Net changes | 1,784,072 | 478,582 | 1,305,490 |
| Balance at 12/31/2022 | $ 12,013,733 | $ 8,548,445 | $ 3,465,288 |

*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 Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|---|---|---|---|
| City's Net Pension Liability | $ 5,629,998 | $3,465,288 | $1,737,532 |

*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 tmrs.com.

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

For the year ended September 30, 2023, the City recognized pension expense of $1,059,736.

At September 30, 2023, 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 projected and actual economic experience | $ 413,177 | $ 12,992 |
| Changes in actuarial assumptions | 11,063 | - |
| Difference between projected and actual investment earnings | 600,354 | - |
| Contributions subsequent to the measurement date | 845,108 | - |
| Total | $ 1,869,702 | $ 12,992 |

$845,108 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:

| Year ended December 31: | |
|---|---|
| 2024 | $ 216,963 |
| 2025 | 280,142 |
| 2026 | 240,275 |
| 2027 | 274,222 |
| | $ 1,011,602 |

**Other Post-Employment Benefits** . . . The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City 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 post-employment benefit and is a fixed amount of $7,500.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 17 |
| Inactive employees entitled to but not yet receiving benefits | 5 |
| Active employees | 74 |
| Total | 96 |

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.14% and 0.22% for the calendar years 2022 and 2023, of which 0.07% and 0.07% 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, 2023 was $3,862, 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, 2022 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.

he Total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.50% per year |
| Salary Increases | 3.50% to 11.50%, including inflation |
| Discount Rate | 4.05% (Based on Fidelity Index's 20-Year Municipal GO AA Index as of December 31, 2022) |
| 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. The rates are projected on a fully generational bases with scale UMP. |
| Mortality Rates - Disabled Retirees | 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward 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 became disabled for males and females, respectively. The rates are projected on a fully generational basis with scale UMP to account for future mortality improvements subject to the floor. |

*Changes in the Total OPEB Liability*

| | Total OPEB Liability |
|---|---|
| Balance at 12/31/2021 | $ 145,782 |
| Changes for the year: | |
| Service cost | 14,398 |
| Interest | 2,782 |
| Difference between expected and actual experience | (7,840) |
| Changes of assumptions and other inputs | (58,250) |
| Benefit payments** | (3,600) |
| Net changes | (52,510) |
| Balance at 12/31/2022 | $ 93,272 |

**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.

he following presents the total OPEB liability of the City, calculated using the discount rate of 4.05%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

| 1% Decrease (3.05%) | Current Discount Rate (4.05%) | 1% Increase (5.05%) |
|---|---|---|
| $ 115,039 | $ 93,272 | $ 76,705 |

For the year ended September 30, 2023, the City recognized OPEB expense of $11,077, which is attributable to governmental and business-type activities in the amounts of $9,562 and $1,515, respectively. At September 30, 2023, 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 |
|---|---|---|
| Difference between expected and actual experience | $ 5,679 | $ 20,526 |
| Changes in actuarial assumptions | 24,726 | 52,295 |
| Contributions subsequesnt to measurement date | 2,868 | - |
| **Total** | $ 33,273 | $ 72,821 |

$2,606 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | |
|---|---|
| Year ended December 31: | |
| 2024 | $ (6,103) |
| 2025 | (6,394) |
| 2026 | (6,115) |
| 2027 | (4,481) |
| 2028 | (7,025) |
| Thereafter | (12,298) |
| | $ (42,416) |

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**TABLE 13 - CHANGES IN NET ASSETS**

| | Fiscal Year Ended September 30, | | | | |
|---|---|---|---|---|---|
| **Revenues:** | 2023 | 2022 | 2021 | 2020 | 2019 |
| Program Revenues | | | | | |
| Charges for Services | $ 6,298,386 | $ 8,352,232 | $ 7,503,525 | $ 5,200,962 | $ 3,733,989 |
| Operating Grants and Contributions | 1,223,701 | 2,301,417 | 2,374,123 | 1,616,015 | 1,220,513 |
| Capital Grants and Contributions | 10,931,063 | 34,391,620 | 4,326,135 | 3,043,002 | 700,000 |
| General Revenues | | | | | |
| Ad Valorem Tax | 11,495,048 | 10,297,940 | 9,115,965 | 7,589,577 | 6,559,400 |
| Sales Tax | 4,241,325 | 3,238,202 | 2,322,384 | 1,701,033 | 1,392,863 |
| Franchise Tax | 903,662 | 758,113 | 605,730 | 582,322 | 568,368 |
| Investment Earnings | 3,549,781 | 414,674 | 147,444 | 465,833 | 427,671 |
| Miscellaneous | 58,960 | 394,275 | 188,369 | 154,863 | 966,489 |
| **Total Revenues** | $ 38,701,926 | $ 60,148,473 | $ 26,583,675 | $ 20,353,607 | $ 15,569,293 |
| | | | | | |
| **Expenses:** | | | | | |
| General Government | $ 7,923,619 | $ 7,853,885 | $ 7,350,845 | $ 4,819,582 | $ 3,671,577 |
| Public Safety | 7,801,736 | 5,777,956 | 4,427,971 | 4,055,271 | 3,346,265 |
| Public Works | 2,164,445 | 2,333,412 | 2,586,446 | 2,696,262 | 2,505,395 |
| Culture and Recreation | 2,853,551 | 2,835,042 | 2,171,244 | 1,683,388 | 1,523,189 |
| Interest on Long-Term Debt | 2,453,337 | 2,546,627 | 2,025,257 | 1,811,506 | 1,742,449 |
| Bond issuance costs | 127,453 | - | - | - | - |
| **Total Expenses** | $ 23,324,141 | $ 21,346,922 | $ 18,561,763 | $ 15,066,009 | $ 12,788,875 |
| | | | | | |
| Increase (Decrease) in Net Assets Before Transfers | $ 15,377,785 | $ 38,801,551 | $ 8,021,912 | $ 5,287,598 | $ 2,780,418 |
| Gain on sale of capital assets | 8,393 | - | - | - | - |
| Transfers | 441,447 | (2,162,371) | 3,835,928 | 1,081,188 | 176,317 |
| Increase (Decrease) in Net Assets | $ 15,827,625 | $ 36,639,180 | $ 11,857,840 | $ 6,368,786 | $ 2,956,735 |
| Net Assets - October 1 | 96,687,490 | 53,018,776 | 41,160,936 | 34,792,150 | 31,835,415 |
| Prior Year Adjustments | - | 7,029,534 | - | - | - |
| Net Assets - September 30 | $ 112,515,115 | $ 96,687,490 | $ 53,018,776 | $ 41,160,936 | $ 34,792,150 |

**TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY**

| | Fiscal Year Ended September 30, | | | | |
|---|---|---|---|---|---|
| Revenues | 2023 | 2022 | 2021 | 2020 | 2019 |
| Property Taxes | $ 7,850,066 | $ 6,390,150 | $ 5,477,273 | $ 4,633,642 | $ 3,766,254 |
| Sales Taxes | 4,241,325 | 3,238,202 | 2,322,384 | 1,701,033 | 1,392,863 |
| Franchise Taxes | 903,662 | 758,113 | 605,730 | 582,322 | 568,368 |
| License and Permits | 3,506,507 | 5,641,596 | 3,605,921 | 2,465,803 | 1,385,054 |
| Platting & Development | 1,742,595 | 1,269,674 | 1,028,280 | 719,751 | 336,643 |
| Charges for Services | 187,761 | 136,663 | 124,293 | 93,516 | 73,916 |
| Lease Revenue | 97,886 | 108,118 | 100,049 | 109,889 | 99,885 |
| Intergovernmental | 598,102 | 1,736,269 | 1,628,780 | 863,363 | 465,467 |
| Fines and Warrants | 618,256 | 623,494 | 485,031 | 383,892 | 434,946 |
| Road Impact Fees | 4,484,316 | 7,912,009 | 2,521,026 | 2,643,002 | 1,503,430 |
| Park development fees | 3,914,075 | 6,377,000 | 2,260,000 | - | - |
| Interest | 2,163,903 | 210,915 | 84,899 | 270,572 | 364,457 |
| Miscellaneous | 58,960 | 382,694 | 89,492 | 2,251,097 | 1,177,982 |
| Total Revenues | $ 30,367,414 | $ 34,784,897 | $ 20,333,158 | $ 16,717,882 | $ 11,569,265 |
| | | | | | |
| Expenditures | | | | | |
| General Government | $ 7,410,791 | $ 7,251,293 | $ 4,988,290 | $ 4,508,859 | $ 3,321,488 |
| Public Safety | 7,193,256 | 5,185,069 | 4,042,196 | 3,722,149 | 2,972,207 |
| Street | 974,358 | 1,599,869 | 365,785 | 317,422 | 303,488 |
| Culture and Recreation | 1,567,609 | 439,418 | 1,490,575 | 1,159,517 | 1,045,671 |
| Capital Outlay | 905,337 | 3,200,718 | 3,784,244 | 814,059 | 2,995,806 |
| Debt Service: | | | | | |
| Principal | 513,536 | 313,004 | 151,537 | 146,082 | 168,974 |
| Interest | 40,633 | 38,648 | 25,684 | 31,139 | 16,875 |
| Bond Issuance Expense | - | - | 98,136 | - | - |
| Total Expenditures | $ 18,605,520 | $ 18,028,019 | $ 14,946,447 | $ 10,699,227 | $ 10,824,509 |
| | | | | | |
| Excess (Deficiency) of Revenues Over Expenditures | $ 11,761,894 | $ 16,756,878 | $ 5,386,711 | $ 6,018,655 | $ 744,756 |
| | | | | | |
| Other Financing Sources (Uses): | | | | | |
| Capital Lease Proceeds | $ - | $ - | $ - | $ - | $ 634,768 |
| Sale of Capital Assets | 8,393 | 28,605 | 5,287,922 | 69,829 | 40,622 |
| Lease Issuance | 367,838 | 161,885 | 861,000 | - | - |
| Bond Issuance | 580,000 | - | 8,460,000 | - | - |
| Bond Premium | - | - | 1,456,654 | - | - |
| Payment to Refunding Escrow Agent | - | - | (315,000) | - | - |
| Transfers In | 441,447 | 406,518 | 3,835,928 | 193,187 | 176,317 |
| Transfers Out | (919,544) | (2,599,320) | (13,552,919) | (2,833,864) | (1,043,832) |
| | | | | | |
| Excess (Deficiency) of Revenues and Other Financing Sources | $ 12,240,028 | $ 14,754,566 | $ 11,420,296 | $ 3,447,807 | $ 552,631 |
| | | | | | |
| Beginning Fund Balance | 39,885,798 | 26,632,443 | 15,212,147 | 11,764,340 | 11,211,709 |
| Prior Year Adjustments | - | (1,501,211) | - | - | - |
| Ending Fund Balance | $ 52,125,826 | $ 39,885,798 | $ 26,632,443 | $ 15,212,147 | $ 11,764,340 |

**TABLE 14 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, Texas, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

| Fiscal Year Ended 9/30 | Total Collected | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Per Capita |
|---|---|---|---|---|
| 2020 | $1,699,384 | 23.30% | $ 0.1392 | $ 118.26 |
| 2021 | 2,320,608 | 26.74% | 0.1629 | 136.64 |
| 2022 | 3,235,944 | 32.88% | 0.1845 | 163.02 |
| 2023 | 4,241,325 | 39.50% | 0.1716 | 192.79 |
| 2024 | 1,561,625 (1) | 10.79% | 0.0491 | 65.07 |

(1) Collections through March 1, 2024.

In May, 1993, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for economic development. In August 1996, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2 of 1%) for park and recreational facilities development.

| Fiscal Year Ended 9/30 | 4A Sales Tax Collected (1) | 4B Sales Tax Collected |
|---|---|---|
| 2020 | $ 849,692 | $ 849,692 |
| 2021 | 1,160,304 | 1,160,304 |
| 2022 | 1,617,972 | 1,617,972 |
| 2023 | 2,120,663 | 2,120,663 |
| 2024 | 780,813 (2) | 780,813 (2) |

(1) The City has called an election on May 4, 2024 on the question of creating a Crime Control and Prevention District and a Fire Prevention District and reducing the 4A Sales Tax from 1/2% to 0% and reallocating such sales tax to the newly created districts.
(2) Collections through March 1, 2024.

The sales tax breakdown for the City is as follows:

| | |
|---|---|
| Economic and Community Development | 1.00%(1) |
| City Sales & Use Tax | 1.00% |
| State Sales & Use Tax | 6.25% |
| Total | 8.25% |

**(1)** The City has called an election on May 4, 2024 on the question of creating a Crime Control and Prevention District and a Fire Prevention District and reducing the 4A Sales Tax from 1/2% to 0% and reallocating such sales tax to the newly created districts.

**FINANCIAL POLICIES**

Additionally, the City maintains several difference financial policies that are reviewed annually and included in the City's annual budget.

Basis of Accounting . . . All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenues at that time. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified basis of accounting when the related fund liability is incurred. Exceptions to this general rule include accumulated unpaid vacation which are not accrued and principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

*Budgetary Procedures* . . . The City follows these procedures in establishing the budgetary data reflected in the financial statements: Prior to July 1, the City Secretary submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through the passage of an ordinance. The City Secretary is authorized to transfer budgeted amounts between departments within any fund; any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgets for the General and Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Unused appropriations for all of the above annually budgeted funds lapse at the end of the fiscal year.

**INVESTMENTS**

The City invests its investable funds in investments authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

**LEGAL INVESTMENTS** . . . Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or brokerdealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

**Investment Policies** . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, , the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

**Additional Provisions** . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

**Table 15 - Current Investments**

As of March 1, 2024, the City's investable funds were invested in the following categories:

| Description | Percent of Portfolio | Market Value | Book Value |
|---|---|---|---|
| Prosperity Bank Depository | 10.31% | $ 12,694,721 | $ 12,694,721 |
| TexSTAR | 89.69% | 110,484,486 | 110,484,486 |
| | 100.00% | $ 123,179,207 | $ 123,179,207 |

No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

## TAX MATTERS

### TAX EXEMPTION

*Opinion* . . . On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C -- Form of Bond Counsel's Opinion.

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinions of Bond Counsel to the City are conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the property financed or refinanced with proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the obligationholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

*Federal Income Tax Accounting Treatment of Original Issue Discount* . . . The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

*Collateral Federal Income Tax Consequences* . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt Certificates.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates may be includable in certain corporations' "adjusted financial statement income" determined section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt Certificates, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such Certificates; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

*State, Local and Foreign Taxes* . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

*Information Reporting and Backup Withholding* . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

*Future and Proposed Legislation* . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance the City has made the following undertaking for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the undertaking while it remains obligated to advance funds to pay such Certificates. Under the undertaking the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

**ANNUAL REPORTS** . . . The City will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the EMMA system. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in APPENDIX B. The City will update and provide the information in Tables 1 through 6 and 8 through 15 within six months after the end of each fiscal year ending in and after 2024. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2024. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site identified above or filed with the United States Securities and Exchange Commission (the "SEC'), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in Tables 1 through 6 and 8 through 15 by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described above. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

**NOTICE OF CERTAIN EVENTS** . . . The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Certificates: (1) Principal and interest payment delinquencies; (2) Non-payment related defaults, if material; (3) Unscheduled draws on debt service reserves reflecting financial difficulties; (4) Unscheduled draws on credit enhancements reflecting financial difficulties; (5) Substitution of credit or liquidity providers, or their failure to perform; (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Certificates, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City; (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or change in the name of the trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports."

As used above in event notice (12), the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the existing City Council and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

**LIMITATIONS AND AMENDMENTS** . . . The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS** . . . During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## OTHER INFORMATION

### RATING

The Certificates and the outstanding tax supported debt of the City have been assigned a rating of "AA" by S&P, without regard to credit enhancement. The City also has tax-supported debt that is rated by Moody's. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price or marketability of the Certificates.

### LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that, if decided adversely against the City, would have a material adverse financial impact upon the City or its operations.

### REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

### LEGAL OPINIONS

The City will furnish complete transcripts of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Though it may represent the Financial Advisor and the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

### AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

### FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. HilltopSecurities, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### INITIAL PURCHASER

After requesting competitive bids for the Certificates, the City accepted the bid of ____________________________ (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium of $__________, which produces compensation to the Initial Purchaser in the amount of $___________. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

### CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by an authorized representative of the City, acting in such officer's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Certificates or which would affect the provisions made for their payment or security or in any manner question the validity of the Certificates.

