

**CITY OF TERRELL, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**



**CITY OF TERRELL, TEXAS**

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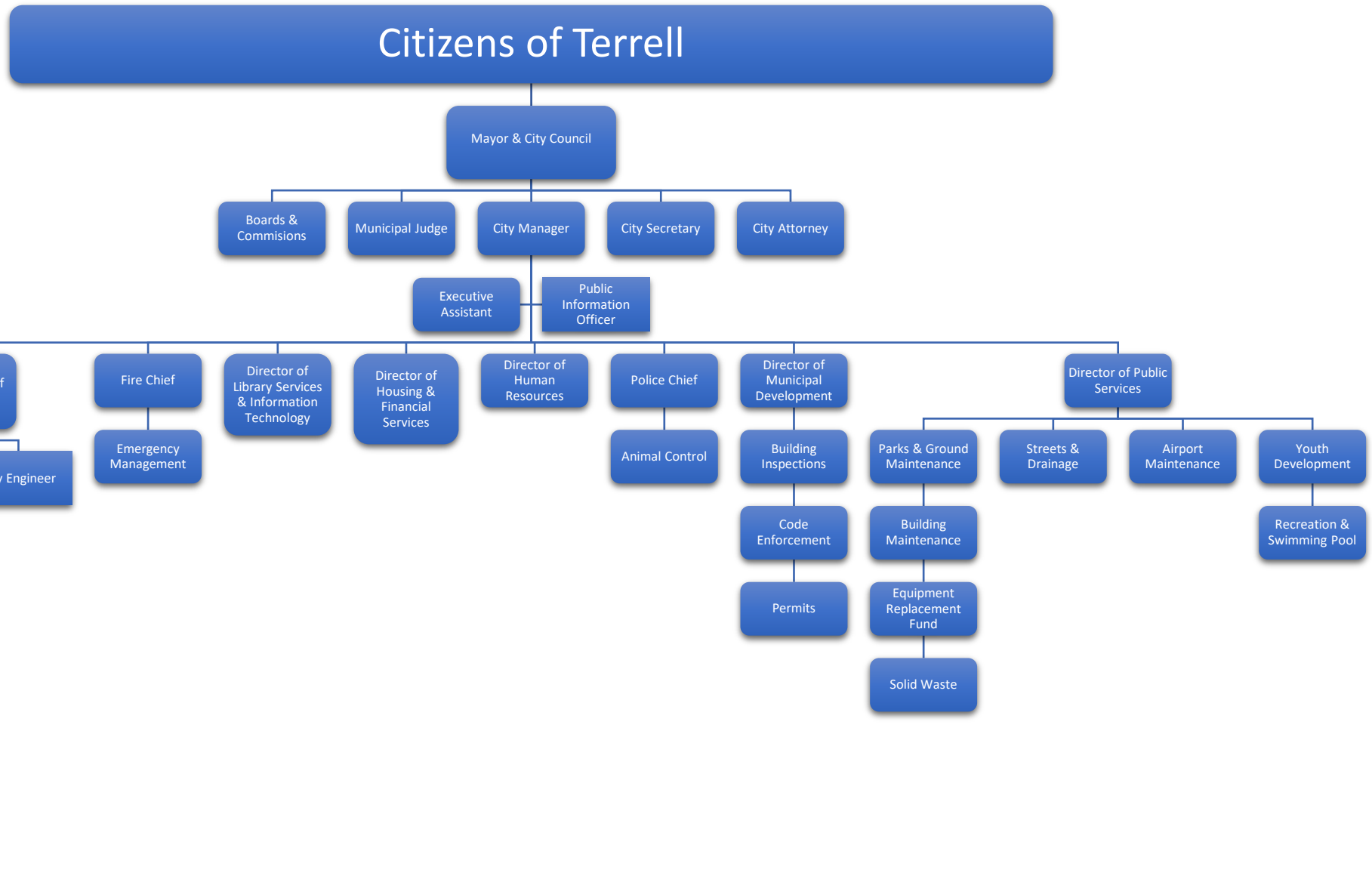
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## **INTRODUCTORY SECTION**



## Proposed City of Terrell Organizational Chart Fiscal Year 2023-2024



**CITY OF TERRELL, TEXAS**  
**PRINCIPAL OFFICIALS**  
**SEPTEMBER 30, 2024**

**CITY OFFICIALS**

**Mayor**

Rick Carmona

**Council Members**

Donna Renee Anderson ..... District 2

Mayrani Velazquez ..... District 3

Stephanie Holmes-Thomas ..... District 4  
Mayor Pro-Temp

Phil Robison..... District 5  
Deputy Mayor Pro-Tem

**Staff**

City Manager (Interim)..... Mark Mills

City Secretary ..... Dawn Steil

Director of Finance..... Matthew Poston

City Attorneys..... Mary Gayle Ramsey  
Greg Shumpert

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the City Council  
City of Terrell, Texas

### Report on the Audit of the Financial Statements

#### Opinions

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

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

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 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 2024, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. 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's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### OFFICE LOCATIONS

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

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

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

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

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

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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's basic financial statements. The combining and individual fund financial statements and schedules 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information included in the Annual Comprehensive Financial Report***

Management is responsible for the other information included in the annual financial report (AFR). The other information comprises of the introductory 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 January 20, 2026 on our consideration of the City's 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Waco, Texas  
January 20, 2026

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **Management's Discussion and Analysis**

As management of the City of Terrell, we present this discussion and analysis to provide readers with an overview of the City's financial activities for the fiscal year ended September 30, 2024. This section is intended to help readers understand the City's overall financial position, highlight significant financial matters from the year, and explain changes from the prior fiscal year. It also discusses material differences between actual results and the adopted budget, as well as notable fund-level items or trends. Readers are encouraged to consider this information in conjunction with the City's basic financial statements and accompanying notes for a complete understanding of the City's financial condition.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City of Terrell exceeded its liabilities and deferred inflows by \$121,616,234 (net position). Unrestricted net position totaled \$ (7,245,721), primarily reflecting long-term obligations recognized under accounting standards rather than short-term liquidity constraints.
- Total net position increased by \$7,517,192 during fiscal year 2024, driven largely by growth in governmental activities.
- Governmental funds reported combined ending fund balances of \$37,569,925, a decrease of \$2,498,215 from the prior fiscal year. Of this total, \$12,441,989, or approximately 33%, is classified as unassigned and available for discretionary use in accordance with City policy.
- The General Fund ended the fiscal year with an unassigned fund balance of \$13,820,443, representing approximately 41% of total General Fund expenditures.
- The City's total long-term debt decreased by \$8,498,670 representing approximately 41% of total General Fund expenditures.
- Certain beginning balances for fiscal year 2024 were restated following management's review of prior-period activity and accounting presentation. These restatements did not affect current-year operating results or cash flows.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also includes supplementary information in addition to the basic financial statements.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad, long-term view of the City's finances, similar to the perspective used in private-sector financial reporting.

The Statement of Net Position presents information on the City's assets, liabilities, and deferred inflows and outflows of resources, with the difference reported as net position. Changes in net position over time may be useful in evaluating whether the City's overall financial position is improving or deteriorating.

The Statement of Activities shows how the City's net position changed during the fiscal year. Revenues and expenses are reported when the underlying activity occurs, regardless of the timing of related cash flows. As a result, this statement includes items that may not result in cash inflows or outflows until future periods, such as uncollected taxes and accrued compensated absences.

The government-wide financial statements distinguish functions that are primarily supported by taxes and intergovernmental revenues (governmental activities) from those that are intended to recover all or a significant portion of their costs through user fees (business-type activities).

- Governmental activities include general government and administration, public safety, library, and parks and recreation.
- Business-type activities include the City's water and sewer system and airport operations. Charges for services are intended to cover all or most of the costs of these activities.

## **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used by state and local governments to ensure compliance with legal and financial requirements related to the use of those resources.

The City uses two types of funds to account for its operations: governmental funds and proprietary funds.

- **Governmental funds** – Governmental funds are used to account for the same general functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances available at year-end. This information is useful in evaluating the City's near-term financing needs.

Because the focus of governmental funds differs from that of the government-wide financial statements, a reconciliation is provided to explain the relationship between the two presentations.

The City maintains 30 governmental funds. Information is presented separately for the General Fund, Rent Supplement Section 8, Terrell Public Private Partnership Fund (PPPF), Permanent Street Improvement, Certificates of Obligation Series 2021A, and the Terrell Economic Development Corporation, each of which is considered a major fund. The remaining governmental funds are presented in aggregate, with individual fund information provided in the combining statements elsewhere in this report.

- **Proprietary funds** –Proprietary funds are used to account for activities that are financed in a manner similar to private-sector operations. Enterprise funds account for the City's water and sewer utility and airport operations.

Internal Service Funds are used to account for fleet services. Because these activities primarily benefit governmental functions, their financial results are included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide more detailed information for the Water and Sewer Utility and Airport Funds, which are considered major funds. Internal Service Funds are presented in aggregate, with individual fund information included in the combining statements elsewhere in this report.

## **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.

## **Other Information**

Combining statements for nonmajor governmental funds and Internal Service Funds are presented following the notes to the financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Terrell, assets and deferred outflows exceeded liabilities and deferred inflows by \$121,616,234 as of September 30, 2024.

A significant portion of the City's net position, approximately 79% (\$96,255,953), represents the City's investment in capital assets, including land, buildings, equipment, infrastructure, and construction in progress, net of related outstanding debt. These capital assets are used to provide services to the City's residents and are not available for future spending. In addition, although these assets are reported net of related debt, the repayment of that debt requires future financial resources that must be provided from other sources.