**CYBERSECURITY**

Computer networks and data transmission and collection are vital to the operations of the City information technology and infrastructure of the City may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the City. To mitigate these risks, the City continuously endeavors to improve protection/security posture, including required training for City staff and administration.

**FORWARD-LOOKING STATEMENTS DISCLAIMER**

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

**MISCELLANEOUS**

The Ordinance authorizing the issuance of the Certificates will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Initial Purchaser.

*/S/*

JAY NORTHCUT
Mayor
City of Melissa, Texas

ATTEST:

*/S/*

HOPE CORY
City Secretary

# **APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

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**LOCATION** . . . The City of Melissa is located in north central Collin County, approximately 45 miles north of downtown Dallas and five minutes north of the City of McKinney. The City of Melissa's boundary encompasses 12 square miles.

The City is located in the Dallas-Fort Worth Consolidated Metropolitan Statistical Area. The City and Collin County are located in the Dallas/Fort Worth Commercial Zone, which also includes Dallas, Denton, Ellis, Grayson, Kaufman, Parker, Rockwall and Tarrant Counties.

**ECONOMY** . . . Located just north of the City of McKinney, Melissa is experiencing growth, with large tracts of land having been sold for residential development.

**EDUCATIONAL FACILITIES** . . . The Melissa Independent School District is a pre K-12 District. Student population consists of approximately 6,000 students. Students are housed on eight campuses: Harry McKillop Elementary (K – 5), North Creek Elementary (K-5), Willow Wood Elementary (1-5), Summer Elementary (K-5) (anticipated to open in August 2023), Melissa Ridge Education Center (Pre-K), Melissa Middle School (6-8), Sixth Grade Center (6) and Melissa High School (9 – 12). In 2021, the Melissa community passed a $400 million bond program for school building and associated facilities.

**COLLIN COUNTY COMMUNITY COLLEGE DISTRICT** . . . Collin County Community College District was created by a vote of the citizens of Collin County on April 6, 1985. The initial site was a three-story 130,000 square-foot building located on 115 acres of land located in the City of McKinney.

Located north of highway 121 and east of State Highway 289 (Preston Road), the Preston Ridge Campus, in the City is set on a 100+ acre campus that offers a rich and varied environment featuring a grand Library, a National Science Foundation Center, Regional Center for Convergence Technology, and exceptional Culinary and Fine Arts programs.

The entire District includes the original McKinney Campus, Spring Creek Campus in east Plano, Preston Ridge Campus in Frisco and the Courtyard Center in southwest Plano.

**OTHER INSTITUTIONS OF HIGHER LEARNING** . . . In addition, the following major colleges are located within a 60-mile radius of Melissa.

| | |
|---|---|
| Austin College | Sherman, Texas |
| Dallas County Community College System | Dallas County, Texas |
| East Texas State University | Commerce, Texas |
| Grayson County Community College | Sherman, Texas |
| Southern Methodist University | Dallas, Texas |
| Texas Christian University | Fort Worth, Texas |
| Texas Woman's University | Denton, Texas |
| University of Dallas | Dallas, Texas |
| University of North Texas | Denton, Texas |
| University of Texas at Arlington | Arlington, Texas |
| University of Texas at Dallas | Dallas, Texas |

**RECREATION** . . . Nearby lakes such as Lake Lewisville, Grapevine Lake, Lake Ray Roberts (30 minutes away), Lake Texoma (45 minutes away) and the soon to be open Bois d'Arc Lake (25 minutes away) provides all types of water sports, fishing, hunting and camping. The City operates six parks and improving trail connectivity to give the community a well-rounded recreational program.

**COLLIN COUNTY** . . . Collin County, Texas, is located in Northeast Texas immediately north and adjacent to Dallas County, and approximately 15 miles from downtown Dallas. The County is an important component of the Dallas Fort Worth Consolidated Metropolitan Statistical Area. The 836 square miles comprising the County represent a dynamic growth area in the Metroplex, and includes the Cities of Plano, McKinney (County Seat), Allen, Frisco, and Wylie. Significant increases in population and economic growth have occurred during the past two decades. County population at the 1960 census was 41,247 . . . at the 1970 census, 66,920 . . . at the 1980 census, 144,576 . . . at the 1990 census, 264,036 . . . at the 2000 census, 491,675, at the 2010 census, 782,341, and the 2024 estimated population is _1,158,696_. The economic base consists of various manufacturing, computer technology, electronics, oil and gas research, and agriculture. Major industries with headquarters or divisions located within the County include petroleum research, tele-communication, computer technology, electronics, retail, the food industry, and insurance institutions. Some of the major employers in Collin County are as follows:

| Company | Number of Employees |
|---|---|
| State Farm | 9,860 |
| Capital One Finance | 5,979 |
| JP Morgan Chase | 4,000 |
| Toyota North American HQ | 3,937 |
| Bank of America Home Loans | 3,729 |
| Raytheon | 3,500 |
| McDonalds | 3,100 |
| Blue Cross Blue Shield of Texas | 3,078 |
| Ericsson | 2,785 |
| Liberty Mutual Insurance | 2,700 |

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## **APPENDIX B**

EXCERPTS FROM THE

CITY OF MELISSA, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Melissa, Texas Annual Comprehensive Financial Report for the Year Ended September 30, 2023, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

## 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, 2023, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Melissa, Texas, as of September 30, 2023, 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.

***Emphasis of Matter - Change of Accounting Principle***

As described in the notes to the financial statements, in fiscal year 2023 the City of Melissa, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based IT Arrangements*. Our opinion is not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City 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.

### *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 27, 2024 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 27, 2024

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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, 2023. 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 $198,940,579 (*net position*) compared to $168,720,477 for the prior year. Of this amount, $36,678,970 (*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 $30,220,102. The City's operations increased the governmental activities by $15,827,625 and increased the business-type activities by $14,392,477. 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 $82,909,719 at September 30, 2023, an increase of $14,394,542 from the prior fiscal year; this includes an increase of $12,240,028 in the general fund, a decrease of $229,060 in the debt service fund, an increase of $7,735,315 in the transportation construction fund, a decrease of $1,124,100 in the park construction fund, a decrease of $4,413,936 in the facilities construction fund, and an increase of $186,295 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 $5,207,837 or 28% of total general fund operating expenditures.

- The City's outstanding debt increased by $16,228,373 (excluding premiums) from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were $131,197,126 including premiums.

- The City's net pension liability totaled $3,465,288 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 51-58 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 $198,940,579 as of September 30, 2023, in the primary government.

The largest portion of the City's net position, $117,759,224, 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 | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current and other assets | $ 90,967,502 | $ 75,847,688 | $ 25,934,430 | $ 24,966,322 | $ 116,901,932 | $ 100,814,010 |
| Capital assets | 133,157,402 | 113,466,681 | 95,452,233 | 84,097,851 | 228,609,635 | 197,564,532 |
| Total assets | 224,124,904 | 189,314,369 | 121,386,663 | 109,064,173 | 345,511,567 | 298,378,542 |
| Deferred outflows of resources | 1,865,862 | 1,062,528 | 292,412 | 261,602 | 2,158,274 | 1,324,130 |
| Long-term liabilities | 11,582,345 | 10,645,067 | 4,779,111 | 5,192,085 | 16,361,456 | 15,837,152 |
| Other liabilities | 101,662,169 | 82,482,822 | 30,462,761 | 32,001,338 | 132,124,930 | 114,484,160 |
| Total liabilities | 113,244,514 | 93,127,889 | 35,241,872 | 37,193,423 | 148,486,386 | 130,321,312 |
| Deferred inflows of resources | 231,137 | 561,518 | 11,739 | 99,365 | 242,876 | 660,883 |
| Net position: | | | | | | |
| Net investment in capital assets | 55,632,168 | 55,262,104 | 62,127,056 | 50,624,458 | 117,759,224 | 105,886,562 |
| Restricted | 34,859,134 | 24,613,458 | 9,643,251 | 7,506,799 | 44,502,385 | 32,120,257 |
| Unrestricted | 22,023,813 | 16,811,928 | 14,655,157 | 13,901,730 | 36,678,970 | 30,713,658 |
| Total net position | $ 112,515,115 | $ 96,687,490 | $ 86,425,464 | $ 72,032,987 | $ 198,940,579 | $ 168,720,477 |

Total current and other assets increased by $47,133,025 due primarily to an increase in infrastructure additions, as well as governmental activities revenues exceeding expenses. Total capital assets increased by $30,622,436 due to the investment in several major ongoing capital projects and developer donated infrastructure. Total long-term liabilities decreased by $524,304 due to debt service payments.

**CHANGES IN NET POSITION**

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 6,298,386 | $ 8,352,232 | $ 16,458,501 | $ 14,512,833 | $ 22,756,887 | $ 22,865,065 |
| Operating grants and contributions | 1,223,701 | 2,301,417 | - | - | 1,223,701 | 2,301,417 |
| Capital grants and contributions | 10,931,063 | 34,391,620 | 10,411,090 | 38,755,131 | 21,342,153 | 73,146,751 |
| General revenues: | | | | | | |
| Property taxes | 11,495,048 | 10,297,940 | - | - | 11,495,048 | 10,297,940 |
| Sales taxes | 4,241,325 | 3,238,202 | - | - | 4,241,325 | 3,238,202 |
| Franchise taxes | 903,662 | 758,113 | - | - | 903,662 | 758,113 |
| Investment earnings | 3,549,781 | 414,674 | 749,338 | 91,328 | 4,299,119 | 506,002 |
| Other revenue | 58,960 | 394,275 | - | - | 58,960 | 394,275 |
| Total revenues | 38,701,926 | 60,148,473 | 27,618,929 | 53,359,292 | 66,320,855 | 113,507,765 |
| Expenses: | | | | | | |
| General government | 7,923,619 | 7,853,885 | - | - | 7,923,619 | 7,853,885 |
| Public safety | 7,801,736 | 5,777,956 | - | - | 7,801,736 | 5,777,956 |
| Streets | 2,164,445 | 2,333,412 | - | - | 2,164,445 | 2,333,412 |
| Culture and recreational | 2,853,551 | 2,835,042 | - | - | 2,853,551 | 2,835,042 |
| Interest and fiscal charges | 2,453,337 | 2,546,627 | 1,315,809 | 898,857 | 3,769,146 | 3,445,484 |
| Bond issuance costs | 127,453 | - | - | - | 127,453 | - |
| Water and sewer | - | - | 10,258,099 | 8,932,698 | 10,258,099 | 8,932,698 |
| Sanitation | - | - | 1,221,346 | 984,463 | 1,221,346 | 984,463 |
| Total expenses | 23,324,141 | 21,346,922 | 12,795,254 | 10,816,018 | 36,119,395 | 32,162,940 |
| Increase (decrease) in net position before transfers and gain on sale of assets | 15,377,785 | 38,801,551 | 14,823,675 | 42,543,274 | 30,201,460 | 81,344,825 |
| Gain on sale of capital assets | 8,393 | - | 10,249 | - | 18,642 | - |
| Transfers | 441,447 | (2,162,371) | (441,447) | 2,162,371 | - | - |
| Increase (decrease) in net position | 15,827,625 | 36,639,180 | 14,392,477 | 44,705,645 | 30,220,102 | 81,344,825 |
| Net position, beginning | 96,687,490 | 53,018,776 | 72,032,987 | 18,128,243 | 168,720,477 | 71,147,019 |
| Prior period adjustment | - | 7,029,534 | - | 9,199,099 | - | 16,228,633 |
| Net position, ending | $ 112,515,115 | $ 96,687,490 | $ 86,425,464 | $ 72,032,987 | $ 198,940,579 | $ 168,720,477 |

**Governmental activities.** For the year ended September 30, 2023, revenues from governmental activities totaled $38,701,926. Property tax and charges for services were the City's largest general revenue sources and increased by $1.2 million due to an increase in property values and growth in the City for both residential and commercial activity. Overall revenue decreased $21,446,547 or 36% from the prior year. The $23,460,557 decrease in capital contributions is due to fewer developer projects being completed and accepted by the City in the fiscal year. This also corresponds with a decreased of $2,053,846 in charges for services from development fees and licenses and permits issued. Operating grants decreased by $1,077,716 as the City spent a majority of its ARPA funding in prior years. Property tax revenue increased by $1,197,108 due to an increase in the overall taxable property values of 29% from the preceding year tax roll. Sales tax revenue increased by $1,003,123 primarily due to additional retail commercial growth and building supply sales in the City. Franchise tax income increased by $145,549 primarily due to population and service growth within the City. Investment income increased by $3,135,107 primarily due to the realization of higher interest rates over the course of the year. Other revenue decreased by $335,315 due to nonrecurring miscellaneous revenue received in the current year.

For the year ended September 30, 2023, expenses for governmental activities totaled $23,324,141. This represents an increase of $1,977,219 or 9% from the prior year. The City's largest functional expense is general government totaling $7,923,619. General government expenses remain comparable to the prior year, but public safety expenses increased by $2.1 million attributed to construction costs associated with the public safety complex. Street expenses decreased by $168,967 or 7% primarily due to nonrecurring street maintenance expenditures in the prior year. Culture and recreation expenses increased by $18,509 or 1% 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 $93,290 due to greater bond issuance costs incurred in the current year.

**Business-type activities.** For the year ended September 30, 2023, charges for services by business-type activities totaled $16,458,501. This is an increase of $1,945,668 or 13% 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 $1,979,236 or 18% to a total of $12,795,254. 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 $10,258,099 and sanitation totaled $1,221,346.

**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, 2023, the City's governmental funds reported combined fund balances of $82,909,719, an increase of $14,394,542 in comparison with the prior year. Approximately 6% of this amount, $5,207,837, 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 $30,095, 2) assigned $17,758,705 or 3) restricted for particular purposes $59,913,082.

As of the end of the year the general fund reflected a total fund balance of $52,125,826. Of this, $29,129,189 is considered restricted and $5,207,837 is unassigned. General 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 29% tax roll increase; impact service fees assessed and collected; and interest earned. Interest revenue increased $1.95 million year over year, driven primarily by an increase in interest rates from an average of 0.08% in fiscal year 2022 to 3.78% in fiscal year 2023.

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 $5,207,837 is 28% of total general fund operating expenditures.

The debt service fund had an ending fund balance of $1,239,039 as of year end. Total fund balance decreased by $229,060 from the prior year due to debt service payments made in the current year.

The transportation construction fund had an ending fund balance of $18,568,703 at September 30, 2023, an increase of $7,735,315 when compared to the previous year. This increase is primarily attributable to the issuance of bonds in the amount of $13,845,000 in fiscal year 2023, compared to capital expenditures of $7,477,293.

The park construction fund had an ending fund balance of $1,807,319 at September 30, 2023, a decrease of $1,124,100. The decrease is attributable to park construction costs of $1.1 million in the fiscal year.

The facilities construction fund had an ending fund balance of $7,563,829 at September 30, 2023, an increase of $4,413,936. The change in fund balance is attributable to the issuance of bonds in the amount of $6,500,000 in fiscal year 2023.

***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 $86,425,464. Unrestricted net position at the close of the fiscal year amounted to $14,655,157 and a total increase in net position of $14,392,477 from the previous year. Total investment in capital assets, net of related debt of was $62,127,056, and capital assets, net of depreciation totaled $93,788,233.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Supplemental budget amendments were approved during the fiscal year increasing total budgeted expenditures by $2,856,546 and increasing total revenues by $5,960,800. 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 $20,870,995 were less than actual revenues of $30,367,414, resulting in a total positive revenue variance of $9,496,419. 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 $18,344,000 were less than actual expenditures of $18,605,520, resulting in a total negative expenditure variance of $261,520. 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 $133,157,402 in a variety of capital assets and infrastructure, net of accumulated depreciation. The City's business-type activities funds had invested $93,788,233 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 (spent to date):

| | |
|---|---|
| HS Collector Roads | $6.2 million |
| Downtown Roads | $163 thousand |
| Melissa Road West | $520 thousand |
| Utility Relocation Project | $6.0 million |
| Cardinal/Highland Rds | $4.2 million |
| Phase IV Zplex | $6.1 million |
| Public Safety Complex | $12.2 million |
| Parks & Public Works Facilities Renovation | $548 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 | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | $ 5,568,970 | $ 5,442,888 | $ 1,482,636 | $ 1,998,736 | $ 7,051,606 | $ 7,441,624 |
| Construction in progress | 43,495,566 | 24,798,655 | 7,154,318 | 12,557,608 | 50,649,884 | 37,356,263 |
| Buildings and improvements | 9,382,952 | 9,897,493 | 84,501,347 | 68,100,219 | 93,884,299 | 77,997,712 |
| Eqiupment | 2,059,499 | 1,809,694 | 204,614 | 87,807 | 2,264,113 | 1,897,501 |
| Infrastructure | 71,692,406 | 71,109,656 | - | - | 71,692,406 | 71,109,656 |
| Right to use equipment | 605,159 | 408,295 | 445,318 | 112,148 | 1,050,477 | 520,443 |
| SBITA | 352,850 | - | - | - | 352,850 | - |
| Total | $ 133,157,402 | $ 113,466,681 | $ 93,788,233 | $ 82,856,518 | $ 226,945,635 | $ 196,323,199 |

### Long-Term Debt

The City's long-term debt obligations increased by $16,524,800 (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 $133,929,025, 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 37-41.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| General obligation bonds | $ 17,325,000 | $ 18,795,000 | $ 1,495,000 | $ 1,725,000 | $ 18,820,000 | $ 20,520,000 |
| Certificates of obligation | 76,015,000 | 57,595,000 | 23,070,000 | 24,105,000 | 99,085,000 | 81,700,000 |
| Contract revenue bonds | - | - | 4,987,500 | 5,367,500 | 4,987,500 | 5,367,500 |
| Bond premiums | 6,563,415 | 6,158,398 | 1,741,211 | 1,849,801 | 8,304,626 | 8,008,199 |
| Financing arrangements | 1,689,874 | 1,288,365 | - | - | 1,689,874 | 1,288,365 |
| Leases | 585,737 | 408,005 | 456,288 | 112,156 | 1,042,025 | 520,161 |
| SBITAs payable | 263,383 | - | - | - | 263,383 | - |
| Total | $ 102,179,026 | $ 84,244,768 | $31,749,999 | $ 33,159,457 | $ 133,929,025 | $ 117,404,225 |

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget document for Fiscal Year 2023 (FY23) 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 2024 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 2024 (FY24) budget is based on an ad valorum tax rate of $0.454728, a slight reduction from the previous tax rate of $0.00144 from FY23.

The FY24 assessed property value of the City of Melissa is approximately $3.145 billion, an overall increase of $703 million from the preceding year. The top ten taxpayers for 2023 make up only 4.88% of the $3.145 billion taxable appraised value compared to 4.80% in 2014.

Sales Tax is the second largest source of revenue to the City's General Fund, totaling $3,500,000 or 19% of total revenues.

The City Council remains committed to conduct 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 12-13% 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 FY24. 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 FY24 budget.

The City of Melissa is committed to increasing the contingency or General Fund balance to defray unforeseen budget shortfalls. The Council adopted financial policy goal of at least 90 days of operating expenses for the City's General Fund. The fund balance ended at 90 days at 9/30/23. The FY 24 budget provides for an approximate increase of $400,000 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 POSTION

SEPTEMBER 30, 2023

| | Governmental Activities | Business-type Activities | Totals | Component Units: Community Development | Component Units: Economic Development |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 88,781,748 | $ 20,393,673 | $ 109,175,421 | $ 2,075,985 | $ 4,367,834 |
| Receivables (net of allowance for uncollectibles): | 2,193,995 | 2,469,321 | 4,663,316 | 466,053 | 466,053 |
| Contribution receivable | - | 277,333 | 277,333 | - | - |
| Internal balances | (38,336) | 38,336 | - | - | - |
| Prepaid items and other | 30,095 | 2,755,767 | 2,785,862 | - | - |
| Total current assets | 90,967,502 | 25,934,430 | 116,901,932 | 2,542,038 | 4,833,887 |
| Contribution receivable, noncurrent | - | 1,664,000 | 1,664,000 | - | - |
| Capital assets: | | | | | |
| Nondepreciable | 49,064,536 | 8,636,954 | 57,701,490 | 16,166 | 129,076 |
| Depreciable, net of accumulated depreciation | 84,092,866 | 85,151,279 | 169,244,145 | - | - |
| Total noncurrent assets | 133,157,402 | 95,452,233 | 228,609,635 | 16,166 | 129,076 |
| Total assets | 224,124,904 | 121,386,663 | 345,511,567 | 2,558,204 | 4,962,963 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Deferred charge on refunding | 223,214 | 32,085 | 255,299 | - | - |
| Deferred outflow related to pensions | 1,613,927 | 255,775 | 1,869,702 | - | - |
| Deferred outflow related to OPEB | 28,721 | 4,552 | 33,273 | - | - |
| Total deferred outflows of resources | 1,865,862 | 292,412 | 2,158,274 | - | - |

**CITY OF MELISSA, TEXAS**

STATEMENT OF NET POSTION

SEPTEMBER 30, 2022

| | Governmental Activities | Business-type Activities | Totals | Component Units: Community Development | Component Units: Economic Development |
|---|---|---|---|---|---|
| **LIABILITIES** | | | | | |
| Accounts payable | $ 6,703,804 | $ 1,342,539 | $ 8,046,343 | $ - | $ - |
| Accrued liabilities | 131,212 | 21,294 | 152,506 | - | - |
| Customer deposits | - | 1,388,382 | 1,388,382 | - | - |
| Unearned revenue | 250,000 | - | 250,000 | - | - |
| Accrued interest | 359,987 | 219,897 | 579,884 | - | - |
| Noncurrent liabilities: | | | | | |
| Due within one year: | | | | | |
| Long-term debt | 4,137,342 | 1,806,999 | 5,944,341 | - | - |
| Due in more than one year: | | | | | |
| Long-term debt | 98,590,420 | 29,975,950 | 128,566,370 | - | - |
| Net pension liability | 2,991,237 | 474,051 | 3,465,288 | - | - |
| Total OPEB liability | 80,512 | 12,760 | 93,272 | - | - |
| Total liabilities | 113,244,514 | 35,241,872 | 148,486,386 | - | - |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Deferred inflow related to leases | 157,063 | - | 157,063 | - | - |
| Deferred inflow related to pensions | 11,215 | 1,777 | 12,992 | - | - |
| Deferred inflow related to OPEB | 62,859 | 9,962 | 72,821 | - | - |
| Total deferred inflows of resources | 231,137 | 11,739 | 242,876 | - | - |
| **NET POSITION** | | | | | |
| Net investment in capital assets | 55,632,168 | 62,127,056 | 117,759,224 | 16,166 | 129,076 |
| Restricted for: | | | | | |
| Municipal court | 125,684 | - | 125,684 | - | - |
| Debt service | 2,484,055 | - | 2,484,055 | - | - |
| Capital projects | 32,211,159 | 9,643,251 | 41,854,410 | - | - |
| PEG fees | 38,236 | - | 38,236 | - | - |
| Community development | - | - | - | 2,542,038 | - |
| Economic development | - | - | - | - | 4,833,887 |
| Unrestricted | 22,023,813 | 14,655,157 | 36,678,970 | - | - |
| Total net position | $ 112,515,115 | $ 86,425,464 | $ 198,940,579 | $ 2,558,204 | $ 4,962,963 |

**CITY OF MELISSA, TEXAS**

STATEMENT OF ACTIVITES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | | Program Revenues | | |
|---|---|---|---|---|
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | $ 7,923,619 | $ 5,357,913 | $ 464,828 | $ 682,575 |
| Public safety | 7,801,736 | 752,712 | 92,989 | - |
| Culture and recreation | 2,853,551 | 187,761 | 528,491 | 4,029,800 |
| Public works | 2,164,445 | - | 137,393 | 6,218,688 |
| Interest and fiscal charges | 2,453,337 | - | - | - |
| Bond issuance cost | 127,453 | - | - | - |
| Total governmental activities | 23,324,141 | 6,298,386 | 1,223,701 | 10,931,063 |
| Business-type activities: | | | | |
| Water and sewer | 11,573,908 | 15,077,133 | - | 10,411,090 |
| Sanitation | 1,221,346 | 1,381,368 | - | - |
| Total business-type activities | 12,795,254 | 16,458,501 | - | 10,411,090 |
| Total primary government | $ 36,119,395 | $ 22,756,887 | $ 1,223,701 | $ 21,342,153 |
| Component units: | | | | |
| Community development | $ 1,073,296 | $ - | $ - | $ - |
| Economic development | 786,437 | - | - | - |
| Total Component Units | $ 1,859,733 | $ - | $ - | $ - |

General revenues:
Taxes:
Property tax
Sales tax
Franchise and local tax
Investment earnings
Miscellaneous
Gain on sale of assets
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 |
| $ (1,418,303) | $ - | $ (1,418,303) | $ - | $ - |
| (6,956,035) | - | (6,956,035) | - | - |
| 1,892,501 | - | 1,892,501 | - | - |
| 4,191,636 | - | 4,191,636 | - | - |
| (2,453,337) | - | (2,453,337) | - | - |
| (127,453) | - | (127,453) | - | - |
| (4,870,991) | - | (4,870,991) | - | - |
| | | | | |
| - | 13,914,315 | 13,914,315 | - | - |
| - | 160,022 | 160,022 | - | - |
| - | 14,074,337 | 14,074,337 | - | - |
| $ (4,870,991) | $ 14,074,337 | $ 9,203,346 | $ - | $ - |
| | | | | |
| | | | $ (1,073,296) | $ - |
| | | | - | (786,437) |
| | | | (1,073,296) | (786,437) |
| | | | | |
| 11,495,048 | - | 11,495,048 | - | - |
| 4,241,325 | - | 4,241,325 | 2,117,377 | 2,117,377 |
| 903,662 | - | 903,662 | | |
| 3,549,781 | 749,338 | 4,299,119 | 58,629 | 154,585 |
| 58,960 | - | 58,960 | - | - |
| 8,393 | 10,249 | 18,642 | - | - |
| 441,447 | (441,447) | - | - | - |
| 20,698,616 | 318,140 | 21,016,756 | 2,176,006 | 2,271,962 |
| | | | | |
| 15,827,625 | 14,392,477 | 30,220,102 | 1,102,710 | 1,485,525 |
| | | | | |
| 96,687,490 | 72,032,987 | 168,720,477 | 1,455,494 | 3,477,438 |
| | | | | |
| $ 112,515,115 | $ 86,425,464 | $ 198,940,579 | $ 2,558,204 | $ 4,962,963 |

**CITY OF MELISSA, TEXAS**

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

| | General | Debt Service | Transportation Construction |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 53,718,950 | $ 1,787,376 | $ 20,094,779 |
| Receivables, net | 2,193,995 | - | - |
| Due from other funds | 546,337 | - | - |
| Prepaid items | 30,095 | - | - |
| Total assets | 56,489,377 | 1,787,376 | 20,094,779 |
| **LIABILITIES** | | | |
| Accounts payable | 2,971,236 | 2,000 | 1,526,076 |
| Accrued liabilities | 131,212 | - | - |
| Unearned revenue | 250,000 | - | - |
| Due to other funds | 38,336 | 546,337 | - |
| Total liabilities | 3,390,784 | 548,337 | 1,526,076 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Related to leases | 157,063 | - | - |
| Unavailable property taxes | 125,038 | - | - |
| Unavailable court fines | 690,666 | - | - |
| Total deferred inflows of resources | 972,767 | - | - |
| **FUND BALANCES** | | | |
| Nonspendable: | | | |
| Prepaids | 30,095 | - | - |
| Restricted: | | | |
| Municipal court | 125,684 | - | - |
| Debt service | - | 1,239,039 | - |
| Capital projects | 28,965,269 | - | 18,568,703 |
| PEG fees | 38,236 | - | - |
| Assigned | 17,758,705 | - | - |
| Unassigned | 5,207,837 | - | - |
| Total fund balances | 52,125,826 | 1,239,039 | 18,568,703 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 56,489,377 | $ 1,787,376 | $ 20,094,779 |

| | | | Nonmajor | |
|---|---|---|---|---|
| | Park Construction | Facilities Construction | TIF Fund | Total Governmental Funds |
| | $ 1,883,287 | $ 9,692,353 | $ 1,605,003 | $ 88,781,748 |
| | - | - | - | 2,193,995 |
| | - | - | - | 546,337 |
| | - | - | - | 30,095 |
| | 1,883,287 | 9,692,353 | 1,605,003 | 91,552,175 |
| | | | | |
| | 75,968 | 2,128,524 | - | 6,703,804 |
| | - | - | - | 131,212 |
| | - | - | - | 250,000 |
| | - | - | - | 584,673 |
| | 75,968 | 2,128,524 | - | 7,669,689 |
| | | | | |
| | - | - | - | 157,063 |
| | - | - | - | 125,038 |
| | - | - | - | 690,666 |
| | - | - | - | 972,767 |
| | | | | |
| | - | - | - | 30,095 |
| | | | | |
| | - | - | - | 125,684 |
| | - | - | 1,605,003 | 2,844,042 |
| | 1,807,319 | 7,563,829 | - | 56,905,120 |
| | - | - | - | 38,236 |
| | - | - | - | 17,758,705 |
| | - | - | - | 5,207,837 |
| | 1,807,319 | 7,563,829 | 1,605,003 | 82,909,719 |
| | | | | |
| | $ 1,883,287 | $ 9,692,353 | $ 1,605,003 | $ 91,552,175 |

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**CITY OF MELISSA, TEXAS**

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

SEPTEMBER 30, 2023

| | |
|---|---|
| Total fund balances - governmental funds balance sheet | $ 82,909,719 |
| 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. | 133,157,402 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | |
| Property taxes | 125,038 |
| Court fines | 690,666 |
| 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 | 1,613,927 |
| Deferred outflows - OPEB related | 28,721 |
| Deferred inflows - pension related | (11,215) |
| Deferred inflows - OPEB related | (62,859) |
| Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds. | |
| Net pension liability | (2,991,237) |
| OPEB liability | (80,512) |
| General obligation bonds | (17,325,000) |
| Certificates of obligation | (76,015,000) |
| Financing arrangements | (1,689,874) |
| Accrued interest | (359,987) |
| Leases | (585,737) |
| SBITA | (263,383) |
| Compensated absences | (285,353) |
| 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 | 223,214 |
| Premium on bonds | (6,563,415) |
| Net position of governmental activities | $ 112,515,115 |

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

**CITY OF MELISSA, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | General | Debt Service | Transportation Construction |
|---|---|---|---|
| **REVENUES** | | | |
| Property taxes | $ 7,850,066 | $ 2,161,199 | $ - |
| Sales taxes | 4,241,325 | - | - |
| Franchise taxes | 903,662 | - | - |
| Road impact fees | 4,484,316 | - | - |
| Park development fees | 3,914,075 | - | - |
| License and permits | 3,506,507 | - | - |
| Charges for services | 187,761 | - | - |
| Fines and forfeitures | 618,256 | - | - |
| Platting and development | 1,742,595 | - | - |
| Intergovernmental | 598,102 | 1,435,474 | - |
| Lease | 97,886 | - | - |
| Investment earnings | 2,163,903 | 70,239 | 712,608 |
| Miscellaneous | 58,960 | - | - |
| Total revenues | 30,367,414 | 3,666,912 | 712,608 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | 7,410,791 | - | - |
| Public safety | 7,193,256 | - | - |
| Culture and recreation | 1,567,609 | - | - |
| Public works | 974,358 | - | - |
| Capital outlay | 905,337 | - | 7,477,293 |
| Debt service: | | | |
| Principal | 513,536 | 3,395,000 | - |
| Interest and fiscal charges | 40,633 | 2,704,597 | - |
| Bond issuance cost | - | - | 127,453 |
| Total expenditures | 18,605,520 | 6,099,597 | 7,604,746 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | 11,761,894 | (2,432,685) | (6,892,138) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Proceeds from sale of capital assets | 8,393 | - | - |
| Issuance of debt | - | - | 13,845,000 |
| Issuance of premium | - | - | 782,453 |
| Issuance of lease | 367,838 | - | - |
| Issuance of financing arrangement | 580,000 | - | - |
| Transfers in | 441,447 | 2,203,625 | - |
| Transfers out | (919,544) | - | - |
| Total other financing sources and uses | 478,134 | 2,203,625 | 14,627,453 |
| **NET CHANGE IN FUND BALANCES** | 12,240,028 | (229,060) | 7,735,315 |
| **FUND BALANCES, BEGINNING** | 39,885,798 | 1,468,099 | 10,833,388 |
| **FUND BALANCES, ENDING** | $ 52,125,826 | $ 1,239,039 | $ 18,568,703 |