The City's unrestricted net position reflects a deficit, which is primarily attributable to the recognition of long-term pension and other postemployment benefit liabilities required under accounting standards. These long-term obligations do not impact the City's short-term liquidity or its ability to fund current operations.

### CITY OF TERRELL'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 66,607,627	\$ 65,199,620	\$ 48,040,805	\$ 61,161,530	\$ 114,648,432	\$ 126,361,150
Capital assets	<u>74,218,846</u>	<u>66,313,855</u>	<u>90,221,607</u>	<u>82,793,871</u>	<u>164,440,453</u>	<u>149,107,726</u>
Total assets	<u>140,826,473</u>	<u>131,513,475</u>	<u>138,262,412</u>	<u>143,955,401</u>	<u>279,088,885</u>	<u>275,468,876</u>
Deferred outflows of resources	<u>6,761,381</u>	<u>8,758,474</u>	<u>1,108,011</u>	<u>1,289,103</u>	<u>7,869,392</u>	<u>10,047,577</u>
Long-term liabilities	73,666,542	80,466,250	74,447,732	76,146,694	148,114,274	156,612,944
Other liabilities	<u>9,618,095</u>	<u>5,526,470</u>	<u>4,388,858</u>	<u>6,600,993</u>	<u>14,006,953</u>	<u>12,127,463</u>
Total liabilities	<u>83,284,637</u>	<u>85,992,720</u>	<u>78,836,590</u>	<u>82,747,687</u>	<u>162,121,227</u>	<u>168,740,407</u>
Deferred inflows of resources	<u>1,923,311</u>	<u>1,001,439</u>	<u>1,297,505</u>	<u>1,432,403</u>	<u>3,220,816</u>	<u>2,433,842</u>
Net position:						
Net investment in capital assets	35,674,552	26,764,667	60,581,401	54,360,296	96,255,953	81,124,963
Restricted	32,353,401	31,267,527	252,601	321,858	32,606,002	31,589,385
Unrestricted	<u>(5,648,047)</u>	<u>(4,754,404)</u>	<u>(1,597,674)</u>	<u>6,382,260</u>	<u>(7,245,721)</u>	<u>1,627,856</u>
Total net position	<u>\$ 62,379,906</u>	<u>\$ 53,277,790</u>	<u>\$ 59,236,328</u>	<u>\$ 61,064,414</u>	<u>\$ 121,616,234</u>	<u>\$ 114,342,204</u>

## Analysis of the City's Operations

The following table provides a summary of the City's operations for the years ended September 30, 2024 and 2023.

### CITY OF TERRELL'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 6,714,815	\$ 6,238,145	\$ 21,604,257	\$ 22,655,139	\$ 28,319,072	\$ 28,893,284
Operating grants and contributions	9,112,068	9,423,252	-	-	9,112,068	9,423,252
Capital grants and contributions	1,313,937	-	4,593,602	2,596,141	5,907,539	2,596,141
General revenues:						
Property taxes	18,155,295	15,002,553	-	-	18,155,295	15,002,553
Franchise taxes	2,333,931	2,260,050	-	-	2,333,931	2,260,050
Sales taxes	19,419,266	18,622,964	-	-	19,419,266	18,622,964
Other taxes	908,132	932,990	-	-	908,132	932,990
Interest	930,200	661,486	1,205,705	423,025	2,135,905	1,084,511
Miscellaneous	289,217	704,692	420	-	289,637	704,692
Gain on sale of capital assets	63,088	712,588	-	-	63,088	712,588
Transfers	<u>6,489,884</u>	<u>4,331,693</u>	<u>(6,489,884)</u>	<u>(4,331,693)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>65,729,833</u>	<u>58,890,413</u>	<u>20,914,100</u>	<u>21,342,612</u>	<u>86,643,933</u>	<u>80,233,025</u>
Expenses:						
General government	16,039,436	19,424,083	-	-	16,039,436	19,424,083
Public welfare	3,405,464	3,000,678	-	-	3,405,464	3,000,678
Public safety	16,252,175	15,420,101	-	-	16,252,175	15,420,101
Highways and streets	15,692,896	10,285,180	-	-	15,692,896	10,285,180
Sanitation	-	978,338	-	-	-	978,338
Culture and recreation	3,478,569	1,586,981	-	-	3,478,569	1,586,981
Interest on long-term debt	1,516,015	1,780,601	-	-	1,516,015	1,780,601
Water and sewer	-	-	21,741,316	16,700,610	21,741,316	16,700,610
Airport	-	-	<u>1,000,870</u>	<u>1,097,428</u>	<u>1,000,870</u>	<u>1,097,428</u>
Total expenses	<u>56,384,555</u>	<u>52,475,962</u>	<u>22,742,186</u>	<u>17,798,038</u>	<u>79,126,741</u>	<u>70,274,000</u>
Change in net position	9,345,278	6,414,451	(1,828,086)	3,544,574	7,517,192	9,959,025
Net position, beginning (2024 restated)	<u>53,034,628</u>	<u>46,863,339</u>	<u>61,064,414</u>	<u>57,519,840</u>	<u>114,099,042</u>	<u>104,383,179</u>
Net position, ending	<u>\$ 62,379,906</u>	<u>\$ 53,277,790</u>	<u>\$ 59,236,328</u>	<u>\$ 61,064,414</u>	<u>\$ 121,616,234</u>	<u>\$ 114,342,204</u>

**Governmental activities.** Governmental activities accounted for an increase of \$9,345,278 in net position during fiscal year 2024. General government was one of the City's largest functional expense categories, totaling \$16,039,436. These costs were funded through a variety of revenue sources, including sales taxes, which totaled \$19,419,266 for the fiscal year. Other significant governmental expenses included highways and streets, which incurred \$15,692,896 in expenses.

**Business-type activities.** Business-type activities decreased the City's net position by (\$1,828,086) during fiscal year 2024. This decrease was primarily due to water and sewer expenses exceeding related revenues.

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

#### Governmental Funds

The focus of the City of Terrell's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's near-term financing needs and overall fiscal flexibility. In particular, unassigned fund balance serves as a key indicator of the resources available for discretionary use at the end of the fiscal year.

At September 30, 2024, the City's governmental funds reported combined ending fund balances of \$37,569,925. Of this total amount, (\$12,441,989), or approximately 33%, is classified as unassigned fund balance.

The remaining fund balance is classified as restricted, committed, or assigned, reflecting constraints on use related to specific purposes. These amounts are designated for capital projects (\$5,519,091), debt service (\$746,803), tourism and economic development (\$10,433,160), grants (\$6,032,502), law enforcement (\$96,859), and park development (\$2,274,328).

The Terrell Public Private Partnership Fund reported a negative fund balance at year-end. Management expects this condition to be temporary and to be resolved through future reimbursements and normal funding activity.

### Proprietary Funds

The City's proprietary fund statements provide the same type of information presented in the government-wide financial statements, but in greater detail for activities that are financed in a manner similar to private-sector operations.

At September 30, 2024, net position for the Water and Sewer Fund totaled \$42,213,246 while the Airport Fund reported net position of \$17,023,082. During fiscal year 2024, the Water and Sewer Fund's net position decreased by (\$1,953,572) primarily due to operating and non-operating expenses exceeding revenues. In contrast, the Airport Fund's net position increased by \$155,950 for the year.

### General Fund Budgetary Highlights

In the General Fund, the City budgeted for a decrease in fund balance of (\$1,589,526) for fiscal year 2024. Actual revenues exceeded budgeted amounts, driven primarily by higher-than-anticipated sales tax and intergovernmental revenues. As a result, the General Fund's fund balance increased by \$2,696,214 for the fiscal year.

The City made minor revisions to the original appropriations approved by City Council during the year. Overall, these changes resulted in a net decrease of \$932,588 to the originally adopted General Fund expenditure budget.

The adopted budget assumed declines in several revenue categories compared to prior-year collections based on prevailing economic conditions. Actual revenues exceeded the final budget by \$3,071,994, reflecting stronger-than-expected performance during the fiscal year.

### CAPITAL ASSETS

The City of Terrell's investment in capital assets for its governmental and business-type activities totaled \$164,440,453, net of accumulated depreciation, as of September 30, 2024. This investment includes land, buildings, equipment, improvements, infrastructure, and construction in progress.

Significant capital asset activity during the fiscal year included the following:

- \$17.1 million was spent on construction for multiple bond-funded streets and utility projects.
- A capital contribution of \$705,687 for a mobile health clinic funded through a Community Development Block Grant.
- The purchase of land totaling \$1.6 million.

#### CITY OF TERRELL'S CAPITAL ASSETS AT YEAR-END Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Land	\$ 14,805,903	\$ 11,707,380	\$ 3,786,316	\$ 2,728,954	\$ 18,592,219	\$ 14,436,334
Buildings and improvements	37,432,044	24,009,141	15,974,427	20,503,638	53,406,471	44,512,779
Machinery and equipment	3,389,179	3,311,433	26,842,621	23,882,760	30,231,800	27,194,193
Infrastructure	14,368,929	13,172,169	-	-	14,368,929	13,172,169
Right to use equipment	605,138	997,413	-	-	605,138	997,413
Right to use subscription lease	1,124,967	1,687,450	-	-	1,124,967	-
Construction in progress	<u>2,492,686</u>	<u>11,428,869</u>	<u>43,618,243</u>	<u>35,678,519</u>	<u>46,110,929</u>	<u>47,107,388</u>
Total capital assets	<u>\$ 74,218,846</u>	<u>\$ 66,313,855</u>	<u>\$ 90,221,607</u>	<u>\$ 82,793,871</u>	<u>\$ 164,440,453</u>	<u>\$ 149,107,726</u>

## DEBT ADMINISTRATION

At September 30, 2024, the City of Terrell had total bonded debt outstanding of \$115,455,245.