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

| Park Construction | Facilities Construction | Nonmajor TIF Fund | Total Governmental Funds |
|---|---|---|---|
| $ - | $ - | $ 1,416,219 | $ 11,427,484 |
| - | - | - | 4,241,325 |
| - | - | - | 903,662 |
| - | - | - | 4,484,316 |
| - | - | - | 3,914,075 |
| - | - | - | 3,506,507 |
| - | - | - | 187,761 |
| - | - | - | 618,256 |
| - | - | - | 1,742,595 |
| - | 891,409 | - | 2,924,985 |
| - | - | - | 97,886 |
| 73,360 | 475,514 | 54,157 | 3,549,781 |
| - | - | - | 58,960 |
| 73,360 | 1,366,923 | 1,470,376 | 37,657,593 |
| | | | |
| - | - | - | 7,410,791 |
| 243 | - | - | 7,193,499 |
| - | - | - | 1,567,609 |
| - | - | - | 974,358 |
| 1,197,217 | 12,280,859 | - | 21,860,706 |
| | | | |
| - | - | - | 3,908,536 |
| - | - | - | 2,745,230 |
| - | - | - | 127,453 |
| 1,197,460 | 12,280,859 | - | 45,788,182 |
| | | | |
| (1,124,100) | (10,913,936) | 1,470,376 | (8,130,589) |
| | | | |
| - | - | - | 8,393 |
| - | 6,500,000 | - | 20,345,000 |
| - | - | - | 782,453 |
| - | - | - | 367,838 |
| - | - | - | 580,000 |
| - | - | - | 2,645,072 |
| - | - | (1,284,081) | (2,203,625) |
| - | 6,500,000 | (1,284,081) | 22,525,131 |
| | | | |
| (1,124,100) | (4,413,936) | 186,295 | 14,394,542 |
| | | | |
| 2,931,419 | 11,977,765 | 1,418,708 | 68,515,177 |
| | | | |
| $ 1,807,319 | $ 7,563,829 | $ 1,605,003 | $ 82,909,719 |

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## CITY OF MELISSA, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

| | |
|---|---|
| Net change in fund balances - total governmental funds: | $ 14,394,542 |
| 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. | |
| Capital outlay | 22,142,744 |
| Depreciation | (3,735,234) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. | |
| Donation of capital assets | 842,963 |
| Disposals of capital assets | 31,926 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | |
| Property taxes | 67,564 |
| Court fines | 133,806 |
| 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. | |
| Principal payments | 3,908,536 |
| Long-term debt issuance | (22,075,291) |
| 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. | |
| Compensated absences | (47,806) |
| Accrued interest | (11,138) |
| Net pension liability | (111,033) |
| Total OPEB liability | (16,985) |
| Amortization of deferred charges on refunding | (74,405) |
| Amortization of bond premium | 377,436 |
| Change in net position of governmental activities | $ 15,827,625 |

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

**CITY OF MELISSA, TEXAS**

STATEMENT OF NET POSITION
PROPRIETARY FUND

SEPTEMBER 30, 2023

| | Utility Fund |
|---|---|
| **ASSETS** | |
| Current assets | |
| Cash and cash equivalents | $ 20,393,673 |
| Receivables, net | 2,469,321 |
| Contribution receivable, current | 277,333 |
| Due from other funds | 38,336 |
| Prepaid items | 2,755,767 |
| Total current assets | 25,934,430 |
| Noncurrent assets | |
| Contribution receivable, noncurrent | 1,664,000 |
| Capital assets: | |
| Nondepreciable | 8,636,954 |
| Depreciable, net of accumulated depreciation | 85,151,279 |
| Total noncurrent assets | 95,452,233 |
| Total assets | 121,386,663 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred charge on refunding | 32,085 |
| Deferred outflow related to pensions | 255,775 |
| Deferred outflow related to OPEBs | 4,552 |
| Total deferred outflows of resources | 292,412 |
| **LIABILITIES** | |
| Current liabilities: | |
| Accounts payable | 1,342,539 |
| Accrued liabilities | 21,294 |
| Customer deposits | 1,388,382 |
| Accrued interest | 219,897 |
| Compensated absences, current | 8,238 |
| Leases, current | 106,261 |
| Bonds payable, current | 1,692,500 |
| Total current liabilities | 4,779,111 |
| Noncurrent liabilities: | |
| Compensated absences | 24,712 |
| Leases | 350,027 |
| Bonds payable | 29,601,211 |
| Net pension liability | 474,051 |
| OPEB liability | 12,760 |
| Total noncurrent liabilities | 30,462,761 |
| Total liabilities | 35,241,872 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred inflow related to pensions | 1,777 |
| Deferred inflow related to OPEB | 9,962 |
| Total deferred inflows of resources | 11,739 |
| **NET POSITION** | |
| Net investment in capital assets | 62,127,056 |
| Restricted for capital projects | 9,643,251 |
| Unrestricted | 14,655,157 |
| Total net position | $ 86,425,464 |

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

**CITY OF MELISSA, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Utility Fund |
|---|---|
| **OPERATING REVENUES** | |
| Charges for services: | |
| Water revenue | $ 8,568,225 |
| Sanitation revenue | 1,381,368 |
| Sewer revenue | 5,745,404 |
| Meter installations | 365,669 |
| Reconnect fees | 205,601 |
| Other | 192,234 |
| Total operating revenues | 16,458,501 |
| **OPERATING EXPENSES** | |
| Personnel services | 1,040,573 |
| Materials and supplies | 5,375,933 |
| Contractual services | 3,286,545 |
| Depreciation | 1,776,394 |
| Total operating expenses | 11,479,445 |
| **OPERATING INCOME** | 4,979,056 |
| **NONOPERATING REVENUES (EXPENSES)** | |
| Intergovernmental revenues | 214,910 |
| Investment earnings | 749,338 |
| Interest expense | (1,315,809) |
| Gain on sale of assets | 10,249 |
| Total nonoperating revenues (expenses) | (341,312) |
| **INCOME BEFORE CONTRIBUTIONS AND TRANSFERS** | 4,637,744 |
| Capital contributions - capital assets | 6,852,575 |
| Capital contributions - developer contributions | 229,112 |
| Capital contributions - impact fees | 3,114,493 |
| Transfers out | (441,447) |
| **CHANGE IN NET POSITION** | 14,392,477 |
| **NET POSITION, BEGINNING** | 72,032,987 |
| **NET POSITION, ENDING** | $ 86,425,464 |

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

**CITY OF MELISSA, TEXAS**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Utility Fund |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Cash received from customers | $ 16,231,623 |
| Cash paid to employees | (1,182,451) |
| Cash paid to suppliers and service providers | (10,931,684) |
| Net cash provided by operating activities | 4,117,488 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | |
| Cash received from other funds | (63,218) |
| Transfers paid to other funds | (441,447) |
| Net cash provided by noncapital financing activities | (504,665) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Acquisition and construction of capital assets | (6,343,678) |
| Capital contributions | 3,857,182 |
| Principal payment on long-term debt | (1,842,270) |
| Interest paid on long-term debt | (1,305,114) |
| Proceeds from sale of assets | 10,249 |
| Net cash provided (used) by capital and related financing activities | (5,623,631) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Interest received on investments | 750,029 |
| Net cash provided by investing activities | 750,029 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (1,260,779) |
| **CASH AND CASH EQUIVALENTS, BEGINNING** | 21,654,452 |
| **CASH AND CASH EQUIVALENTS, ENDING** | $ 20,393,673 |

**CITY OF MELISSA, TEXAS**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Utility Fund |
|---|---|
| **RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES** | |
| Operating income | $ 4,979,056 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 1,776,394 |
| (Increase) decrease in: | |
| Accounts receivable | (455,036) |
| Prepaids | (1,732,658) |
| Deferred outflows | (41,505) |
| Increase (decrease) in: | |
| Accounts payable | (536,548) |
| Accrued liabilities | 5,340 |
| Customer deposits | 228,158 |
| Compensated absences | 7,957 |
| Net pension liability | (6,376) |
| Total OPEB liability | (19,668) |
| Deferred inflows | (87,626) |
| Net cash provided by operating activities | $ 4,117,488 |
| **SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES** | |
| Contributions of capital assets | $ 6,852,575 |
| Right to use equipment on account | 432,812 |

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

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## 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**

<u>Melissa Industrial and Economic Development Corporation</u>

The Melissa 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.

<u>Melissa Community and Economic Development Corporation</u>

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 park construction fund is a capital projects fund for the acquisition of capital assets or construction of major capital park projects financed by 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 the lower of cost or market using the first-in/first-out method. 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 |
| 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.

### Change in Accounting Principle

GASB Statement No. 96, *Subscription-Based IT Arrangements*, was adopted effective October 1, 2022. The statement addresses accounting and financial reporting for SBITA contracts. Statement No. 96 establishes standards for recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and revenues and expenses related to SBITAs in the basic financial statements, in addition to requiring more extensive note disclosures. The adoption of this standard did not result in a restatement of the beginning fund balance or net position, but assets, liabilities and deferred inflows were recognized, and more extensive note disclosures were required.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### Expenditures Over Appropriations

For the year ended September 30, 2023, the general fund's total expenditures exceeded appropriations at the legal level of control by $261,520. 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, 2023, 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, 2023, 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 Fund | Totals |
|---|---|---|---|
| Property tax | $ 142,644 | $ - | $ 142,644 |
| Sales tax | 932,079 | - | 932,079 |
| Franchise tax | 225,721 | - | 225,721 |
| Court fines | 3,453,328 | - | 3,453,328 |
| Lease | 157,625 | - | 157,625 |
| Other | 45,260 | 1,125 | 46,385 |
| Customer accounts | - | 2,812,645 | 2,812,645 |
| Allowance | (2,762,662) | (344,449) | (3,107,111) |
| Totals | $ 2,193,995 | $ 2,469,321 | $ 4,663,316 |

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

| | Community Development | Economic Development | Total |
|---|---|---|---|
| Sales tax | $ 466,053 | $ 466,053 | $ 932,106 |

**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, 2023, the utility fund recorded a contribution receivable balance of $1,941,333 on the statement of net position.

| Fiscal Year | Amount |
|---|---|
| 2024 | $ 277,333 |
| 2025 | 256,000 |
| 2026 | 234,667 |
| 2027 | 213,333 |
| 2028 | 192,000 |
| 2029-2033 | 640,000 |
| 2034-2036 | 128,000 |
| | $ 1,941,333 |

## INTERFUND BALANCES AND ACTIVITY

The composition of interfund balances as of September 30, 2023, is as follows:

| Due from other funds | Due to other funds | Amount |
|---|---|---|
| Debt service | General | $ 546,337 |
| General | Utility fund | 38,336 |
| Total | | $ 584,673 |

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, 2023, are as follows:

| Transfer To | Transfer From | Amount | Purpose |
|---|---|---|---|
| General | Utility fund | $ 441,447 | Payment in lieu of taxes |
| Debt Service | TIF fund | 1,284,081 | Debt service |
| Debt Service | General | 919,544 | Debt service |
| Total | | $ 2,645,072 | |

## CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 was as follows:

| | Beginning Balance | Additions | Deletions | Adjustments/ Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 5,442,888 | $ 126,082 | $ - | $ - | $ 5,568,970 |
| Construction in progress | 24,798,655 | 20,945,133 | - | (2,248,222) | 43,495,566 |
| Total assets not being depreciated | 30,241,543 | 21,071,215 | - | (2,248,222) | 49,064,536 |
| Capital assets, being depreciated: | | | | | |
| Building and improvements | 15,570,683 | - | - | - | 15,570,683 |
| Equipment | 4,104,521 | 676,584 | - | - | 4,781,105 |
| Infrastructure | 84,056,265 | 842,963 | - | 2,248,222 | 87,147,450 |
| Right to use vehicles | 548,010 | 394,945 | 39,567 | - | 903,388 |
| SBITA | 463,842 | - | - | - | 463,842 |
| Total capital assets being depreciated | 104,743,321 | 1,914,492 | 39,567 | 2,248,222 | 108,866,468 |
| Less accumulated depreciation: | | | | | |
| Building and improvements | (5,673,190) | (514,541) | - | - | (6,187,731) |
| Equipment | (2,294,827) | (426,779) | - | - | (2,721,606) |
| Infrastructure | (12,946,609) | (2,508,435) | - | - | (15,455,044) |
| Right to use vehicles | (139,715) | (174,487) | 15,973 | - | (298,229) |
| SBITA | - | (110,992) | - | - | (110,992) |
| Total accumulated depreciation | (21,054,341) | (3,735,234) | 15,973 | - | (24,773,602) |
| Total capital assets being depreciated, net | 83,688,980 | (1,820,742) | 55,540 | 2,248,222 | 84,092,866 |
| Governmental activities capital assets, net | $ 113,930,523 | $ 19,250,473 | $ 55,540 | $ - | $ 133,157,402 |

Depreciation was charged to governmental functions as follows:

| | |
|---|---|
| Governmental activities: | |
| General government | $ 497,701 |
| Public safety | 549,678 |
| Culture and recreation | 1,458,543 |
| Public works | 1,229,312 |
| Total depreciation expense - governmental activities | $ 3,735,234 |

Depreciation was charged to governmental functions as follows:

| | |
|---|---|
| Governmental activities: | |
| General government | $ 497,701 |
| Public safety | 549,678 |
| Culture and recreation | 1,458,543 |
| Public works | 1,229,312 |
| Total depreciation expense - governmental activities | $ 3,735,234 |

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

| | Beginning Balance | Additions | Deletions | Adjustments/ Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Business-type activities:** | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | $ 1,298,736 | $ - | $ - | $ 183,900 | $ 1,482,636 |
| Construction in progress | 12,557,608 | 5,359,553 | (414,268) | (10,348,575) | 7,154,318 |
| Total assets not being depreciated | 13,856,344 | 5,359,553 | (414,268) | (10,164,675) | 8,636,954 |
| Capital assets, being depreciated: | | | | | |
| Building and system | 76,838,549 | 7,882,845 | - | 10,164,675 | 94,886,069 |
| Equipment | 663,890 | 179,566 | (42,694) | - | 800,762 |
| Right to use vehicles | 153,881 | 434,554 | (57,059) | - | 531,376 |
| Total capital assets being depreciated | 77,656,320 | 8,496,965 | (99,753) | 10,164,675 | 96,218,207 |
| Less accumulated depreciation: | | | | | |
| Building and system | (8,738,330) | (1,646,392) | - | - | (10,384,722) |
| Equipment | (576,083) | (62,759) | 42,694 | - | (596,148) |
| Right to use vehicles | (41,733) | (67,243) | 22,918 | - | (86,058) |
| Total accumulated depreciation | (9,356,146) | (1,776,394) | 65,612 | - | (11,066,928) |
| Total capital assets being depreciated, net | 68,300,174 | 6,720,571 | (34,141) | 10,164,675 | 85,151,279 |
| Business-type activities capital assets, net | $ 82,156,518 | $ 12,080,124 | $ (448,409) | $ - | $ 93,788,233 |

Depreciation was charged to business-type activities as follows:

| | |
|---|---|
| Business-type activities: | |
| Water and sewer | $ 1,776,394 |
| Total depreciation expense - business-type activities | $ 1,776,394 |

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 | 16,166 | - | - | - | 16,166 |
| Total assets not being depreciated | $ 145,242 | $ - | $ - | $ - | $ 145,242 |

## LONG-TERM LIABILITIES

Changes in the City's long-term liabilities for the year ended September 30, 2023 are as follows:

| | Balance 10/1/22 | Additions | Reductions | Balance 9/30/23 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| General obligation bonds | $ 18,795,000 | $ - | $ 1,470,000 | $ 17,325,000 | $ 1,515,000 |
| Certificates of obligation | 57,595,000 | 20,345,000 | 1,925,000 | 76,015,000 | 2,115,000 |
| Bond premiums | 6,158,398 | 782,453 | 377,436 | 6,563,415 | - |
| Financing arrangements | 1,288,365 | 580,000 | 178,491 | 1,689,874 | 174,563 |
| Leases | 408,005 | 367,838 | 190,106 | 585,737 | 174,407 |
| SBITA | 408,322 | - | 144,939 | 263,383 | 87,034 |
| Compensated absences | 237,575 | 79,759 | 31,981 | 285,353 | 71,338 |
| Total Governmental Activities | $ 84,890,665 | $ 22,155,050 | $ 4,317,953 | $ 102,727,762 | $ 4,137,342 |
| **Business-type activities:** | | | | | |
| General obligation bonds | $ 1,725,000 | $ - | $ 230,000 | $ 1,495,000 | $ 235,000 |
| Certificates of obligation | 24,105,000 | - | 1,035,000 | 23,070,000 | 1,065,000 |
| Contract revenue bonds | 5,367,500 | - | 380,000 | 4,987,500 | 392,500 |
| Bond premiums | 1,849,801 | - | 108,590 | 1,741,211 | - |
| Leases | 112,156 | 432,812 | 88,680 | 456,288 | 106,261 |
| Compensated absences | 24,993 | 8,682 | 725 | 32,950 | 8,238 |
| Total Business-type Activities | 33,184,450 | 441,494 | 1,842,995 | 31,782,949 | 1,806,999 |
| Total Primary Government | $ 118,075,115 | $ 22,596,544 | $ 6,160,948 | $ 134,510,711 | $ 5,944,341 |

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. | $ 170,000 |
| 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. | 6,665,000 |
| 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. | 3,655,000 |
| 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. | 4,370,000 |
| 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. | 8,305,000 |
| 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. | 4,115,000 |
| 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. | 28,390,000 |
| 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. | 20,345,000 |
| **Total Certificates of Obligation - Governmental Activities** | $ 76,015,000 |

**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. | $ 2,535,000 |
| 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. | 1,385,000 |
| 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. | 1,345,000 |
| 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. | 3,845,000 |
| 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. | 6,700,000 |
| 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. | 7,260,000 |
| **Total Certificates of Obligation - Business-type Activities** | $ 23,070,000 |

**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. | $ 625,000 |
| 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. | 1,510,000 |
| 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. | 8,275,000 |
| 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. | 3,015,000 |
| 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. | 3,665,000 |
| 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. | 235,000 |
| **Total General Obligation bonds - Governmental Activities** | $ 17,325,000 |

**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. | $ 835,000 |
| 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. | 660,000 |
| **Total General Obligation bonds - Business-type Activities** | $ 1,495,000 |

**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. | $ 231,250 |
| 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. | 2,168,750 |
| 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. | 350,000 |
| 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. | 817,500 |
| 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. | 365,000 |
| 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. | 475,000 |
| 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. | 580,000 |
| **Total Contract Revenue Bonds - Business-type Activities** | $ 4,987,500 |

**Financing Arrangements**

| | |
|---|---|
| $158,218 financing arrangement for the purchase of fire department equipment. Payments are made annually at $18,415 through 2024, interest at 3.29%. | $ 17,828 |
| $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%. | 331,753 |
| $861,000 financing arrangements for the purchase of a fire truck. Payments are made annually at $66,908 through 2036, interest at 1.98%. | 760,293 |
| $580,000 financing arrangements for the purchase of a fire truck. Payments are made annually at $75,021 through 2033, interest at 1.98%. | 580,000 |
| **Total Financing Arrangements - Governmental Activities** | $ 1,689,874 |

**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%. | $ 585,737 |
| **Total Leases - Governmental Activities** | $ 585,737 |

**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%. | $ 456,288 |
| **Total Leases - Business-type Activities** | $ 456,288 |

**SBITAs**

| | |
|---|---|
| $38,158 subscription liability entered into on October 1, 2022 for the use of DebtBook - 22 White Glove. Payments are made annually at $20,000 through 2024, interest at 3.207%. The value of the right to use asset at September 30, 2023 is $38,158 with accumulated amortization of $19,709. The City has 4 extension options, each for 12 months. | $ 19,378 |
| $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 September 30, 2023 is $363,390 with accumulated amortization of $71,526. The City has 5 extension options, each for 12 months. | 202,615 |
| $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 September 30, 2023 is $62,293 with accumulated amortization of $20,3887. The City has 3 extension options, each for 12 months. | 41,390 |
| **Total SBITAs - Governmental Activities** | $ 263,383 |

The annual debt service requirements to maturity for long-term debt outstanding as of September 30, 2023, are as follows:

**Certificates of Obligation**

| Fiscal Year | Governmental Activities Principal | Governmental Activities Interest | Business Type Activities Principal | Business Type Activities Interest |
|---|---|---|---|---|
| 2024 | $ 2,115,000 | $ 3,242,342 | $ 1,075,000 | $ 811,890 |
| 2025 | 2,545,000 | 2,794,669 | 1,115,000 | 774,534 |
| 2026 | 2,650,000 | 2,696,819 | 1,145,000 | 736,681 |
| 2027 | 2,685,000 | 2,603,107 | 1,195,000 | 697,073 |
| 2028 | 2,790,000 | 2,500,807 | 1,240,000 | 654,029 |
| 2029-2033 | 15,835,000 | 10,852,882 | 6,600,000 | 2,560,318 |
| 2034-2038 | 18,235,000 | 7,284,379 | 5,095,000 | 1,442,669 |
| 2039-2043 | 17,280,000 | 4,065,193 | 4,270,000 | 656,523 |
| 2044-2048 | 11,880,000 | 1,031,975 | 1,335,000 | 81,700 |
| Totals | $ 76,015,000 | $ 37,072,173 | $ 23,070,000 | $ 8,415,417 |

**General Obligation Bonds**

| Fiscal Year | Governmental Activities Principal | Governmental Activities Interest | Business Type Activities Principal | Business Type Activities Interest |
|---|---|---|---|---|
| 2024 | $ 1,515,000 | $ 603,284 | $ 235,000 | $ 55,100 |
| 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 |
| 2029-2033 | 5,870,000 | 1,279,758 | 325,000 | 26,700 |
| 2034-2038 | 3,070,000 | 402,309 | - | - |
| 2039-2043 | 1,210,000 | 112,961 | - | - |
| Totals | $ 17,325,000 | $ 4,257,524 | $ 1,495,000 | $ 207,100 |

**Contract Revenue Bonds**

| Fiscal Year | Business Type Activities Principal | Business Type Activities Interest |
|---|---|---|
| 2024 | $ 392,500 | $ 381,697 |
| 2025 | 420,000 | 368,443 |
| 2026 | 533,750 | 250,648 |
| 2027 | 432,500 | 229,873 |
| 2028 | 458,750 | 178,589 |
| 2029-2033 | 1,218,750 | 657,828 |
| 2034-2038 | 1,126,250 | 293,617 |
| 2039-2040 | 406,250 | 35,709 |
| Totals | $ 4,988,750 | $ 2,396,404 |

**Financing Arrangements**

| Fiscal Year | Governmental Activities Principal | Governmental Activities Interest |
|---|---|---|
| 2024 | $ 174,563 | $ 55,145 |
| 2025 | 165,566 | 49,237 |
| 2026 | 171,086 | 43,718 |
| 2027 | 176,813 | 37,991 |
| 2028 | 182,754 | 32,049 |
| 2029-2033 | 622,463 | 87,093 |
| 2034-2036 | 196,629 | 7,693 |
| Totals | $ 1,689,874 | $ 312,926 |

**Leases**

| Fiscal Year | Governmental Activities | | Business Type Activities | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2024 | $ 174,407 | $ 11,688 | $ 106,261 | $ 17,600 |
| 2025 | 121,908 | 8,819 | 93,374 | 14,057 |
| 2026 | 111,074 | 6,011 | 94,768 | 10,358 |
| 2027 | 99,663 | 3,197 | 95,870 | 6,523 |
| 2028 | 78,685 | 815 | 66,015 | 2,927 |
| Total | $ 585,737 | $ 30,530 | $ 456,288 | $ 51,465 |

**SBITAs**

| Fiscal Year | Governmental Activities Principal | Governmental Activities Interest |
|---|---|---|
| 2024 | $ 87,034 | $ 8,141 |
| 2025 | 70,032 | 5,353 |
| 2026 | 53,187 | 3,359 |
| 2027 | 53,130 | 1,704 |
| Totals | $ 263,383 | $ 18,557 |

***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, 2023 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 | $ 125,684 | $ - |
| PEG fees | 38,236 | - |
| Capital projects | - | 3,595,135 |
| Information technology | - | 186,184 |
| City Hall | - | 168,437 |
| Special projects | - | 4,245,365 |
| Economic development | - | 160,000 |
| Body cameras | - | 6,992 |
| Tree and park projects | 12,947,440 | - |
| Roadway impact fees | 16,017,829 | - |
| Facilities | - | 3,700,000 |
| Road repairs | - | 626,144 |
| Ticker writer program | - | 22,948 |
| Sale of land | - | 5,047,500 |
| Totals | $ 29,129,189 | $ 17,758,705 |

## 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, 2023, operating revenues of the Utility fund were $16.5 million, and the required payments made to GTUA under these agreements were $1.4 million.

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.

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 909 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 TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

### Benefits Provided

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

At retirement, the 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, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries current receiving benefits | 23 |
| Inactive employees entitled to but not yet received benefits | 52 |
| Active employees | 74 |
| Total | 149 |

**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 17.54% and 17.68% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were $1,094,107, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022, actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 2.75% per year |
| Investment rate of return | 6.75% net of pension plan investment expense, including inflation |

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|---|---|---|
| Global Public Equity | 35.0% | 7.55% |
| Core Fixed Income | 6.0% | 2.00% |
| Non-Core Fixed Income | 20.0% | 5.68% |
| Other Public and Private Markets | 12.0% | 7.22% |
| Real Estate | 12.0% | 6.85% |
| Hedge Funds | 5.0% | 5.35% |
| Private Equity | 10.0% | 10.00% |
| 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 member 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

*Changes in the Net Pension Liability*

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at 12/31/2021 | $ 10,229,661 | $ 8,069,863 | $ 2,159,798 |
| Changes for the year: | | | |
| Service cost | 963,145 | - | 963,145 |
| Interest | 716,545 | - | 716,545 |
| Difference between expected and actual experience | 295,896 | - | 295,896 |
| Contributions - employer | - | 901,950 | (901,950) |
| Contributions - employee | - | 359,958 | (359,958) |
| Net investment income | - | (592,797) | 592,797 |
| Benefits payments, including refunds of employee contributions | (191,514) | (191,514) | - |
| Administrative expense | - | (5,097) | 5,097 |
| Other change | - | 6,082 | (6,082) |
| Net changes | 1,784,072 | 478,582 | 1,305,490 |
| Balance at 12/31/2022 | $ 12,013,733 | $ 8,548,445 | $ 3,465,288 |

*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 | $ 5,629,998 | $ 3,465,288 | $ 1,737,532 |

*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 tmrs.com.

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

For the year ended September 30, 2023, the City recognized pension expense of $1,059,736.

At September 30, 2023, 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 | $ 413,177 | $ 12,992 |
| Changes in actuarial assumptions | 11,063 | - |
| Difference between projected and actual investment earnings | 600,354 | - |
| Contributions subsequent to the measurement date | 845,108 | - |
| Totals | $ 1,869,702 | $ 12,992 |

$845,108 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, | |
|---|---|
| 2024 | $ 216,963 |
| 2025 | 280,142 |
| 2026 | 240,275 |
| 2027 | 274,222 |

## A. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

**Plan Description**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City 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.

**Benefits Provided**

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 post-employment benefit and is a fixed amount of $7,500.

**Employees covered by benefit terms**

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 17 |
| Inactive employees entitled to but not yet receiving benefits | 5 |
| Active employees | 74 |
| Total | 96 |

**Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.14% and 0.22% for the calendar years 2022 and 2023, of which 0.07% and 0.07% 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, 2023 was $3,862, 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, 2022 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.50% Including Inflation |
| Discount Rate | 4.05% (Based on Fidelity Index's 20-Year Municipal GO AA Index as of December 31, 2022) |
| 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. The rates are projected on a fully generational bases with scale UMP. |
| 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 UMP to account for future mortality improvements subject to the floor. |

*Changes in the OPEB Liability*

| | Total OPEB Liability |
|---|---|
| Balance at 12/31/2021 | $ 145,782 |
| Changes for the year: | |
| Service cost | 14,398 |
| Interest | 2,782 |
| Difference between expected and actual experience | (7,840) |
| Changes of assumptions and other inputs | (58,250) |
| Benefit payments** | (3,600) |
| Net changes | (52,510) |
| Balance at 12/31/2022 | $ 93,272 |

**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 4.05%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

| | 1% Decrease (3.05%) | Current Discount Rate (4.05%) | 1% Increase (5.05%) |
|---|---|---|---|
| Total OPEB Liability | $ 115,039 | $ 93,272 | $ 76,705 |

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

For the year ended September 30, 2023, the City recognized OPEB expense of $11,077, which is attributable to governmental and business-type activities in the amounts of $9,562 and $1,515, respectively. At September 30, 2023, 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 | $ 5,679 | $ 20,526 |
| Changes in actuarial assumptions | 24,726 | 52,295 |
| Contributions subsequent to the measurement date | 2,868 | - |
| Totals | $ 33,273 | $ 72,821 |

$2,868 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, | |
|---|---|
| 2024 | $ (6,103) |
| 2025 | (6,394) |
| 2026 | (6,115) |
| 2027 | (4,481) |
| 2028 | (7,025) |
| Thereafter | (12,298) |

**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 | $ 520,170 | $ 1,479,830 |
| Downtown Overlay District Roadways | 6,470,263 | 163,085 | 6,307,178 |
| Cardinal/Highland Rds | 6,748,009 | 4,204,579 | 2,543,430 |
| High School Collector Roads | 7,248,450 | 6,245,373 | 1,003,077 |
| Telephone Road (City Limits N. to Throckmorton | 6,000,000 | - | 6,000,000 |
| Cardinal Road Extension to Fannin | 1,500,000 | 2,363 | 1,497,637 |
| Zplex Phase 4 | 7,927,500 | 6,073,114 | 1,854,386 |
| Parks and Public Works Admin Building Renovation | 1,250,000 | 548,385 | 701,615 |
| Public Safety Complex Facility | 21,249,383 | 12,210,508 | 9,038,875 |
| **Business-type Activities:** | | | |
| SH5 Utility Relocation w/Gravity Sewer | 6,416,033 | 5,990,614 | 425,419 |
| Totals | $ 66,809,638 | $ 35,958,191 | $ 30,851,447 |

**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, 2023:

| 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% | $ - | $ 56,964 |
| Retail Sales | 100% | 30,224 | 500,782 |
| | Totals | $ 30,224 | $ 557,746 |

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. 99, *Omnibus 2022* – The objective of this Statement is to correct practice issues identified during implementation and application of certain GASB Statements and financial reporting for financial guarantees. There are various effective dates 1.) upon issuance 2.) fiscal years beginning after June 15, 2022 and 3.) fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* – The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

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.

The Government Accounting Standards Board (GASB) has amended the existing standards regarding capitalization thresholds for assets. The amended guidance for the capitalization threshold comes from GASB Implementation Guide 2021-1, Question 5.1. Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture and library books are examples of asset types that may not meet a capitalization policy on an individual basis yet could be significantly collectively. In this example, if the $150,000 aggregate amount (100 computers costing $1,500 each) is significant, the government should capitalize the computers. The amended guidance is effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

# REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF MELISSA, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES** | | | | |
| Property taxes | $ 7,758,716 | $ 7,808,716 | $ 7,850,066 | $ 41,350 |
| Sales taxes | 2,500,000 | 4,005,800 | 4,241,325 | 235,525 |
| Franchise taxes | 642,619 | 862,619 | 903,662 | 41,043 |
| Road impact fees | - | - | 4,484,316 | 4,484,316 |
| Park development fees | - | - | 3,914,075 | 3,914,075 |
| License and permits | 2,522,500 | 3,282,500 | 3,506,507 | 224,007 |
| Charges for services | 53,800 | 228,800 | 187,761 | (41,039) |
| Fines and forfeitures | 606,000 | 566,000 | 618,256 | 52,256 |
| Platting and development | 500,000 | 1,600,000 | 1,742,595 | 142,595 |
| Intergovernmental | 150,500 | 175,500 | 598,102 | 422,602 |
| Lease | 99,060 | 99,060 | 97,886 | (1,174) |
| Investment earnings | 50,000 | 2,150,000 | 2,163,903 | 13,903 |
| Miscellaneous | 27,000 | 92,000 | 58,960 | (33,040) |
| Total revenues | 14,910,195 | 20,870,995 | 30,367,414 | 9,496,419 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government: | | | | |
| Administration | 3,082,421 | 3,768,812 | 4,094,953 | (326,141) |
| Planning and development | 2,128,730 | 3,094,430 | 3,141,889 | (47,459) |
| Code enforcement | 183,184 | 193,585 | 164,687 | 28,898 |
| Building maintenance | 152,165 | 152,165 | 9,262 | 142,903 |
| Total general government | 5,546,500 | 7,208,992 | 7,410,791 | (201,799) |
| Public safety: | | | | |
| Police | 3,473,394 | 3,191,746 | 3,053,959 | 137,787 |
| Fire | 3,031,600 | 3,104,000 | 3,638,312 | (534,312) |
| Municipal court | 370,775 | 495,076 | 500,985 | (5,909) |
| Total public safety | 6,875,769 | 6,790,822 | 7,193,256 | (402,434) |
| Culture and recreation: | | | | |
| Public library | 441,144 | 441,344 | 269,412 | 171,932 |
| Parks and recreation | 1,181,548 | 1,508,848 | 1,298,197 | 210,651 |
| Total culture and recreation | 1,622,692 | 1,950,192 | 1,567,609 | 382,583 |
| Public works: | | | | |
| Streets | 651,559 | 1,089,060 | 974,358 | 114,702 |
| Total public works | 651,559 | 1,089,060 | 974,358 | 114,702 |
| Capital outlay | 236,765 | 750,765 | 905,337 | (154,572) |
| Debt service: | | | | |
| Principal | 513,536 | 513,536 | 513,536 | - |
| Interest and fiscal charges | 40,633 | 40,633 | 40,633 | - |
| Total debt service | 554,169 | 554,169 | 554,169 | - |
| Total expenditures | 15,487,454 | 18,344,000 | 18,605,520 | (261,520) |

**CITY OF MELISSA, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | (577,259) | 2,526,995 | 11,761,894 | 9,234,899 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Proceeds from sale of capital assets | - | 8,392 | 8,393 | 1 |
| Issuance of lease | - | - | 367,838 | 367,838 |
| Issuance of financing arrangement | - | - | 580,000 | 580,000 |
| Transfers in | 441,447 | 441,447 | 441,447 | - |
| Transfers out | - | - | (919,544) | (919,544) |
| Total other financing sources (uses) | 441,447 | 449,839 | 478,134 | 28,295 |
| **NET CHANGE IN FUND BALANCE** | (135,812) | 2,976,834 | 12,240,028 | 9,263,194 |
| **FUND BALANCE, BEGINNING** | 39,885,798 | 39,885,798 | 39,885,798 | - |
| **FUND BALANCE, ENDING** | $ 39,749,986 | $ 42,862,632 | $ 52,125,826 | $ 9,263,194 |

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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.