### CITY OF TERRELL'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 8,065,000	\$ 8,900,000	\$ -	\$ -	\$ 8,065,000	\$ 8,900,000
Certificates of obligation	31,735,000	33,050,000	71,835,000	73,380,000	103,570,000	106,430,000
Notes payable	2,340,402	3,300,204	-	-	2,340,402	3,300,204
Leases	659,777	1,030,979	-	-	659,777	1,030,979
Subscriptions payable	820,066	1,200,412	-	-	820,066	1,200,412
	<u>\$ 43,620,245</u>	<u>\$ 47,481,595</u>	<u>\$ 71,835,000</u>	<u>\$ 73,380,000</u>	<u>\$ 115,455,245</u>	<u>\$ 120,861,595</u>

During fiscal year 2024, the City's total bonded debt decreased by \$5,406,350, or approximately 4%, as a result of scheduled principal payments and the continued reduction of long-term liabilities.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's Fiscal Year 2025 (FY25) budget was developed to support the continued delivery of core services and to advance priorities identified by City Council through its multi-year strategic planning process. The adopted budget reflects a balanced financial plan and incorporates assumptions intended to maintain service levels while addressing ongoing operational and infrastructure needs.

The FY25 budget emphasizes fiscal discipline, continued monitoring of fund balances, and prudent financial management. The City continues to evaluate the appropriate use of reserves across its various funds, with certain funds planned to absorb targeted drawdowns to support operational and capital needs while maintaining overall financial stability.

The adopted budget reflects allocations necessary to sustain City operations at levels generally consistent with prior years, while addressing cost pressures common to municipal operations. Revenue projections were developed using conservative assumptions, and the adopted tax rate was unchanged from the prior fiscal year. This approach is intended to support the City's service and debt obligations while maintaining long-term financial flexibility.

## REQUESTS FOR INFORMATION

This financial report is intended to provide citizens, customers, investors, and creditors with a general overview of the City of Terrell's finances. If you have questions about this report or need additional information, please contact the Finance Department at (972) 551-6600 or by email at [finance@terrelltx.gov](mailto:finance@terrelltx.gov).

**BASIC  
FINANCIAL STATEMENTS**

**CITY OF TERRELL, TEXAS**

**STATEMENT OF NET POSITION**

SEPTEMBER 30, 2024

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 29,378,325	\$ 12,402,944	\$ 41,781,269
Receivables (net, where applicable, of allowances for uncollectibles)			
Accounts	4,399,728	4,259,672	8,659,400
Due from other governments	11,588,018	16,831	11,604,849
Special assessments	1,926,461	-	1,926,461
Other receivables	530,485	-	530,485
Prepaid expenses	5,936,715	-	5,936,715
Internal balances	11,678,924	(11,678,924)	-
Investment in land	1,143,778	-	1,143,778
Inventory, at cost	25,193	592,887	618,080
Restricted cash and investments	-	42,447,395	42,447,395
Capital assets:			
Land	14,805,903	3,786,316	18,592,219
Construction in progress	2,492,686	43,618,243	46,110,929
Buildings and improvements	19,307,023	30,241,036	49,548,059
Improvements other than buildings	26,876,159	-	26,876,159
Machinery and equipment	13,093,546	55,922,984	69,016,530
Infrastructure	45,565,213	-	45,565,213
Right to use assets	4,133,975	-	4,133,975
Less accumulated depreciation	<u>(52,055,659)</u>	<u>(43,346,972)</u>	<u>(95,402,631)</u>
Total capital assets	<u>74,218,846</u>	<u>90,221,607</u>	<u>164,440,453</u>
Total assets	<u>140,826,473</u>	<u>138,262,412</u>	<u>279,088,885</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pensions	5,707,265	935,269	6,642,534
Deferred outflows - TMRS SDBF	127,634	20,916	148,550
Deferred outflows - retiree health	<u>926,482</u>	<u>151,826</u>	<u>1,078,308</u>
Total deferred outflows of resources	<u>6,761,381</u>	<u>1,108,011</u>	<u>7,869,392</u>
<b>LIABILITIES</b>			
Accounts payable	5,162,667	3,234,017	8,396,684
Accrued interest payable	180,195	299,917	480,112
Unearned revenue	3,019,922	83,601	3,103,523
Other accrued liabilities	1,173,567	165,110	1,338,677
Customer deposits	-	574,091	574,091
Due to other governments	81,744	32,122	113,866
Long-term liabilities:			
Due within one year:			
Long-term debt	4,214,550	1,968,995	6,183,545
Total OPEB liability - TMRS SDBF	23,749	9,335	33,084
Total OPEB liability - retiree health	246,382	40,375	286,757
Due in more than one year:			
Long-term debt	54,393,067	70,010,980	124,404,047
Net pension liability	10,951,349	1,794,635	12,745,984
Total OPEB liability - TMRS SDBF	521,323	79,988	601,311
Total OPEB liability - retiree health	<u>3,316,122</u>	<u>543,424</u>	<u>3,859,546</u>
Total liabilities	<u>83,284,637</u>	<u>78,836,590</u>	<u>162,121,227</u>

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



**CITY OF TERRELL, TEXAS**

STATEMENT OF NET POSITION  
(Continued)  
SEPTEMBER 30, 2024

	Governmental Activities	Business-type Activities	Total
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - leases	\$ -	\$ 982,325	\$ 982,325
Deferred inflows - TMRS pension	256,815	42,085	298,900
Deferred inflows - TMRS SDBF	207,128	33,943	241,071
Deferred inflows - retiree health	<u>1,459,368</u>	<u>239,152</u>	<u>1,698,520</u>
Total deferred inflows of resources	<u>1,923,311</u>	<u>1,297,505</u>	<u>3,220,816</u>
<b>NET POSITION</b>			
Net investment in capital assets	35,674,552	60,581,401	96,255,953
Restricted for:			
Tourism/economic development	10,433,160	-	10,433,160
Grants	6,032,502	-	6,032,502
Law enforcement	96,859	-	96,859
Highway projects	7,180,100	-	7,180,100
Capital projects	5,649,375	-	5,649,375
Park development	2,274,328	-	2,274,328
Debt service	687,077	252,601	939,678
Unrestricted	<u>(5,648,047)</u>	<u>(1,597,674)</u>	<u>(7,245,721)</u>
Total net position	<u>\$ 62,379,906</u>	<u>\$ 59,236,328</u>	<u>\$ 121,616,234</u>

# CITY OF TERRELL, TEXAS

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
General government	\$ 16,039,436	\$ 1,571,066	\$ 1,370,450	\$ -
Public welfare	3,405,464	1,728	-	-
Public safety	16,252,175	161,085	1,716,893	-
Highways and streets	15,692,896	3,157,190	1,684,083	1,313,937
Sanitation	-	915,427	3,670,807	-
Culture and recreation	3,478,569	908,319	669,835	-
Interest on long-term debt	1,516,015	-	-	-
Total governmental activities	56,384,555	6,714,815	9,112,068	1,313,937
Business-type activities:				
Water and sewer	21,741,316	21,071,054	-	3,880,057
Airport	1,000,870	533,203	-	713,545
Total business-type activities	22,742,186	21,604,257	-	4,593,602
Total primary government	\$ 79,126,741	\$ 28,319,072	\$ 9,112,068	\$ 5,907,539

### General revenues:

#### Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Unrestricted investment earnings

Miscellaneous

Gain on sale of assets

#### Transfers

Total general revenues and transfers

Change in net position

Net position, beginning, as previously reported

Restatement - error correction

Net position, beginning, as restated

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (13,097,920)	\$ -	\$ (13,097,920)
(3,403,736)	-	(3,403,736)
(14,374,197)	-	(14,374,197)
(9,537,686)	-	(9,537,686)
4,586,234	-	4,586,234
(1,900,415)	-	(1,900,415)
(1,516,015)	-	(1,516,015)
<u>(39,243,735)</u>	<u>-</u>	<u>(39,243,735)</u>
-	3,209,795	3,209,795
<u>-</u>	<u>245,878</u>	<u>245,878</u>
<u>-</u>	<u>3,455,673</u>	<u>3,455,673</u>
<u>(39,243,735)</u>	<u>3,455,673</u>	<u>(35,788,062)</u>
12,325,834	-	12,325,834
5,829,461	-	5,829,461
19,419,266	-	19,419,266
2,333,931	-	2,333,931
908,132	-	908,132
930,200	1,205,705	2,135,905
289,217	420	289,637
63,088	-	63,088
<u>6,489,884</u>	<u>(6,489,884)</u>	<u>-</u>
<u>48,589,013</u>	<u>(5,283,759)</u>	<u>43,305,254</u>
9,345,278	(1,828,086)	7,517,192
<u>53,277,790</u>	<u>61,064,414</u>	<u>114,342,204</u>
<u>(243,162)</u>	<u>-</u>	<u>(243,162)</u>
<u>53,034,628</u>	<u>61,064,414</u>	<u>114,099,042</u>
<u>\$ 62,379,906</u>	<u>\$ 59,236,328</u>	<u>\$ 121,616,234</u>