**CITY OF MELISSA, TEXAS**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| | $ 368,325 | $ 495,439 | $ 550,485 | $ 626,629 | $ 836,730 | $ 963,145 |
| | 302,767 | 342,747 | 394,623 | 445,845 | 606,882 | 716,545 |
| | 1,037,592 | - | - | - | 1,364,173 | - |
| | (53,040) | 32,826 | (67,127) | 53,607 | 298,910 | 295,896 |
| | - | - | 57,155 | - | - | - |
| | (98,867) | (79,754) | (180,249) | (248,488) | (170,668) | (191,514) |
| | 1,556,777 | 791,258 | 754,887 | 877,593 | 2,936,027 | 1,784,072 |
| | 3,313,119 | 4,869,896 | 5,661,154 | 6,416,041 | 7,293,634 | 10,229,661 |
| | $ 4,869,896 | $ 5,661,154 | $ 6,416,041 | $ 7,293,634 | $ 10,229,661 | $ 12,013,733 |
| | $ 192,773 | $ 413,069 | $ 456,607 | $ 520,148 | $ 1,256,907 | $ 901,950 |
| | 187,784 | 212,765 | 235,538 | 268,118 | 311,880 | 359,958 |
| | 384,328 | (103,060) | 601,023 | 379,762 | 772,582 | (592,797) |
| | (98,867) | (79,754) | (180,249) | (248,488) | (170,668) | (191,514) |
| | (1,991) | (1,989) | (3,386) | (2,449) | (3,560) | (5,097) |
| | (102) | (102) | (101) | (96) | 24 | 6,082 |
| | 663,925 | 440,929 | 1,109,432 | 916,995 | 2,167,165 | 478,582 |
| | 2,771,417 | 3,435,342 | 3,876,271 | 4,985,703 | 5,902,698 | 8,069,863 |
| | $ 3,435,342 | $ 3,876,271 | $ 4,985,703 | $ 5,902,698 | $ 8,069,863 | $ 8,548,445 |
| | $ 1,434,554 | $ 1,784,883 | $ 1,430,338 | $ 1,390,936 | $ 2,159,798 | $ 3,465,288 |
| | 70.54% | 68.47% | 77.71% | 80.93% | 78.89% | 71.16% |
| | $ 2,682,628 | $ 3,039,506 | $ 3,364,825 | $ 3,830,253 | $ 4,455,431 | $ 5,142,249 |
| | 53.48% | 58.72% | 42.51% | 36.31% | 48.48% | 67.39% |

**CITY OF MELISSA, TEXAS**

SCHEDULE OF CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| **Fiscal Year Ended September 30,** | **2015** | **2016** | **2017** |
|---|---|---|---|
| Actuarial determined contribution | $ 105,230 | $ 141,014 | $ 180,435 |
| Contributions in relation to the actuarially determined contribution | (105,230) | (141,014) | (180,435) |
| Contribution deficiency (excess) | - | - | - |
| Covered payroll | 1,942,041 | 2,826,657 | 2,607,147 |
| Contributions as a percentage of covered payroll | 5.42% | 4.99% | 6.92% |

**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 | 14 years |
| Asset Valuation Method | 10 Year smoothed fair value; 12% soft corridor |
| Inflation | 2.50% |
| Salary Increases | 3.50% to 11.5% including inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018. |
| Mortality | Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.<br>Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

**Other Information:** There were no benefit changes during the year.

Note: This schedule is required to have 10 years of information, but the information prior to 2015 is not available.

| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| $ 343,590 | $ 447,945 | $ 509,363 | $ 598,429 | $ 850,336 | $ 1,094,107 |
| (343,590) | (447,945) | (509,363) | (598,429) | (1,450,336) | (1,094,107) |
| - | - | - | - | (600,000) | - |
| 2,894,355 | 3,380,237 | 3,748,072 | 4,403,452 | 4,847,983 | 6,199,628 |
| 11.87% | 13.25% | 13.59% | 13.59% | 29.92% | 17.65% |

**CITY OF MELISSA, TEXAS**

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| **Measurement Date December 31,** | **2017** | **2018** | **2019** |
|---|---|---|---|
| **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 | (537) | (608) | (1,009) |
| Net change in Total OPEB liability | 15,167 | (9,610) | 16,370 |
| Total OPEB liability - beginning | 70,853 | 86,020 | 76,410 |
| Total OPEB liability - ending | $ 86,020 | $ 76,410 | $ 92,780 |
| **B. Covered payroll** | $ 2,682,628 | $ 3,039,506 | $ 3,364,825 |
| **C. Total OPEB liability as a percentage of covered 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 |
|---|---|---|
| $ 10,725 | $ 11,584 | $ 14,398 |
| 2,688 | 2,782 | 2,782 |
| 9,449 | (5,781) | (7,840) |
| 19,776 | 5,218 | (58,250) |
| (766) | (2,673) | (3,600) |
| 41,872 | 11,130 | (52,510) |
| 92,780 | 134,652 | 145,782 |
| $ 134,652 | $ 145,782 | $ 93,272 |
| $ 3,830,253 | $ 4,455,431 | $ 5,142,249 |
| 3.52% | 3.27% | 1.81% |

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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, 2023

| | Budgeted Amounts | | | Variance With Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Property taxes | $ 2,136,418 | $ 2,136,418 | $ 2,161,199 | $ 24,781 |
| Intergovernmental | 752,904 | 752,904 | 1,435,474 | 682,570 |
| Investment earnings | - | - | 70,239 | 70,239 |
| Total revenues | 2,889,322 | 2,889,322 | 3,666,912 | 777,590 |
| **EXPENDITURES** | | | | |
| Debt service: | | | | |
| Principal | 3,965,055 | 3,965,055 | 3,395,000 | 570,055 |
| Interest and fiscal charges | 2,128,645 | 2,128,645 | 2,704,597 | (575,952) |
| Total expenditures | 6,093,700 | 6,093,700 | 6,099,597 | (5,897) |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | (3,204,378) | (3,204,378) | (2,432,685) | 771,693 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 2,886,200 | 2,886,200 | 2,203,625 | (682,575) |
| Total other financing sources (uses) | 2,886,200 | 2,886,200 | 2,203,625 | (682,575) |
| **NET CHANGE IN FUND BALANCE** | (318,178) | (318,178) | (229,060) | 89,118 |
| **FUND BALANCE, BEGINNING** | 1,562,510 | 1,562,510 | 1,468,099 | (94,411) |
| **FUND BALANCE, ENDING** | $ 1,244,332 | $ 1,244,332 | $ 1,239,039 | $ (5,293) |

**CITY OF MELISSA, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Budgeted Amounts | | | Variance With Final Budget - Positive |
|---|---|---|---|---|
| | Original | Final | Actual | (Negative) |
| **REVENUES** | | | | |
| Property taxes | $ 1,251,298 | $ 1,251,298 | $ 1,416,219 | $ 164,921 |
| Investment earnings | - | - | 54,157 | 54,157 |
| Total revenues | 1,251,298 | 1,251,298 | 1,470,376 | 219,078 |
| **EXPENDITURES** | - | - | - | - |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | 1,251,298 | 1,251,298 | 1,470,376 | 219,078 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers out | (1,284,081) | (1,284,081) | (1,284,081) | - |
| Total other financing sources (uses) | (1,284,081) | (1,284,081) | (1,284,081) | - |
| **NET CHANGE IN FUND BALANCE** | (32,783) | (32,783) | 186,295 | 219,078 |
| **FUND BALANCE, BEGINNING** | 1,418,708 | 1,418,708 | 1,418,708 | - |
| **FUND BALANCE, ENDING** | $ 1,385,925 | $ 1,385,925 | $ 1,605,003 | $ 219,078 |

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# COMPONENT UNIT FUND STATEMENTS

**CITY OF MELISSA, TEXAS**

BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS

SEPTEMBER 30, 2023

| | Community Development | Economic Development |
|---|---|---|
| **ASSETS** | | |
| Cash and investments | $ 2,075,985 | $ 4,367,834 |
| Sales tax receivable | 466,053 | 466,053 |
| Total assets | 2,542,038 | 4,833,887 |
| **FUND BALANCES** | | |
| Restricted for: | | |
| Community development | 2,542,038 | - |
| Economic development | - | 4,833,887 |
| Total fund balances | 2,542,038 | 4,833,887 |
| Total liabilities and fund balances | $ 2,542,038 | $ 4,833,887 |

Reconciliation of the balance sheet to the statement of net position:

| | | |
|---|---|---|
| Total fund balances | $ 2,542,038 | $ 4,833,887 |
| 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. | 16,166 | 129,076 |
| Net position of the discretely presented component units | $ 2,558,204 | $ 4,962,963 |

**CITY OF MELISSA, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2023

| | Community Development | Economic Development |
|---|---|---|
| **REVENUES** | | |
| Sales tax | $ 2,117,377 | $ 2,117,377 |
| Investment income | 58,629 | 154,585 |
| Total revenues | 2,176,006 | 2,271,962 |
| **EXPENDITURES** | | |
| Current: | | |
| Community development | 1,073,296 | - |
| Econcomic development | - | 786,437 |
| Total expenditures | 1,073,296 | 786,437 |
| **NET CHANGE IN FUND BALANCES** | 1,102,710 | 1,485,525 |
| **FUND BALANCES, BEGINNING** | 1,439,328 | 3,348,362 |
| **FUND BALANCES, ENDING** | $ 2,542,038 | $ 4,833,887 |

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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**


| Contents | Page |
|---|---|
| Financial Trends<br>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 64 - 73 |
| Revenue Capacity<br>These schedules contain information to help the reader assess the City's most significant local revenue sources. | 74 - 85 |
| Demographic and Economic Information<br>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | 86 - 88 |
| Operating Information<br>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. | 89 - 94 |

**CITY OF MELISSA, TEXAS**

NET POSITION BY COMPONENT

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

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 |
| Governmental activities: | | | | |
| Net investment in capital assets | $ 8,381 | $ 8,834 | $ 2,148 | $ 15,186 |
| Restricted | 1,126 | 440 | 503 | 4,285 |
| Unrestricted | 1,381 | 1,484 | 12,304 | 3,004 |
| Total governmental activities net position | $ 10,888 | $ 10,758 | $ 14,955 | $ 22,475 |
| Business-type activities: | | | | |
| Net investment in capital assets | $ 2,032 | $ 1,350 | $ 3,460 | $ 4,017 |
| Restricted | - | - | 925 | 1,743 |
| Unrestricted | 3,195 | 4,625 | 2,837 | 1,054 |
| Total business-type activities net position | $ 5,227 | $ 5,975 | $ 7,222 | $ 6,814 |
| Primary government: | | | | |
| Net investment in capital assets | $ 10,413 | $ 10,184 | $ 5,608 | $ 19,203 |
| Restricted | 1,126 | 440 | 503 | 6,028 |
| Unrestricted | 4,576 | 6,109 | 15,141 | 4,058 |
| Total primary government net position | $ 16,115 | $ 16,733 | $ 21,252 | $ 29,289 |

**TABLE 1**

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| $ 21,081 | $ 22,148 | $ 24,161 | $ 24,984 | $ 55,262 | $ 55,632 |
| 7,221 | 8,660 | 10,861 | 13,535 | 24,613 | 34,859 |
| 3,533 | 3,984 | 6,139 | 14,500 | 16,812 | 22,024 |
| $ 31,835 | $ 34,792 | $ 41,161 | $ 53,019 | $ 96,687 | $ 112,515 |
| $ 4,655 | $ 5,589 | $ 6,975 | $ 3,886 | $ 50,624 | $ 62,127 |
| 2,947 | 3,797 | 5,706 | 9,590 | 7,507 | 9,643 |
| 4,807 | 4,656 | 4,764 | 4,652 | 13,902 | 14,655 |
| $ 12,409 | $ 14,042 | $ 17,445 | $ 18,128 | $ 72,033 | $ 86,425 |
| $ 25,736 | $ 27,737 | $ 31,136 | $ 28,870 | $ 105,886 | $ 117,759 |
| 10,168 | 12,457 | 16,567 | 23,125 | 32,120 | 44,502 |
| 8,340 | 8,640 | 10,903 | 19,152 | 30,714 | 36,679 |
| $ 44,244 | $ 48,834 | $ 58,606 | $ 71,147 | $ 168,720 | $ 198,940 |

**CITY OF MELISSA, TEXAS**

CHANGES IN NET POSITION

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

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 |
| **EXPENSES** | | | | |
| Governmental activities: | | | | |
| General government | $ 2,253 | $ 2,917 | $ 2,849 | $ 2,818 |
| Public safety | 1,483 | 1,726 | 2,135 | 2,608 |
| Public works | 843 | 909 | 1,010 | 1,368 |
| Cultural and recreation | 487 | 689 | 593 | 758 |
| Interest and fiscal charges | 771 | 867 | 1,120 | 1,364 |
| Bond issuance costs | - | - | - | - |
| Total governmental activities expenses | 5,837 | 7,108 | 7,707 | 8,916 |
| Business-type activities: | | | | |
| Water and sewer | 3,047 | 4,178 | 5,779 | 5,629 |
| Sanitation | 211 | 233 | 338 | 381 |
| Total business-type activities | 3,258 | 4,411 | 6,117 | 6,010 |
| Total primary government program expenses | $ 9,095 | $ 11,519 | $ 13,824 | $ 14,926 |
| **PROGRAM REVENUES** | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | $ 735 | $ 958 | $ 1,192 | $ 1,861 |
| Public safety | 552 | 560 | 546 | 466 |
| Cultural and recreational | 5 | - | - | - |
| Operating grants and contributions | 309 | 158 | 203 | 230 |
| Capital grants and contributions | 830 | 422 | 157 | 4,908 |
| Total governmental activities program revenues | 2,431 | 2,098 | 2,098 | 7,465 |
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Water and sewer | 3,908 | 4,478 | 5,133 | 6,057 |
| Sanitation | 281 | 314 | 314 | 463 |
| Capital grants and contributions | - | 228 | 612 | 229 |
| Total business-type activities program revenues | 4,189 | 5,020 | 6,059 | 6,749 |
| Total primary government program revenues | $ 6,620 | $ 7,118 | $ 8,157 | $ 14,214 |