**CITY OF TERRELL, TEXAS**

BALANCE SHEET  
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	General	Terrell PPPF	Terrell Economic Development Corporation
<b>ASSETS</b>			
Cash and investments	\$ 1,370,980	\$ 1,845,599	\$ 7,167,914
Taxes receivable, net	3,558,398	-	617,396
Special assessments receivable, net	-	-	-
Other receivables	212,510	-	19,921
Due from other governments	4,354	11,583,664	-
Due from other funds	21,698,826	3,465,278	-
Investment in land	-	-	1,143,778
Inventories	25,193	-	-
Total assets	<u>26,870,261</u>	<u>16,894,541</u>	<u>8,949,009</u>
<b>LIABILITIES</b>			
Accounts payable	2,633,755	713,587	-
Accrued wages payable	950,479	-	-
Due to other funds	8,915,369	6,294,046	409,580
Due to other governments	-	81,744	-
Unearned revenue	-	-	19,922
Total liabilities	<u>12,499,603</u>	<u>7,089,377</u>	<u>429,502</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues - taxes	496,712	-	-
Unavailable revenues - grants	-	10,180,100	-
Unavailable revenues - special assessments	-	-	-
Unavailable revenues - municipal court	28,310	-	-
Total deferred inflows of resources	<u>525,022</u>	<u>10,180,100</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	25,193	-	-
Restricted:			
Tourism/economic development	-	-	8,519,507
Grants	-	-	-
Law enforcement	-	-	-
Capital projects	-	-	-
Park development	-	-	-
Debt service	-	-	-
Unassigned	<u>13,820,443</u>	<u>(374,936)</u>	<u>-</u>
Total fund balances	<u>13,845,636</u>	<u>(374,936)</u>	<u>8,519,507</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 26,870,261</u>	<u>\$ 16,894,541</u>	<u>\$ 8,949,009</u>

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

Rent Supplement Section 8	Permanent Street Improvement	C of O Series 2021A	Other Governmental Funds	Total Governmental Funds
\$ 159,721	\$ 1,133,765	\$ -	\$ 17,696,911	\$ 29,374,890
-	-	-	223,934	4,399,728
-	1,926,461	-	-	1,926,461
1,538	121,148	-	175,368	530,485
-	-	-	-	11,588,018
-	1,905,206	2,075,000	5,890,601	35,034,911
-	-	-	-	1,143,778
-	-	-	-	25,193
<u>161,259</u>	<u>5,086,580</u>	<u>2,075,000</u>	<u>23,986,814</u>	<u>84,023,464</u>
-	956,383	211,857	647,085	5,162,667
-	-	-	-	950,479
-	2,411,925	103,234	6,388,789	24,522,943
-	-	-	-	81,744
-	-	-	3,000,000	3,019,922
<u>-</u>	<u>3,368,308</u>	<u>315,091</u>	<u>10,035,874</u>	<u>33,737,755</u>
-	-	-	120,469	617,181
-	-	-	-	10,180,100
-	1,890,193	-	-	1,890,193
-	-	-	-	28,310
<u>-</u>	<u>1,890,193</u>	<u>-</u>	<u>120,469</u>	<u>12,715,784</u>
-	-	-	-	25,193
-	-	-	1,913,653	10,433,160
161,259	-	-	5,871,243	6,032,502
-	-	-	96,859	96,859
-	-	1,759,909	3,759,182	5,519,091
-	-	-	2,274,328	2,274,328
-	-	-	746,803	746,803
-	(171,921)	-	(831,597)	12,441,989
<u>161,259</u>	<u>(171,921)</u>	<u>1,759,909</u>	<u>13,830,471</u>	<u>37,569,925</u>
\$ 161,259	\$ 5,086,580	\$ 2,075,000	\$ 23,986,814	\$ 84,023,464

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**CITY OF TERRELL, TEXAS**

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

SEPTEMBER 30, 2024

Total fund balance, governmental funds \$ 37,569,925

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 77,521,224

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Unavailable revenues - taxes	617,181
Unavailable revenues - grants	10,180,100
Unavailable revenues - special assessments	1,890,193
Unavailable revenues - municipal court	28,310

The assets and liabilities of certain Internal Service Funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 2,775,330

Some liabilities, (such as notes payable, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Position.

Bonds, certificates of obligation, and notes payable	(42,919,090)
Premium on bonds	(3,279,760)
Intergovernmental payable	(7,195,294)
Compensated absences	(4,499,949)
Accrued interest payable	(180,195)
Net pension liability	(10,851,930)
Deferred outflows related to pensions	5,655,454
Deferred inflows related to pensions	(254,484)
Total OPEB liabilities	(4,070,287)
Deferred outflows related to OPEB	1,044,546
Deferred inflows related to OPEB	<u>(1,651,368)</u>

Net position of governmental activities in the Statement of Net Position \$ 62,379,906

**CITY OF TERRELL, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General	Terrell PPPF	Terrell Economic Development Corporation
<b>REVENUES</b>			
Ad valorem taxes	\$ 12,204,654	\$ 2,135,270	\$ -
Hotel/motel occupancy taxes	-	-	-
Sales and use taxes	15,808,961	-	3,610,305
Franchise fees	2,333,931	-	-
Licenses and permits	1,049,808	-	-
Fees and fines	394,123	-	-
Intergovernmental	2,020,458	3,312,818	-
Charges for services	1,246,558	-	55,494
Investment earnings	281,758	210,080	298,732
Miscellaneous	268,849	-	-
Total revenues	<u>35,609,100</u>	<u>5,658,168</u>	<u>3,964,531</u>
<b>EXPENDITURES</b>			
Current:			
General government	8,685,386	-	2,938,138
Public welfare	-	-	-
Public safety	14,905,934	-	-
Highways and streets	6,924,283	7,461,808	-
Culture and recreation	2,645,631	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	245,110	2,022,147	-
Total expenditures	<u>33,406,344</u>	<u>9,483,955</u>	<u>2,938,138</u>
<b>OVER (UNDER) EXPENDITURES</b>	<u>2,202,756</u>	<u>(3,825,787)</u>	<u>1,026,393</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,964,972	1,491,417	-
Transfers out	(3,471,514)	(4,178,307)	-
Total other financing sources and uses	<u>493,458</u>	<u>(2,686,890)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,696,214	(6,512,677)	1,026,393
<b>FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED</b>	<u>6,015,247</u>	<u>6,137,741</u>	<u>8,333,510</u>
<b>ADJUSTMENT/RESTATEMENT</b>			
Error corrections	597,234	-	(840,396)
Change within the financial reporting entity	4,536,941	-	-
Total adjustments/restatements	<u>5,134,175</u>	<u>-</u>	<u>(840,396)</u>
<b>FUND BALANCES, BEGINNING, AS ADJUSTED/RESTATED</b>	<u>11,149,422</u>	<u>6,137,741</u>	<u>7,493,114</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 13,845,636</u>	<u>\$ (374,936)</u>	<u>\$ 8,519,507</u>

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



Rent Supplement Section 8	Permanent Street Improvement	C of O Series 2021A	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 3,689,481	\$ 18,029,405
-	-	-	908,132	908,132
-	-	-	-	19,419,266
-	-	-	-	2,333,931
-	-	-	-	1,049,808
-	-	-	1,366	395,489
3,670,807	-	-	698,800	9,702,883
-	-	-	3,341,333	4,643,385
555	7,611	-	131,464	930,200
20,368	-	-	-	289,217
<u>3,691,730</u>	<u>7,611</u>	<u>-</u>	<u>8,770,576</u>	<u>57,701,716</u>
352,190	953	-	3,660,610	15,637,277
3,359,283	-	-	-	3,359,283
-	-	-	-	14,905,934
-	-	-	-	14,386,091
-	-	-	104,687	2,750,318
-	-	477,002	2,967,594	3,444,596
-	-	91,459	1,517,216	1,608,675
-	2,859,216	3,085,931	2,344,068	10,556,472
<u>3,711,473</u>	<u>2,860,169</u>	<u>3,654,392</u>	<u>10,594,175</u>	<u>66,648,646</u>
<u>(19,743)</u>	<u>(2,852,558)</u>	<u>(3,654,392)</u>	<u>(1,823,599)</u>	<u>(8,946,930)</u>
-	1,723,558	-	9,790,020	16,969,967
-	-	-	(2,871,431)	(10,521,252)
-	1,723,558	-	6,918,589	6,448,715
(19,743)	(1,129,000)	(3,654,392)	5,094,990	(2,498,215)
<u>181,002</u>	<u>957,079</u>	<u>5,414,301</u>	<u>8,848,043</u>	<u>35,886,923</u>
-	-	-	-	(243,162)
-	-	-	(112,562)	4,424,379
-	-	-	(112,562)	4,181,217
<u>181,002</u>	<u>957,079</u>	<u>5,414,301</u>	<u>8,735,481</u>	<u>40,068,140</u>
<u>\$ 161,259</u>	<u>\$ (171,921)</u>	<u>\$ 1,759,909</u>	<u>\$ 13,830,471</u>	<u>\$ 37,569,925</u>

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**CITY OF TERRELL, TEXAS**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Net change in fund balances - total governmental funds: \$ (2,498,215)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	10,656,835
Depreciation expense	(2,833,051)
Capital disposals	1

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Unavailable revenues - taxes	125,890
Unavailable revenues - grants	(374,304)
Unavailable revenues - special assessments	117,617
Unavailable revenues - municipal court	(60,071)

The issuance of long-term debt (e.g., bonds leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect of net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal on long-term debt	4,399,082
Amortization of premium on long-term debt	138,849

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Accrued interest payable	7,432
Compensated absences	(668,673)
Pension expense	(148,714)
OPEB expense	24,913

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment maintenance and self-insurance, to individual funds. The net revenue (expense) of certain Internal Service Funds is reported with governmental activities.