**TABLE 2**

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| $ 3,751 | $ 3,672 | $ 4,820 | $ 7,351 | $ 7,854 | $ 7,924 |
| 3,414 | 3,346 | 4,055 | 4,428 | 5,778 | 7,802 |
| 1,500 | 2,505 | 2,696 | 2,586 | 2,333 | 2,164 |
| 1,002 | 1,523 | 1,683 | 2,171 | 2,835 | 2,854 |
| 1,399 | 1,743 | 1,812 | 2,025 | 2,547 | 2,453 |
| - | - | - | - | - | 127 |
| 11,066 | 12,789 | 15,066 | 18,561 | 21,347 | 23,324 |
| 6,736 | 7,559 | 7,886 | 9,080 | 9,832 | 11,574 |
| 418 | 480 | 567 | 808 | 984 | 1,221 |
| 7,154 | 8,039 | 8,453 | 9,888 | 10,816 | 12,795 |
| $ 18,220 | $ 20,828 | $ 23,519 | $ 28,449 | $ 32,163 | $ 36,119 |
| $ 2,136 | $ 1,795 | $ 3,279 | $ 4,759 | $ 7,031 | $ 5,358 |
| 424 | 435 | 384 | 485 | 1,180 | 753 |
| - | 712 | 1,538 | 2,260 | 140 | 188 |
| 1,141 | 1,221 | 1,616 | 2,374 | 2,301 | 1,224 |
| 7,524 | 2,203 | 3,043 | 4,326 | 34,392 | 10,930 |
| 11,225 | 6,366 | 9,860 | 14,204 | 45,044 | 18,453 |
| 7,452 | 7,903 | 9,653 | 10,660 | 13,394 | 15,078 |
| 509 | 571 | 660 | 888 | 1,119 | 1,381 |
| 4,068 | 1,062 | 2,175 | 2,514 | 38,755 | 10,411 |
| 12,029 | 9,536 | 12,488 | 14,062 | 53,268 | 26,870 |
| $ 23,254 | $ 15,902 | $ 22,348 | $ 28,266 | $ 98,312 | $ 45,323 |

**CITY OF MELISSA, TEXAS**

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(UNAUDITED)

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 |
| **NET (EXPENSE) REVENUES** | | | | |
| Governmental activities | $ (3,406) | $ (5,010) | $ (5,609) | $ (1,451) |
| Business-type activities | 931 | 609 | (58) | 739 |
| Total primary government net expense | (2,475) | (4,401) | (5,667) | (712) |
| **GENERAL REVENUES AND OTHER CHANGES IN NET POSITION** | | | | |
| Governmental activities: | | | | |
| Taxes | | | | |
| Property | 2,561 | 3,059 | 3,699 | 4,489 |
| Sales | 830 | 822 | 1,129 | 1,164 |
| Franchise | 282 | 306 | 339 | 382 |
| Investment earnings | 11 | 139 | 40 | 45 |
| Miscellaneous | 112 | 161 | 271 | 1,050 |
| Gain(loss) on Sale of Capital Asset | 2 | - | - | - |
| Transfers | 268 | 441 | 1,001 | 1,842 |
| Total governmental activities | 4,066 | 4,928 | 6,479 | 8,972 |
| Business-type activities: | | | | |
| Investment earnings | 22 | 27 | 17 | 24 |
| Miscellaneous | 6 | 167 | 34 | 673 |
| Gain(loss) on Sale of Capital Asset | - | - | - | - |
| Transfers | (268) | (441) | (194) | (1,842) |
| Total business-type activities | (240) | (247) | (143) | (1,145) |
| Total primary government | 3,826 | 4,681 | 6,336 | 7,827 |
| **CHANGE IN NET POSITION** | | | | |
| Governmental activities | 660 | (82) | 870 | 7,521 |
| Business-type activities | 691 | 362 | (201) | (406) |
| Total primary government | $ 1,351 | $ 280 | $ 669 | $ 7,115 |

**TABLE 2**

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| $ 159 | $ (6,423) | $ (5,206) | $ (4,357) | $ 23,698 | $ (4,871) |
| 4,875 | 1,497 | 4,035 | 4,174 | 42,452 | 14,074 |
| 5,034 | (4,926) | (1,171) | (183) | 66,150 | 9,203 |
| 5,679 | 6,559 | 7,590 | 9,116 | 10,298 | 11,496 |
| 1,324 | 1,393 | 1,701 | 2,322 | 3,238 | 4,241 |
| 479 | 568 | 582 | 606 | 758 | 904 |
| 146 | 428 | 466 | 147 | 415 | 3,550 |
| 1,277 | 256 | 155 | 188 | 394 | 59 |
| - | - | - | - | - | 8 |
| 296 | 176 | 1,081 | 3,836 | (2,162) | 441 |
| 9,201 | 9,380 | 11,575 | 16,215 | 12,941 | 20,699 |
| 35 | 163 | 232 | 55 | 91 | 749 |
| 980 | 149 | 216 | 290 | - | - |
| - | - | - | - | - | 10 |
| (296) | (176) | (1,081) | (3,836) | 2,162 | (441) |
| 719 | 136 | (633) | (3,491) | 2,253 | 318 |
| 9,920 | 9,516 | 10,942 | 12,724 | 15,194 | 21,017 |
| 9,360 | 2,957 | 6,369 | 11,858 | 36,639 | 15,828 |
| 5,594 | 1,633 | 3,402 | 683 | 44,706 | 14,392 |
| $ 14,954 | $ 4,590 | $ 9,771 | $ 12,541 | $ 81,345 | $ 30,220 |

**CITY OF MELISSA, TEXAS**

FUND BALANCES
GOVERNMENTAL FUNDS

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

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 |
| General fund: | | | | |
| Nonspendable | $ 9 | $ 38 | $ 55 | $ 52 |
| Committed | 85 | 100 | 76 | 3,691 |
| Assigned | 129 | 414 | 420 | 1,665 |
| Unassigned | 1,370 | 1,404 | 2,022 | 1,802 |
| Total general fund | $ 1,593 | $ 1,956 | $ 2,573 | $ 7,210 |
| All other governmental funds | | | | |
| Restricted | $ 1,041 | $ 14,148 | $ 6,887 | $ 10,317 |
| Unassigned | - | - | - | (35) |
| Total all other governmental funds | $ 1,041 | $ 14,148 | $ 6,887 | $ 10,282 |

**TABLE 3**

| Fiscal Year | | | | | |
| --- | --- | --- | --- | --- | --- |
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| $ 1 | $ 1 | $ 5 | $ 34 | $ 13 | $ 30 |
| 6,247 | 6,318 | 7,478 | 10,766 | 22,076 | 29,129 |
| 2,848 | 2,910 | 3,695 | 12,226 | 13,443 | 17,759 |
| 2,116 | 2,535 | 4,034 | 3,606 | 4,355 | 5,208 |
| $ 11,212 | $ 11,764 | $ 15,212 | $ 26,632 | $ 39,887 | $ 52,126 |
| $ 22,551 | $ 11,367 | $ 15,908 | $ 47,760 | $ 28,629 | $ 30,784 |
| - | - | - | - | - | - |
| $ 22,551 | $ 11,367 | $ 15,908 | $ 47,760 | $ 28,629 | $ 30,784 |

**CITY OF MELISSA, TEXAS**

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

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

| | Fiscal Year | | | |
|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 |
| **REVENUES** | | | | |
| Taxes | $ 3,646 | $ 4,182 | $ 5,159 | $ 5,991 |
| Licenses and permits | 1,201 | 976 | 1,342 | 2,854 |
| Intergovernmental | 511 | 400 | - | 4,140 |
| Charges for services | 6 | 4 | 8 | 5 |
| Fines and forfietures | 551 | 560 | 546 | 466 |
| Interest income | 11 | 140 | 40 | 45 |
| Contributions | 163 | 157 | 203 | - |
| Miscellaneous | 112 | 161 | 247 | 1,050 |
| Total revenues | 6,201 | 6,580 | 7,545 | 14,551 |
| **EXPENDITURES** | | | | |
| General government | 1,864 | 2,489 | 2,515 | 2,475 |
| Public safety | 1,342 | 1,572 | 1,901 | 2,303 |
| Streets | 248 | 257 | 281 | 275 |
| Culture and recreation | 405 | 600 | 511 | 526 |
| Capital outlay | 982 | 909 | 4,901 | 19,620 |
| Debt service | | | | |
| Principal | 900 | 971 | 994 | 1,555 |
| Interest and fiscal charges | 743 | 681 | 1,242 | 1,359 |
| Bond issuance costs | - | - | - | - |
| Total expenditures | 6,484 | 7,479 | 12,345 | 28,113 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | $ (283) | $ (899) | $ (4,800) | $ (13,562) |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers in | 1,710 | 1,368 | 2,264 | 19,264 |
| Transfers out | (1,443) | (927) | (1,262) | (17,422) |
| Premium on bonds | - | 10,490 | - | 29,006 |
| Proceeds from insurance recoveries | - | - | 24 | - |
| Issuance of debt | - | - | - | - |
| Issuance of premium | - | - | - | - |
| Issuance of lease | - | - | - | - |
| Issuance of financing arrangement | 108 | 229 | 341 | - |
| Proceeds from sale of capital asset | 2 | - | - | - |
| Payment to escrow agent | - | - | - | (12,884) |
| Total other financing sources (uses) | 377 | 11,160 | 1,367 | 17,964 |
| **NET CHANGE IN FUND BALANCES** | $ 94 | $ 10,261 | $ (3,433) | $ 4,402 |
| **DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES** | 29.90% | 25.10% | 30.00% | 32.90% |

**TABLE 4**

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| $ 10,091 | $ 9,987 | $ 12,567 | $ 14,562 | $ 14,286 | $ 21,057 |
| 1,581 | 1,385 | 2,465 | 3,606 | 5,642 | 3,507 |
| 6,066 | 1,220 | 1,614 | 3,883 | 3,102 | 2,925 |
| 556 | 410 | 814 | 3,413 | 137 | 5,844 |
| 424 | 435 | 384 | 485 | 623 | 618 |
| 146 | 428 | 466 | 147 | 415 | 3,550 |
| - | - | - | - | - | - |
| 1,274 | 1,326 | 2,361 | 223 | 383 | 157 |
| 20,138 | 15,191 | 20,671 | 26,319 | 24,588 | 37,658 |
| 3,156 | 3,798 | 4,312 | 4,821 | 7,251 | 7,411 |
| 2,994 | 3,288 | 4,015 | 4,365 | 5,185 | 7,193 |
| 360 | 670 | 1,448 | 1,149 | 439 | 974 |
| 709 | 986 | 1,064 | 1,335 | 1,600 | 1,568 |
| 7,618 | 13,734 | 3,315 | 11,745 | 22,632 | 21,861 |
| 1,885 | 2,419 | 2,411 | 2,587 | 3,693 | 3,909 |
| 1,529 | 1,779 | 1,840 | 2,162 | 2,742 | 2,745 |
| - | - | - | - | - | 127 |
| 18,251 | 26,674 | 18,405 | 28,164 | 43,542 | 45,788 |
| $ 1,887 | $ (11,483) | $ 2,266 | $ (1,845) | $ (18,954) | $ (8,130) |
| 15,799 | 2,034 | 4,728 | 18,202 | 2,610 | 2,645 |
| (15,503) | (1,858) | (3,647) | (14,366) | (3,887) | (2,203) |
| 13,987 | - | 4,572 | 35,447 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 20,345 |
| - | - | - | - | - | 782 |
| - | - | - | - | - | 368 |
| 45 | 635 | - | 861 | - | 580 |
| 57 | 41 | 70 | 5,288 | 29 | 8 |
| - | - | - | (315) | - | - |
| 14,385 | 852 | 5,723 | 45,117 | (1,248) | 22,525 |
| $ 16,272 | $ (10,631) | $ 7,989 | $ 43,272 | $ (20,202) | $ 14,395 |
| 32.10% | 32.40% | 28.20% | 28.90% | 31.45% | 28.14% |

## CITY OF MELISSA, TEXAS

**TABLE 5**

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

| | Real Property | | Less | | | | Ratio of Total |
|---|---|---|---|---|---|---|---|
| | Residential Assessed Value | Commercial Assessed Value | Exemptions Real Property | Total Assessed Value | Tax Rate | Estimated Tax Value | Assessed Value to Total Estimated Actual Value |
| 2014 | $ 420,978 | $ 101,533 | $ 41,884 | $ 480,627 | 0.610000 | $ 480,627 | 100.0% |
| 2015 | 428,704 | 128,724 | 125,900 | 431,528 | 0.610000 | 431,528 | 100.0% |
| 2016 | 663,465 | 105,965 | 74,304 | 695,126 | 0.610000 | 695,126 | 100.0% |
| 2017 | 670,504 | 118,120 | 79,280 | 709,344 | 0.610000 | 709,344 | 100.0% |
| 2018 | 813,674 | 147,038 | 95,478 | 865,234 | 0.610000 | 865,234 | 100.0% |
| 2019 | 935,156 | 235,911 | 134,504 | 1,036,562 | 0.609541 | 1,036,562 | 100.0% |
| 2020 | 1,100,103 | 260,308 | 139,442 | 1,220,969 | 0.609541 | 1,220,969 | 100.0% |
| 2021 | 1,287,119 | 310,315 | 169,889 | 1,427,544 | 0.060924 | 1,427,544 | 100.0% |
| 2022 | 1,559,018 | 419,247 | 224,734 | 1,753,532 | 0.568157 | 1,753,532 | 100.0% |
| 2023 | 2,453,169 | 276,781 | 258,148 | 2,471,803 | 0.456168 | 2,471,803 | 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.

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

| | CITY OF MELISSA | | | Melissa Independent School District | Collin County | Collin County College District | Total Rate |
|---|---|---|---|---|---|---|---|
| Fiscal Year | General | Debt Service | Total City of Melissa Rate | | | | |
| 2023 | $ 0.357805 | $ 0.09836 | $ 0.456168 | $ 1.44290 | $ 0.15244 | $ 0.08122 | $ 2.132731 |
| 2022 | 0.431031 | 0.13713 | 0.568157 | 1.46030 | 0.16809 | 0.08122 | 2.277764 |
| 2021 | 0.456352 | 0.15289 | 0.609238 | 1.46300 | 0.17253 | 0.08122 | 2.325989 |
| 2020 | 0.460931 | 0.14861 | 0.609541 | 1.46300 | 0.17253 | 0.08122 | 2.326292 |
| 2019 | 0.441232 | 0.16831 | 0.609541 | 1.56835 | 0.17495 | 0.08122 | 2.434061 |
| 2018 | 0.457305 | 0.15270 | 0.610000 | 1.56835 | 0.19225 | 0.07981 | 2.450406 |
| 2017 | 0.462173 | 0.14783 | 0.610000 | 1.56835 | 0.20840 | 0.08122 | 2.467967 |
| 2016 | 0.478910 | 0.13109 | 0.610000 | 1.67000 | 0.22500 | 0.08196 | 2.586960 |
| 2015 | 0.463642 | 0.14636 | 0.610000 | 1.54000 | 0.23500 | 0.08196 | 2.466960 |
| 2014 | 0.441731 | 0.16827 | 0.610000 | 1.54000 | 0.23750 | 0.08364 | 2.471143 |

*Source: Collin County Central Appraisal District*

**CITY OF MELISSA, TEXAS**

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

| | 2023 Total Assessed Value $3,145,878,621 | | |
|---|---|---|---|
| Taxpayer | Assessed Valuation | Rank | Percentage of Total City Assessed Valuation |
| NexMetro Springs LP | 29,755,890 | 1 | 0.95% |
| NexMetro Stoneridge LP | 22,268,645 | 2 | 0.71% |
| Buc-ee's LTD | 19,821,202 | 3 | 0.63% |
| Melissa Farmhouse LLC | 16,646,818 | 4 | 0.53% |
| Bryant Farms LLC | 12,578,000 | 5 | 0.40% |
| Pacesetter Homes LLC | 11,942,696 | 6 | 0.38% |
| Meritage Homes of Texas LLC | 10,565,145 | 7 | 0.34% |
| Ballout 3 LLC & Ballout 7 LLC | 10,421,417 | 8 | 0.33% |
| Pacesetter Homes LLC & Ashton Dallas Residential LLC | 10,378,536 | 9 | 0.33% |
| Taylor Morrison of Texas Inc | 9,295,374 | 10 | 0.30% |
| Zachry Construction Co | - | - | - |
| CMC Rebar | - | - | - |
| Jessh Enterprises | - | - | - |
| Alpha Steel Fab Inc | - | - | - |
| First National Bank of Trenton | - | - | - |
| CMC Steel Fabricators | - | - | - |
| Oncor Electric Delivery Company | - | - | - |
| Lattimore Materials Co LLP | - | - | - |
| Mesquite Creek Development Inc | - | - | - |
| McKinney Lumber Company LLC | - | - | - |
| **Total** | $ 153,673,723 | | 4.88% |