457,687

Change in net position of governmental activities \$ 9,345,278

**CITY OF TERRELL, TEXAS**

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts	
	Original	Final
<b>REVENUES</b>		
Ad valorem taxes	\$ 11,256,855	\$ 11,256,855
Sales and use taxes	16,432,361	15,325,670
Franchise fees	2,597,129	2,282,585
Fees and fines	728,808	407,500
Licenses and permits	673,206	1,088,702
Intergovernmental	586,714	325,275
Charges for services	937,264	1,177,463
Investment earnings	455,001	455,001
Miscellaneous	180,610	218,055
Total revenues	<u>33,847,948</u>	<u>32,537,106</u>
<b>EXPENDITURES</b>		
Current:		
General government	9,139,326	9,308,238
Public safety	16,044,151	15,424,775
Highways and street	7,097,105	6,809,972
Culture and recreation	2,911,330	2,729,122
Capital outlay	272,533	259,750
Total expenditures	<u>35,464,445</u>	<u>34,531,857</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,616,497)</u>	<u>(1,994,751)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Sale of capital assets	10	-
Transfers in	5,088,320	4,357,856
Transfers out	(4,123,843)	(3,952,631)
Total other financing sources and uses	<u>964,487</u>	<u>405,225</u>
<b>NET CHANGE IN FUND BALANCES</b>	(652,010)	(1,589,526)
<b>FUND BALANCES, BEGINNING AS PREVIOUSLY REPORTED</b>	<u>6,015,247</u>	<u>6,015,247</u>
<b>ADJUSTMENTS</b>		
Error corrections	-	-
Change to or within the financial reporting entity	-	-
Total adjustments	<u>-</u>	<u>-</u>
<b>FUND BALANCES, BEGINNING AS RESTATED</b>	<u>6,015,247</u>	<u>6,015,247</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 5,363,237</u>	<u>\$ 4,425,721</u>

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

Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
\$ 12,204,654	\$ 947,799
15,808,961	483,291
2,333,931	51,346
394,123	(13,377)
1,049,808	(38,894)
2,020,458	1,695,183
1,246,558	69,095
281,758	(173,243)
268,849	50,794
<u>35,609,100</u>	<u>3,071,994</u>
8,685,386	622,852
14,905,934	518,841
6,924,283	(114,311)
2,645,631	83,491
245,110	14,640
<u>33,406,344</u>	<u>1,125,513</u>
<u>2,202,756</u>	<u>4,197,507</u>
-	-
3,964,972	(392,884)
<u>(3,471,514)</u>	<u>481,117</u>
493,458	88,233
2,696,214	4,285,740
<u>6,015,247</u>	<u>-</u>
597,234	-
<u>4,536,941</u>	<u>4,536,941</u>
<u>5,134,175</u>	<u>5,134,175</u>
<u>11,149,422</u>	<u>5,134,175</u>
\$ <u>13,845,636</u>	\$ <u>9,419,915</u>

# CITY OF TERRELL, TEXAS

## STATEMENT OF NET POSITION PROPRIETARY FUNDS

SEPTEMBER 30, 2024

	Business-type Activities			Governmental Activities
	Water and Sanitary Sewer	Airport	Total	Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 11,388,580	\$ 1,014,364	\$ 12,402,944	\$ 3,435
Cash and investments - restricted	42,447,395	-	42,447,395	-
Accounts receivable, net	3,232,588	1,027,084	4,259,672	-
Due from other funds	1,964,469	811,760	2,776,229	2,381,646
Due from other governments	-	16,831	16,831	-
Inventories	592,887	-	592,887	-
Total current assets	<u>59,625,919</u>	<u>2,870,039</u>	<u>62,495,958</u>	<u>2,385,081</u>
Non-current assets:				
Capital assets:				
Land	3,438,568	347,748	3,786,316	-
Construction in progress	43,372,256	245,987	43,618,243	-
Buildings and improvements	5,989,923	24,251,113	30,241,036	-
Machinery and equipment	55,157,504	765,480	55,922,984	5,978,694
Right to use - vehicles and equipment	-	-	-	2,446,525
Less accumulated depreciation	<u>(32,986,342)</u>	<u>(10,360,630)</u>	<u>(43,346,972)</u>	<u>(5,790,882)</u>
Total capital assets	<u>74,971,909</u>	<u>15,249,698</u>	<u>90,221,607</u>	<u>2,634,337</u>
Total non-current assets	<u>74,971,909</u>	<u>15,249,698</u>	<u>90,221,607</u>	<u>2,634,337</u>
Total assets	<u>134,597,828</u>	<u>18,119,737</u>	<u>152,717,565</u>	<u>5,019,418</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pensions	935,269	-	935,269	51,811
Deferred outflows - TMRS SDBF	20,916	-	20,916	1,159
Deferred outflows - retiree health	<u>151,826</u>	<u>-</u>	<u>151,826</u>	<u>8,411</u>
Total deferred outflows of resources	<u>1,108,011</u>	<u>-</u>	<u>1,108,011</u>	<u>61,381</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts Payable	3,171,352	62,665	3,234,017	-
Accrued interest payable	299,241	676	299,917	-
Due to other funds	14,404,164	50,989	14,455,153	1,214,690
Due to other governments	32,122	-	32,122	-
Unearned revenue	83,601	-	83,601	-
Other accrued expenses	165,110	-	165,110	223,088
Compensated absences	28,995	-	28,995	2,474
Leases payable	-	-	-	282,467
Notes payable	-	-	-	41,378
Bonds payable	1,940,000	-	1,940,000	-
Total OPEB liability - TMRS SDBF	9,335	-	9,335	517
Total OPEB liability - retiree health	<u>40,375</u>	<u>-</u>	<u>40,375</u>	<u>2,237</u>
Total current liabilities	<u>20,174,295</u>	<u>114,330</u>	<u>20,288,625</u>	<u>1,766,851</u>
Non-current liabilities:				
Compensated absences	115,980	-	115,980	9,895
Customer deposits	574,091	-	574,091	-
Leases payable	-	-	-	377,310
Bonds payable	69,895,000	-	69,895,000	-
Net pension liability	1,794,635	-	1,794,635	99,419
Total OPEB liability - TMRS SDBF	79,988	-	79,988	4,431
Total OPEB liability - retiree health	<u>543,424</u>	<u>-</u>	<u>543,424</u>	<u>30,104</u>
Total non-current liabilities	<u>73,003,118</u>	<u>-</u>	<u>73,003,118</u>	<u>521,159</u>
Total liabilities	<u>93,177,413</u>	<u>114,330</u>	<u>93,291,743</u>	<u>2,288,010</u>

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

**CITY OF TERRELL, TEXAS**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
(Continued)

SEPTEMBER 30, 2024

	Business-type Activities			Governmental Activities
	Water and Sanitary Sewer	Airport	Total	Internal Service Funds
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows - leases	\$ -	\$ 982,325	\$ 982,325	\$ -
Deferred inflows - TMRS pension	42,085	-	42,085	2,331
Deferred inflows - TMRS SDBF	33,943	-	33,943	1,880
Deferred inflows - retiree health	<u>239,152</u>	<u>-</u>	<u>239,152</u>	<u>13,248</u>
Total deferred inflows of resources	<u>315,180</u>	<u>982,325</u>	<u>1,297,505</u>	<u>17,459</u>
<b>NET POSITION</b>				
Net investment in capital assets	45,331,703	15,249,698	60,581,401	1,933,182
Restricted for debt service	252,601	-	252,601	-
Unrestricted	<u>(3,371,058)</u>	<u>1,773,384</u>	<u>(1,597,674)</u>	<u>842,148</u>
Total net position	<u>\$ 42,213,246</u>	<u>\$ 17,023,082</u>	<u>\$ 59,236,328</u>	<u>\$ 2,775,330</u>

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**CITY OF TERRELL, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-type Activities			Governmental Activities
	Water and Sanitary Sewer	Airport	Total	Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ 21,071,054	\$ -	\$ 21,071,054	\$ -
Rental income	-	533,203	533,203	-
Internal service revenues	-	-	-	1,865,612
Miscellaneous	-	420	420	163,221
Total operating revenues	<u>21,071,054</u>	<u>533,623</u>	<u>21,604,677</u>	<u>2,028,833</u>
<b>OPERATING EXPENSES</b>				
Cost of sales and services	15,571,406	511,927	16,083,333	236,625
Administration	2,464,507	-	2,464,507	-
Repairs and maintenance	-	-	-	46,759
Other supplies and expenses	-	-	-	1,442,781
Depreciation	1,080,407	488,943	1,569,350	618,739
Total operating expenses	<u>19,116,320</u>	<u>1,000,870</u>	<u>20,117,190</u>	<u>2,344,904</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,954,734</u>	<u>(467,247)</u>	<u>1,487,487</u>	<u>(316,071)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Investment earnings	1,174,985	30,720	1,205,705	-
Capital grants	3,880,057	713,545	4,593,602	-
Capital contribution	-	-	-	723,122
Interest and fiscal charges	(2,624,996)	-	(2,624,996)	(53,621)
Gain (loss) on disposal of assets	-	-	-	63,088
Transfers in	2,666,249	-	2,666,249	75,000
Transfers out	<u>(9,004,601)</u>	<u>(151,532)</u>	<u>(9,156,133)</u>	<u>(33,831)</u>
Total non-operating revenues (expenses)	<u>(3,908,306)</u>	<u>592,733</u>	<u>(3,315,573)</u>	<u>773,758</u>
<b>CHANGE IN NET POSITION</b>	<u>(1,953,572)</u>	<u>125,486</u>	<u>(1,828,086)</u>	<u>457,687</u>
<b>NET POSITION, BEGINNING, AS PREVIOUSLY REPORTED</b>	<u>44,166,818</u>	<u>16,897,596</u>	<u>61,064,414</u>	<u>6,742,022</u>
Adjustment - Change within the financial reporting entity	-	-	-	(4,424,379)
<b>NET POSITION, BEGINNING, AS ADJUSTED</b>	<u>44,166,818</u>	<u>16,897,596</u>	<u>61,064,414</u>	<u>2,317,643</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ 42,213,246</u>	<u>\$ 17,023,082</u>	<u>\$ 59,236,328</u>	<u>\$ 2,775,330</u>

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

**CITY OF TERRELL, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-type Activities	
	Water and Sanitary Sewer	Airport
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 21,729,217	\$ 516,726
Cash paid to suppliers for goods and services	(1,602,389)	(710,448)
Cash paid to employees for services	(3,533,207)	-
Net cash provided (used) by operating activities	<u>16,593,621</u>	<u>(193,722)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash received from other funds	2,666,249	-
Cash paid to other funds	(9,004,601)	(151,532)
Net cash provided (used) by noncapital financing activities	<u>(6,338,352)</u>	<u>(151,532)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(8,805,011)	-
Proceeds from sale of capital assets	-	-
Principal paid on long-term debt	(1,545,000)	-
Capital grants	3,663,658	41
Interest and fiscal charges paid on debt	(2,709,174)	-
Net cash provided (used) by capital and related financing activities	<u>(9,395,527)</u>	<u>41</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment earnings	<u>1,174,985</u>	<u>30,720</u>
Net cash provided by investing activities	<u>1,174,985</u>	<u>30,720</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,034,727	(314,493)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>51,801,248</u>	<u>1,328,857</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 53,835,975</u>	<u>\$ 1,014,364</u>

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

Business-type Activities	Governmental Activities
Total	Internal Service Funds
\$ 22,245,943	\$ 2,028,833
(2,312,837)	(1,489,540)
<u>(3,533,207)</u>	<u>(72,571)</u>
<u>16,399,899</u>	<u>466,722</u>
2,666,249	1,287,710
<u>(9,156,133)</u>	<u>(2,415,477)</u>
<u>(6,489,884)</u>	<u>(1,127,767)</u>
(8,805,011)	(699,945)
-	63,088
(1,545,000)	(121,355)
3,663,699	-
<u>(2,709,174)</u>	<u>(53,621)</u>
<u>(9,395,486)</u>	<u>(811,833)</u>
<u>1,205,705</u>	<u>723,122</u>
<u>1,205,705</u>	<u>723,122</u>
1,720,234	(749,756)
<u>53,130,105</u>	<u>753,191</u>
<u>\$ 54,850,339</u>	<u>\$ 3,435</u>

**CITY OF TERRELL, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Business-type Activities	
	Water and Sanitary Sewer	Airport
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 1,954,734	\$ (467,247)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,080,407	488,943
Changes in assets and liabilities:		
Decrease (increase) in assets and deferred outflows:		
Customer receivable	585,261	285,786
Other receivable	211,029	-
Inventories	(336,291)	-
Due from other funds	1,779,336	(215,060)
Deferred outflows of resources	181,092	-
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	(1,471,986)	(33,462)
Accrued liabilities	51,125	-
Compensated absences	7,643	-
Due to other funds	12,480,897	50,001
Due to other governments	(8,708)	-
Deferred inflows of resources	167,785	(302,683)
Net pension liability	(120,990)	-
Total OPEB liability - TMRS SDBF	12,312	-
Total OPEB liability - retiree health	(52,927)	-
Customer deposits	72,902	-
Net cash provided by operating activities	\$ 16,593,621	\$ (193,722)

Business-type Activities	Governmental Activities Internal Service Funds
<u>Total</u>	
\$ 1,487,487	\$ (316,071)
1,569,350	618,739
871,047	-
211,029	-
(336,291)	-
1,564,276	-
181,092	28,043
(1,505,448)	-
51,125	177,985
7,643	(3,521)
12,530,898	-
(8,708)	-
(134,898)	7,234
(120,990)	(33,465)
12,312	(394)
(52,927)	(11,828)
<u>72,902</u>	<u>-</u>
\$ 16,399,899	\$ 466,722

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## **CITY OF TERRELL, TEXAS**

### **NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2024

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Terrell (the "City") was incorporated on September 6, 1875, under an act of the 14<sup>th</sup> Legislature of the State of Texas. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire); highways and streets; sanitation; culture-recreation; public improvements; planning and zoning; and general administrative services.

The accounting policies of the City of Terrell conform to generally accepted accounting principles as applicable to local governments. The following is a summary of the more significant accounting policies.

##### **A. Reporting Entity**

As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. Based on these considerations, the Terrell Economic Development Corporation has been included in the City's reporting entity as blended component unit; although legally separate entity is in substance a part of the City's operations.

The Terrell Economic Development Corporation ("TEDC") was incorporated in 1990 under the provisions of the Development Corporation Act of 1979, as amended. TEDC operates under a five-member Board of Directors appointed by the City Council. The purpose of TEDC is to promote and develop commercial, industrial, and manufacturing enterprises to create and enhance local job opportunities. The City Council maintains organizational control over TEDC in addition to significant managerial control over the assets and operations. TEDC has been incorporated into these financial statements as a major governmental fund. Essential disclosures are included in separately issued financial statements of the TEDC. These statements may be obtained at the City's administrative office.

##### **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 of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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 City 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.

Property 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City'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 **Rent Supplement Section 8 Fund** is a Special Revenue Fund used to account for federal funds received under contract from the Department of Housing and Urban Development for housing rental assistance.

The **Terrell Public Private Partnership Fund (PPPF)** is issued to account for the accumulation and expenditures of funds within the Tax Increment Zone.

The **Terrell Economic Development Fund** is a component unit of the City and accounts for 3/8 cent sales tax revenues used to promote and develop commercial, industrial and manufacturing enterprises to create and enhance job opportunities.

The **Permanent Street Improvement Fund** is used to account for funds for various street and sidewalk projects.

The **C of O Series 2021A** is used to account for funds received from the issuance of the Certificates of Obligation 2021A and the Certificates of Obligation Taxable Series 2021A.

The City reports the following major proprietary funds:

The **Water and Sanitary Sewer Fund** is used to account for sale of water and wastewater treatment by the City to businesses and residential customers and to surrounding communities.

The **Airport Fund** is used to account for operations of the Terrell Municipal Airport.

Additionally, the City reports the following fund types:

**Internal Service Funds** are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City reports the following Internal Service Funds.

**Equipment Replacement Fund** – to track fleet maintenance, repair and replacement.



As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the City's water utilities function and various other functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 City's Enterprise Funds and of the Internal Service Funds are charges to customers for sales and services. The City 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 Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position/Fund Balance**

**Equity in Pooled Cash and Investments**

The City reclassifies certain of its cash and investments into equity in pooled cash and investments. Each fund participates on a daily transaction basis and income for all assets included in pooled cash and investments is allocated to individual funds based on their respective balance in equity in pooled cash and investments.

Additionally, deposits and investments continue to be held separately by several of the City's funds. Income on these assets is recorded in the respective fund holding the deposits and investments.

All assets in equity in pooled cash and investments and demand deposits on hand have been considered as cash equivalents for purposes of the statement of cash flows.

Investments for the Entity are reported at fair value, except for the position in investment pools, which are reported at net asset value.

**Investments**

State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, and repurchase agreements. Investments are stated at fair value.

**Investment in Land and Building**

The Terrell Economic Development Corporation invests in land and buildings to sell to prospective businesses to enhance economic development. Investment in land and invested in building is stated at cost.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." 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, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible. The City provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account as determined by experience.

Property taxes are levied October 1 on the assessed value of property at January 1 and are due by January 31 of the following year. The total assessed value of property was \$2,077,704,386 and the tax rates were \$.6042 per \$100 valuation for maintenance and operations and \$.1600 per \$100 valuation for debt service. Unpaid taxes attach as an enforceable lien on property as of January 31. Revenue from taxes assessed is recorded as deferred inflows of resources on October 1. The deferred inflows of resources from taxes is then recognized as revenue during the year as the taxes are actually received.

### **Inventories and Prepaid Items**

Inventories of materials and supplies are accounted for using the consumption method. Under the consumption method, inventories are recorded as expenditures when they are used with significant amounts on hand reported on the balance sheet at average cost. In governmental funds, reported inventories do not represent available spendable resources and are, therefore, equally offset by a nonspendable fund balance designation.

### **Restricted Assets**

Certain proceeds of the City's Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The Water and Sanitary Sewer Fund Debt Service Fund account is used to segregate resources accumulated for debt service payments over the life of the bonds.

### **Capital Assets**

Capital assets are tangible and intangible, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, right to use assets, 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 government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Property, plant and equipment of the primary government, as well as the component units, is depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	45
Building improvements	10 - 20
Improvements other than buildings	20 - 45
Public domain infrastructure	20 - 40
Vehicles	12
Heavy equipment	10 - 15
Office equipment	7
Computer equipment	5 - 7
Right to use - vehicles	5
Right to use - software	5

### **Construction in Progress**

Expenditures on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset account as the projects are completed.

### **Compensated Absences**

The City's vacation pay policy provides that vacation pay accrues at various rates based on length of service up to the maximum of 21 days per year. Generally, sick leave is not paid upon termination except for firemen and policemen. Firemen and policemen accumulate unused sick leave up to a maximum of 90 days. All other employees are paid only upon illness while in the employ of the City.

## Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## Leases

**Lessee.** The City is a lessee for a noncancellable lease of equipment. The City recognizes lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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. 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.