*Source: Collin County Central Appraisal District*

**TABLE 7**

| 2014 Total Assessed Value $475,414,491 | | |
|---|---|---|
| Assessed Valuation | Rank | Percentage of Total City Assessed Valuation |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 3,019,973 | 1 | 0.75% |
| 2,519,695 | 2 | 0.63% |
| 2,429,010 | 3 | 0.60% |
| 2,425,922 | 4 | 0.60% |
| 2,316,572 | 5 | 0.58% |
| 2,037,193 | 6 | 0.51% |
| 1,983,566 | 7 | 0.49% |
| 1,952,878 | 8 | 0.49% |
| 2,214,456 | 9 | 0.55% |
| 1,902,668 | 10 | 0.47% |
| $ 22,801,933 | | 5.67% |

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# CITY OF MELISSA, TEXAS

**TABLE 8**

PROPERTY TAX LEVIES AND COLLECTIONS (1)
Last Ten Fiscal Years (Unaudited)

| 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 |
| 2014 | $ 2,473,949 | $ 2,463,639 | 99.6% | $ 8,866 | $ 2,472,505 | 99.9% |
| 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% | (98,057) | 9,812,931 | 99.7% |
| 2023 | 11,040,337 | 11,005,223 | 99.7% | - | 11,005,223 | 99.7% |

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)

| | Governmental Activities | | | | | Business-type Activities | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | General Obligation Bonds | Certificates of Obligation | Leases | SBITAs | Financing Arrangements | Revenue Bonds | General Obligation Bonds |
| 2014 | $ 17,930 | $ - | $ - | $ - | $ 326 | $ 18,130 | $ 850 |
| 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 | 63,753 | 408 | - | 1,288 | 5,368 | 1,912 |
| 2023 | 17,843 | 82,060 | 585 | 263 | 1,690 | 4,988 | 1,653 |

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

| Business-type Activities | | | | | | |
|---|---|---|---|---|---|---|
| Certificates of Obligation | Leases | Financing Arrangements | Total Primary Government | Percentage of Personal Income | Per Capita | Personal Income |
| $ - | $ - | $ 79 | $ 37,315 | 13.34% | $ 5,330 | $ 279,671 |
| - | - | 81 | 47,910 | 12.80% | 5,323 | 374,364 |
| - | - | 57 | 46,344 | 11.32% | 5,323 | 409,230 |
| 14,241 | - | 23 | 66,064 | 14.96% | 6,292 | 441,630 |
| 21,367 | - | 5 | 84,690 | 16.32% | 7,058 | 518,976 |
| 20,505 | - | - | 81,271 | 15.05% | 5,805 | 540,106 |
| 19,653 | - | - | 81,795 | 12.62% | 4,811 | 648,278 |
| 26,873 | - | - | 122,524 | 17.27% | 5,834 | 709,548 |
| 22,442 | 112 | - | 114,733 | 10.62% | 8,195 | 1,080,090 |
| 24,653 | 456 | - | 134,191 | 10.62% | 134,191 | 1,263,696 |

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] |
|---|---|---|---|---|---|
| 2014 | $ 18,780 | $ 243 | $ 18,537 | 3.68% | 2,527 |
| 2015 | 28,315 | 304 | 28,011 | 4.74% | 3,030 |
| 2016 | 27,325 | 379 | 26,946 | 4.74% | 3,030 |
| 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% | 1,361 |
| 2023 | 18,820 | 1,239 | 17,581 | 0.71% | 73 |

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

[2]Population 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

# CITY OF MELISSA, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2023 (Unaudited)
(Amounts Expressed in Thousands)

| Governmental Unit | Debt Outstanding | | Estimated Percentage Applicable[1] | Estimated Share of Overlapping Debt |
|---|---|---|---|---|
| Debt repaid with property taxes: | | | | |
| Melissa I.S.D. | $ 380,490,000 | * | 77.17% | $ 293,624,133 |
| Collin County | 721,825,000 | * | 1.23% | 8,878,448 |
| Collin County College District | 480,350,000 | ** | 1.23% | 5,908,305 |
| Total, overlapping debt | | | | 308,410,886 |
| City of Melissa Direct Debt | | | 100% | 102,442,409 |
| Total direct and overlapping debt | | | | $ 410,853,295 |

*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)

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Debt limit | $ 159,693 | $ 197,827 | $ 159,693 | $ 136,041 | $ 117,107 |
| Total net debt applicable to limit | 18,257 | 19,052 | 20,624 | 23,674 | 20,624 |
| Legal debt margin | $ 141,436 | $ 178,775 | $ 139,069 | $ 112,367 | $ 96,483 |
| Total net debt applicable to limit as a percentage of debt limit | 11.43% | 9.63% | 12.91% | 17.40% | 17.61% |

**Legal Debt Margin Calculation for Fiscal Year 2023**

| | |
|---|---|
| Assessed value | $ 1,424,697 |
| Add back: exempt real property | 172,228 |
| Total assessed value | 1,596,925 |
| Debt limit (10% of total assessed value) | 159,693 |
| Debt applicable to limit: | |
| General obligation bonds | 19,496 |
| Less: Amount set aside for repayment of general obligation debt | (1,239) |
| Total net debt applicable to limit | 18,257 |
| Legal debt margin | $ 141,436 |

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**

| 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| $ 96,071 | $ 88,783 | $ 76,943 | $ 54,166 | $ 52,251 |
| 27,699 | 24,656 | 26,316 | 27,271 | 17,687 |
| $ 68,372 | $ 64,127 | $ 50,627 | $ 26,895 | $ 34,564 |
| 28.83% | 27.77% | 34.20% | 50.35% | 33.85% |

**CITY OF MELISSA, TEXAS**

PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years (Unaudited)
(Amounts Expressed in Thousands)

| | Water & Sewer Revenue Bonds | | | | | |
|---|---|---|---|---|---|---|
| | | Less: | Net | Debt Service | | |
| Fiscal Year | Charges and Other | Operating Expenses | Available Revenue | Principal | Interest | Coverage |
| 2014 | $ 4,217 | $ 2,564 | $ 1,653 | $ 761 | $ 695 | 114% |
| 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% |

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 thousands)* | Per Capita Personal Income (2) | Average Age (3) | School Enrollment (4) | Unemployment Rate (5) |
|---|---|---|---|---|---|---|
| 2023 | 24,000 | $ 1,263,696 | $ 52,654 | 37.2 | 6,842 | 3.5% |
| 2022 | 22,500 | 1,080,090 | 48,004 | 37.0 | 5,687 | 3.0% |
| 2021 | 21,000 | 709,548 | 33,788 | 33.4 | 4,633 | 2.2% |
| 2020 | 17,000 | 648,278 | 38,134 | 33.7 | 3,982 | 3.2% |
| 2019 | 14,000 | 540,106 | 38,579 | 36.5 | 3,400 | 2.9% |
| 2018 | 12,000 | 518,976 | 43,248 | 36.5 | 3,216 | 3.1% |
| 2017 | 10,500 | 441,630 | 42,060 | 32.7 | 2,624 | 3.6% |
| 2016 | 10,000 | 409,230 | 40,923 | 31.1 | 2,399 | 4.4% |
| 2015 | 9,000 | 374,364 | 41,596 | 31.0 | 2,159 | 4.4% |
| 2014 | 7,000 | 279,671 | 39,953 | 32.4 | 1,921 | 4.4% |

***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)

| | 2023 | | |
|---|---|---|---|
| Employer | 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** | 2,266 | | 38.4% |

*Source: Texas Workforce Commission; Labor Market & Career Information*

| Employer | 2014 No. Employees | Rank | Percentage of Total City Employment |
|---|---|---|---|
| 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 | 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% |
| | 725 | | 78.6% |

**CITY OF MELISSA, TEXAS**

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

| | Fiscal Year | | | | | |
|---|---|---|---|---|---|---|
| Function/Program | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| General Government | 14.0 | 9.5 | 10.0 | 10.0 | 9.5 | 9.5 |
| Public Safety: | | | | | | |
| Police | 22.5 | 20.0 | 17.5 | 16.5 | 13.0 | 13.0 |
| Municipal Court | 1.5 | 1.5 | 1.5 | 1.5 | 2.0 | 2.0 |
| Fire | 19.0 | 15.5 | 15.5 | 13.5 | 10.5 | 9.0 |
| Code Enforcement | 2.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Streets | | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Culture & Recreation: | | | | | | |
| Parks & Recreation | 4.0 | 4.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Libraries | 5.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.0 |
| Water & Wastewater | 11.5 | 8.5 | 8.5 | 8.5 | 4.5 | 4.5 |
| Utility Adminstration | 5.5 | 5.5 | 4.5 | 3.5 | 2.5 | 2.5 |
| **Totals** | 85.5 | 71.5 | 66.5 | 62.5 | 51.0 | 49.0 |

*Source: City of Melissa, Texas*

TABLE 16

| Fiscal Year | | | |
|---|---|---|---|
| 2017 | 2016 | 2015 | 2014 |
| 8.5 | 7.5 | 7.5 | 7.0 |
| 12.0 | 11.0 | 11.0 | 10.0 |
| 2.0 | 1.5 | 1.5 | 1.5 |
| 10.0 | 9.0 | 9.0 | 3.5 |
| 1.0 | - | - | - |
| 0.5 | 0.5 | 0.5 | 1.0 |
| 2.0 | 2.0 | 2.0 | 1.0 |
| 4.5 | 4.0 | 4.0 | 3.0 |
| 4.5 | 4.5 | 4.5 | 4.0 |
| 2.5 | 3.5 | 3.5 | 3.5 |
| 47.5 | 43.5 | 43.5 | 34.5 |

**CITY OF MELISSA, TEXAS**

OPERATING INDICATORS BY FUNCTIONS/PROGRAM
Last Ten Fiscal Years

| | Fiscal Year | | | |
|---|---|---|---|---|
| **Function/Program** | 2023 | 2022 | 2021 | 2020 |
| General government | | | | |
| Building permits issued | | | | |
| Commercial | 34 | 36 | 36 | 29 |
| Total Dollar Value of Permits Issued | $64,362,662 | $44,452,122 | $37,935,114 | $49,984,205 |
| Residential | 903 | 905 | 925 | 745 |
| Total Dollar Value of Permits Issued | n/a | n/a | n/a | $144,045,940 |
| Public Safety | | | | |
| Police | | | | |
| Physical arrests | 218 | 227 | 176 | 243 |
| Accidents | 279 | 246 | 236 | 186 |
| Citations | 5,707 | 3,498 | 2,076 | 1,547 |
| Fire | | | | |
| Calls for Service- Fire & EMS | 1,822 | 1,675 | 1,713 | 1,610 |
| Number of Fire Safety Programs | 23 | 22 | 12 | 9 |
| Number of Calls Answered | 1,822 | 1,675 | 1,713 | 1,610 |
| Inspections | 256 | 216 | 186 | 146 |
| Fires Extinguished | 81 | 59 | 48 | 9 |
| Municipal Court | | | | |
| Number of Cases Filed | 3,286 | 3,232 | 2,505 | 1,883 |
| Number of cases closed | 2,223 | 2,703 | 2,093 | 1,696 |
| Culture, Parks, & Recreation | | | | |
| Athletic Field Reservations Issued | 2,664 | 2,104 | 1,397 | 1,095 |
| Park Facilities Reservations Issued | 27 | 41 | 43 | 14 |
| Weekend Tournaments (Avg. 3 days) | 41 | 33 | 32 | 19 |
| Public Works | | | | |
| Water & Sewer | | | | |
| New water connections | 1,124 | 907 | 876 | 768 |
| Avg. daily consumption of water (thousands of gallons) | 2,609,275 | 2,557,000 | 1,732,367 | 1,312,334 |
| Avg. daily treatment of wastewater (thousands of gallons) | 766,383 | 589,416 | 604,494 | 476,651 |
| Streets | | | | |
| Potholes Repaired (tons of material) | 246 | 226 | 221 | 242 |
| Concrete Streets Repaired (yards) | 44 | 58 | 62 | 64 |

*Source: City of Melissa, Texas*

**TABLE 17**

| Fiscal Year | | | | | |
|---|---|---|---|---|---|
| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| 5 | 4 | 20 | 23 | 4 | 6 |
| $3,960,162 | $21,024,377 | $33,274,421 | $3,641,774 | $3,425,350 | $12,125,016 |
| 482 | 523 | 317 | 238 | 334 | 267 |
| $124,537,435 | $132,234,242 | $83,028,982 | $60,904,323 | $72,037,803 | $51,138,518 |
| 218 | 156 | 104 | 162 | 128 | 151 |
| 217 | 304 | 211 | 259 | 234 | 302 |
| 1,934 | 3,116 | 2,905 | 2,799 | 3,461 | 3,277 |
| 1,376 | 1,395 | 1,210 | 1,120 | 920 | 825 |
| 26 | 24 | 5 | 30 | 30 | 30 |
| 1,376 | 1,395 | 1,210 | 1,120 | 950 | 850 |
| 425 | 150 | 200 | 400 | 450 | 375 |
| 71 | 97 | 85 | 95 | 150 | 65 |
| 2,402 | 2,966 | 2,639 | 3,382 | 3,461 | 3,609 |
| 2,450 | 2,616 | 2,603 | 2,933 | 3,077 | 3,205 |
| 689 | 55 | 15 | 22 | 60 | 21 |
| 34 | 26 | 24 | 26 | 15 | 28 |
| 26 | 28 | - | - | - | - |
| 586 | 485 | 336 | 284 | 295 | 258 |
| 1,484,737 | 1,695,406 | 1,755,863 | 835,180 | 915,316 | 611,156 |
| 553,804 | 469,471 | 734,400 | 1,395,918 | 1,557,289 | 793,123 |
| 319 | 726 | 360 | 310 | 195 | 227 |
| 59 | 109 | 6,857 | 13,028 | - | - |

**CITY OF MELISSA, TEXAS**

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| **Function** | 2023 | 2022 | 2021 | 2020 | 2019 |
| Public Safety | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 |
| Fire stations | 1 | 1 | 1 | 1 | 1 |
| Streets and Drainage: | | | | | |
| Streets (miles) | 100.00 | 137.52 | 130.76 | 121.12 | 73.02 |
| Storm Sewers (miles) | 53.50 | 49.65 | 39.87 | 32.61 | 28.28 |
| Culture and Recreation | | | | | |
| Parks Acreage | 106* | 81 | 61 | 61 | 58 |
| Melissa Sports Facility (Acreage) | 100 | 100 | 100 | 100 | 100 |
| Water | | | | | |
| Water Mains (in miles) (miles) | 117.18 | 123.70 | 117.15 | 104.44 | 90.17 |
| Fire Hydrants | 1,141 | 1,134 | 1,080 | 890 | 789 |
| Storage Capacity (millions of gallons) | 3,500 | 3,500 | 1,500 | 1,500 | 1,500 |
| Sewer | | | | | |
| Sanitary Sewer (miles) | 101.40 | 99.04 | 92.82 | 85.33 | 77.34 |

*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 | | | | |
|---|---|---|---|---|
| 2018 | 2017 | 2016 | 2015 | 2014 |
| 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 |
| 75.20 | 71.00 | 62.94 | 61.46 | 58.16 |
| 31.11 | 27.89 | 22.32 | 21.30 | 19.57 |
| 58 | 33 | 31 | 31 | 31 |
| 100 | 100 | 100 | - | - |
| 76.68 | 70.97 | 61.54 | 57.50 | 54.31 |
| 655 | 618 | 515 | 478 | 439 |
| 1,750 | 1,750 | 1,750 | 1,750 | 1,375 |
| 69.54 | 65.11 | 52.78 | 50.60 | 47.24 |

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## APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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**Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates of Obligation, assuming no material changes in facts or law.*

**CITY OF MELISSA, TEXAS**
**COMBINATION TAX AND LIMITED SURPLUS REVENUE**
**CERTIFICATES OF OBLIGATION, SERIES 2024**
**IN THE AGGREGATE PRINCIPAL AMOUNT OF $__________**

---

AS BOND COUNSEL FOR THE CITY OF MELISSA, TEXAS (the "Issuer") in connection with the issuance of the certificates of obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Certificates, including the executed Certificates.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with law; and that the Certificates, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues of the Issuer's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's waterworks and sewer system, as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

Municipal Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company.