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

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

### **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 Post-Employment Benefits**

**TMRS Supplemental Death Benefits Fund.** The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which is an optional single-employer defined benefit life insurance plan that is administered by TMRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating municipality as a percentage of that City's covered payroll. The death benefit for retirees is considered an other postemployment benefit (OPEB). The OPEB program is an unfunded trust because the SDBF trust covers both actives and retirees and is not segregated. The Total OPEB Liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

**Retiree Health Plan.** The City provides post-employment medical care (Medical OPEB) for retired employees through a self-insured PPO plan. The plan provides medical benefits for eligible retirees, their spouses, and their dependent. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the City not contributing anything toward the plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. As an irrevocable trust has not been established, the plan is not accounted for as a trust fund. For this purpose, plan contributions are recognized in the period that the direct and indirect subsidies are paid by the City. Total OPEB liability, OPEB-related deferred outflows and inflows of resources, and OPEB expense is based on the actuarial measurement dates.

### **Deferred Outflows/Inflows of Resources**

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

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in expected and actual pension experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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

- 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.
- 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.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

## **Fund Balance**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

## **Net Position**

Net Position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net assets investment in capital assets consists of the City's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets. Net Position reported as restricted are those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations.

## **Net Position Flow Assumption**

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

## **Fund Balance Flow Assumption**

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

## **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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **Change in Accounting Principle**

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, was adopted effective October 1, 2023. 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.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Manager 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.
2. Prior to October 1, the budget is legally enacted through passage of an ordinance.
3. The City Council approves, by ordinance, budget appropriations on a departmental basis. The City Manager is authorized to transfer budget amounts within any department; however, any revisions that alter the total departmental appropriation must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations for each department.
4. A formal budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.
5. Several budget amendments were made during the year.
6. Appropriations lapse at year-end.

### **B. Deficit Fund Balance/Net Position**

The Terrell PPPF Fund had a deficit equity balance of \$374,936, Permanent Street Improvement Fund had a deficit equity balance of \$171,921, TCDP Grant fund had a deficit equity balance of \$169,214, CO 2021 Bond Fund had a deficit equity balance of \$572,030, and Information Technology Fund had a deficit equity balance of \$90,353 for September 30, 2024. The deficit equity balances will be covered by future transfers from the General Fund.

### 3. DETAILED NOTES ON ALL FUNDS

#### Deposits and Investments

*Custodial Credit Risk.* 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 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 fair value of not less than the principal amount of deposits. As of September 30, 2024, the City's deposit balance was collateralized with securities held by the pledging financial institution or by FDIC insurance.

The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the Council's investment policies. All significant legal and contractual provisions for investments were complied with during the year.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of September 30, 2024, the City held the following fair value measurements:

	9/30/2024	Valuation Method	Percent of Total Portfolio	Weighted Average Maturity (Days)
<b>Primary government</b>				
<b>Cash and cash equivalents</b>				
Demand Deposits	\$ 51,860,397	Cost		
TexPool	4,834,759	NAV	14.94%	24
Texas Range	24,529,515	NAV	75.78%	39
TexSTAR	3,003,993	NAV	9.28%	29
<b>Total cash and cash equivalents</b>	<b>84,228,664</b>			
<b>Total cash and investments</b>				
<b>of the reporting entity</b>	<b>\$ 84,228,664</b>			

#### Receivables

Receivables as of year-end for the City's individual major funds and nonmajor and Internal Service Funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Rent Supplement Section 8	Terrell EDC	Terrell PPPF	Permanent Street Improvement	Other Governmental and Other	Total Governmental Funds
Receivables:							
Taxes	\$ 3,840,825	\$ -	\$ 617,396	\$ -	\$ -	\$ 292,568	\$ 4,750,789
Due from other governments	4,354	-	-	11,583,664	121,148	-	11,709,166
Special assessment	-	-	-	-	2,487,094	-	2,487,094
Fines and fees	196,742	1,538	-	-	-	175,368	373,648
Miscellaneous	15,768	-	19,921	-	-	-	35,689
Gross receivables	4,057,689	1,538	637,317	11,583,664	2,608,242	467,936	19,356,386
Less: allowance for uncollectibles	(282,427)	-	-	-	(560,633)	(68,634)	(911,694)
Net total receivables	<u>\$ 3,775,262</u>	<u>\$ 1,538</u>	<u>\$ 637,317</u>	<u>\$ 11,583,664</u>	<u>\$ 2,047,609</u>	<u>\$ 399,302</u>	<u>\$ 18,444,692</u>



	Water Utilities	Airport	Enterprise Funds
Receivables:			
Due from other governments	\$ -	\$ 16,831	\$ 16,831
Lease receivable	-	1,027,084	1,027,084
Customer accounts	<u>4,254,972</u>	<u>-</u>	<u>4,254,972</u>
Gross receivables	4,254,972	1,043,915	5,298,887
Less: allowance for uncollectibles	<u>(1,022,384)</u>	<u>-</u>	<u>(1,022,384)</u>
Net total receivables	<u>\$ 3,232,588</u>	<u>\$ 1,043,915</u>	<u>\$ 4,276,503</u>

**Leases Receivable.** The City has entered into multiple lease agreements as lessor for hangar space at the City-owned airport. During fiscal year 2024, there were six active agreements with annual payments ranging from \$1,500 to \$150,000. The agreements cover terms ending from 2026 to 2045 with imputed interest rates of 3.5%. For the year ended September 30, 2024, the City recognized lease revenue of \$330,753 from these agreements.

### **Capital Assets**

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

#### **Primary Government**

	Beginning Balance	Additions & Reclass	Deletions & Reclass	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 11,707,380	\$ 551,912	\$ 2,546,611	\$ 14,805,903
Construction in progress	<u>11,428,869</u>	<u>9,219,306</u>	<u>(18,155,489)</u>	<u>2,492,686</u>
Total assets not being depreciated	<u>23,136,249</u>	<u>9,771,218</u>	<u>(15,608,878)</u>	<u>17,298,589</u>
Capital assets, being depreciated:				
Buildings	19,307,023	-	-	19,307,023
Improvements, other than buildings	11,990,745	554,330	14,331,084	26,876,159
Machinery and equipment	12,036,915	1,056,974	(343)	13,093,546
Infrastructure	44,287,419	-	1,277,794	45,565,213
Right to use - vehicles and equipment	2,471,923	-	(25,398)	2,446,525
Right to use - subscription lease	<u>1,687,450</u>	<u>-</u>	<u>-</u>	<u>1,687,450</u>
Total capital assets being depreciated	<u>91,781,475</u>	<u>1,611,304</u>	<u>15,583,137</u>	<u>108,975,916</u>
Less accumulated depreciation:				
Buildings	(5,187,652)	(110,183)	-	(5,297,835)
Improvements, other than buildings	(2,100,975)	(1,352,328)	-	(3,453,303)
Machinery and equipment	(8,725,482)	(978,885)	-	(9,704,367)
Infrastructure	(31,115,250)	(106,432)	25,398	(31,196,284)
Right to use - vehicles and equipment	(1,474,510)	(366,877)	-	(1,841,387)
Right to use - subscription lease	<u>-</u>	<u>(562,483)</u>	<u>-</u>	<u>(562,483)</u>
Total accumulated depreciation	<u>(48,603,869)</u>	<u>(3,477,188)</u>	<u>25,398</u>	<u>(52,055,659)</u>
Total capital assets being depreciated, net	<u>43,177,606</u>	<u>(1,865,884)</u>	<u>15,608,535</u>	<u>56,920,257</u>
Governmental activities capital assets, net	<u>\$ 66,313,855</u>	<u>\$ 7,905,334</u>	<u>\$ (343)</u>	<u>\$ 74,218,846</u>

	Beginning Balance	Additions & Reclass	Deletions & Reclass	Ending Balance
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,728,954	\$ 1,057,362	\$ -	\$ 3,786,316
Construction in progress	<u>35,678,519</u>	<u>7,939,724</u>	<u>-</u>	<u>43,618,243</u>
Total assets not being depreciated	<u>38,407,473</u>	<u>8,997,086</u>	<u>-</u>	<u>47,404,559</u>
Capital assets, being depreciated:				
Buildings and improvements	30,241,036	-	-	30,241,036
Machinery and equipment	<u>55,922,984</u>	<u>-</u>	<u>-</u>	<u>55,922,984</u>
Total capital assets being depreciated	<u>86,164,020</u>	<u>-</u>	<u>-</u>	<u>86,164,020</u>
Less accumulated depreciation:				
Buildings and improvements	(13,812,545)	(454,064)	-	(14,266,609)
Machinery and equipment	<u>(27,965,077)</u>	<u>(1,115,286)</u>	<u>-</u>	<u>(29,080,363)</u>
Total accumulated depreciation	<u>(41,777,622)</u>	<u>(1,569,350)</u>	<u>-</u>	<u>(43,346,972)</u>
Total capital assets being depreciated, net	<u>44,386,398</u>	<u>(1,569,350)</u>	<u>-</u>	<u>42,817,048</u>
Business-type activities capital assets, net	<u>\$ 82,793,871</u>	<u>\$ 7,427,736</u>	<u>\$ -</u>	<u>\$ 90,221,607</u>

Depreciation was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 609,816
Public safety	660,000
Highways and streets	1,198,740
Culture and recreation	389,133
Capital assets held by the City's internal service funds are charged to the various functions based on their usage	<u>619,499</u>
Total depreciation expense - governmental activities	<u>3,477,188</u>
Business-type activities:	
Water and sanitary sewer	1,080,407
Airport	<u>488,943</u>
Total depreciation expense - business-type activities	<u>\$ 1,569,350</u>

**Interfund Receivables and Payables and Transfers**

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

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Economic development corporation	\$ 355,438
	Airport	50,989
	C of O Series 2021A	103,234
	Internal service funds	1,214,690
	Nonmajor governmental	4,470,197
	Permanent street improvement	1,035,083
	Terrell PPPF	5,069,046
	Water and sanitary sewer	9,400,149
C of O Series 2021A	General fund	1,000,000
	Permanent street improvement	700,000
	Water and sanitary sewer	375,000
Internal service funds	General fund	2,381,646
Permanent street improvement	General fund	1,851,064
	Economic development corporation	54,142
Nonmajor governmental	Terrell PPPF	1,000,000
	Permanent street improvement	166,517
	Nonmajor governmental	645,412
	Water and sanitary sewer	4,078,672
Terrell PPPF	General fund	3,465,278
Water and sanitary sewer	General fund	2,321
	Nonmajor governmental	1,226,823
	Permanent street improvement	510,325
	Terrell PPPF	225,000
Airport fund	General fund	215,060
	Nonmajor governmental	46,357
	Water and sanitary sewer	550,343
		<u>\$ 40,192,786</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

**Interfund transfers:**

<u>Transfers out</u>	<u>Transfers in</u>	<u>Amount</u>
General fund	Terrell PPPF	\$ 991,417
	Permanent street improvement	1,273,558
	Nonmajor governmental	1,206,539
Terrell PPPF	General Fund	1,877,410
	Nonmajor governmental	2,300,897
Nonmajor governmental	General fund	214,582
	Water and sewer fund	2,656,849
Internal service funds	Nonmajor governmental	33,831
Airport fund	General fund	82,132
	Nonmajor governmental	60,000
	Water and sewer fund	9,400
Water and sewer fund	General fund	1,790,848
	Terrell PPPF	500,000
	Permanent street improvement	450,000
	Internal service funds	75,000
	Nonmajor governmental	6,188,753
		<u>\$ 19,711,216</u>

Transfers are used to move revenues from the fund required by statute or budget to collect them to the fund expending them.

### **Unearned Revenue**

Unearned Revenue is recognized for cash resources received before the related eligibility requirements have been met. As of September 30, 2024, unearned revenue predominantly consists of an agreement with High Point Ranch for \$3,000,000 for the N Spur Development Project.

### **Long-term Debt**

#### **Bonded Debt**

Bonded debt of the City as of September 30, 2024, is comprised of the following individual issues:

	Interest Rates	Maturity Date	Amount of Original Issue	Amount Outstanding
Certificates of Obligation:				
Tax Supported:				
Series 2014	2.00-5.00%	2/15/2032	\$ 12,175,000	\$ 9,650,000
Series 2021	3.3600%	02/15/2031	6,575,000	2,165,000
Series 2021A	2.00-4.00%	2/15/2051	9,510,000	9,285,000
Series 2021A	.32-3.10%	2/15/2051	11,180,000	10,635,000
				<u>31,735,000</u>
Revenue Supported:				
Series 2011A	1.25-6.75%	2/15/2041	4,660,000	3,575,000
Series 2019A	.010-1.430%	9/30/2049	5,215,000	4,150,000
Series 2019B	1.160-2.440%	9/30/2049	1,700,000	1,485,000
Series 2020A	0.00%	8/15/2040	6,000,000	4,800,000
Series 2021	3.3600%	8/15/2031	6,575,000	2,535,000
Series 2021B	.05-1.06%	2/15/2051	10,045,000	8,695,000
Series 2021C	.15-1.06%	2/15/2051	1,535,000	1,385,000
Series 2022A	1.630-2890%	8/15/2052	3,290,000	3,260,000
Series 2022B	3.80-4.620%	8/15/2052	4,150,000	4,150,000
Series 2023A	3.00-5.00%	8/15/2053	3,215,000	3,150,000
Series 2023B	4.350-5.380%	8/15/2053	7,805,000	7,650,000
Series 2023C	4.00-5.00%	8/15/2053	27,250,000	27,000,000
				<u>71,835,000</u>
General Obligation Bonds:				
Series 2012	1.89%	02/15/2024	5,880,000	-
Series 2021	3.00-5.00%	02/15/2046	9,215,000	8,065,000
				<u>8,065,000</u>
				<u>\$ 47,450,000</u>

Revenue-supported certificates of obligation are marked as direct borrowings; however, the terms of these obligations do not differ significantly from the City's other outstanding debt and do not contain substantive acceleration clauses. In the event of default, any registered holder of the obligations would be entitled to seek a writ of mandamus from a court of proper jurisdiction ordering payment.

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

#### **Notes Payable**

As of September 30, 2024, the City's notes payable consisted of the following:

On October 1, 2018, the City entered into a \$936,000 note payable with a financial institution for the purchase of a 2018 Spartan 10 RMT ladder truck. Annual payments begin on October 15, 2019, with the last payment due on October 15, 2024. Interest is paid annually at 3.09%. As of September 30, 2024, the balance on the note was \$11,751.

On December 1, 2019, the City entered into a \$2,255,000 note payable with a financial institution for the acquisition of equipment and vehicles for the street and waterworks and sewer system departments and the construction and improvement of park facilities. Annual payments begin on August 15, 2020, with the last payment due on August 15, 2026. Interest is paid annually at 1.975%. As of September 30, 2024, the balance on the note was \$515,000.

During fiscal year 2024, the City entered into a \$194,818 note payable with a financial institution for the acquisition of a dump truck for use in the streets department. Annual payments begin in 2023 and the note matures in 2025. Interest is paid annually at 2.8%. As of September 30, 2024, the balance on the note was \$41,378.

During fiscal year 2024, the City entered into a \$1,150,000 note payable with an individual for the acquisition of land. Annual payments begin in 2023 and the note matures in 2034. Interest is paid annually at 4.5%. As of September 30, 2024, the balance on the note was \$1,125,275.

During fiscal year 2024, the City entered into a \$760,053 note payable with an individual for the acquisition of land. Annual payments begin in 2023 and the note matures in 2034. Interest is paid annually at 4.5%. As of September 30, 2024, the balance on the note was \$350,472.

During fiscal year 2024, the City entered into a \$636,558 note payable with an individual for the acquisition of land. Annual payments begin in 2023 and the note matures in 2034. Interest is paid annually at 4.5%. As of September 30, 2024, the balance on the note was \$293,527.

All notes payable are classified as direct borrowings and are secured by the purchased assets.

Year Ending September 30,	Governmental Activities				
	Certificates of Obligation Tax Supported		General Obligation Bonds		Total Requirements
	Principal	Interest	Principal	Interest	
2025	\$ 1,395,000	\$ 1,037,219	\$ 480,000	\$ 321,350	\$ 3,233,569
2026	1,425,000	1,004,767	510,000	296,600	3,236,367
2027	1,745,000	960,240	465,000	272,225	3,442,465
2028	1,800,000	909,950	380,000	253,000	3,342,950
2029	1,930,000	856,325	135,000	242,700	3,164,025
2030-2034	9,170,000	3,245,681	1,260,000	1,096,800	14,772,481
2035-2039	3,390,000	2,165,536	1,910,000	770,700	8,236,236
2040-2044	3,980,000	1,575,802	2,045,000	379,300	7,980,102
2045-2049	4,755,000	811,357	880,000	35,600	6,481,957
2050-2054	2,145,000	76,476	-	-	2,221,476
Total	<u>\$ 31,735,000</u>	<u>\$ 12,643,353</u>	<u>\$ 8,065,000</u>	<u>\$ 3,668,275</u>	<u>\$ 56,111,628</u>

Year Ending September 30,	Business-type Activities		
	Certificates of Obligation Revenue Supported		Total Requirements
	Principal	Interest	
2025	\$ 1,940,000	\$ 2,616,390	\$ 4,556,390
2026	2,165,000	2,586,094	4,751,094
2027	2,225,000	2,543,895	4,768,895
2028	2,490,000	2,489,257	4,979,257
2029	2,555,000	2,429,788	4,984,788
2030-2034	12,605,000	11,136,591	23,741,591
2035-2039	13,730,000	9,120,039	22,850,039
2040-2044	10,335,000	6,781,737	17,116,737
2045-2049	12,305,000	4,344,038	16,649,038
2050-2054	11,485,000	1,340,753	12,825,753
Total	<u>\$ 71,835,000</u>	<u>\$ 45,388,582</u>	<u>\$ 33,192,760</u>

Future maturities and amounts paid under the notes after September 30, 2024, are as follows:

Year Ending September 30,	Principal	Interest
2026	\$ 754,814	\$ 78,818
2027	446,021	55,217
2028	76,432	47,552
2029	<u>1,063,135</u>	<u>214,470</u>
Total	<u>\$ 2,340,402</u>	<u>\$ 396,057</u>

## Leases Payable

The city has entered into a master lease agreement with Enterprise Fleet Management for the lease of various City fleet vehicles. During fiscal year 2024, the City had 76 vehicles leased under the master agreement. All leased vehicles are for a 60-month period. The leases are paid in monthly installments and range from \$275 to \$1,355. Interest rates range between 3.67% and 7.71%. Future principal and interest lease payments as of September 30, 2024, are as follows for the governmental activities:

Year Ended September 30,	Governmental Activities		Total
	Principal	Interest	Requirements
2025	\$ 282,467	\$ 32,255	\$ 314,722
2026	211,912	18,328	230,240
2027	155,390	7,696	163,086
2028	10,008	79	10,087
Totals	<u>\$ 659,777</u>	<u>\$ 58,358</u>	<u>\$ 718,135</u>

## Subscription Payable

The city has entered into a software subscription agreement with Tyler Technologies for software for the City. During fiscal year 2024, the City had 3 software agreements under separate agreements. All agreements are for a 60-month period. The agreements are paid in monthly installments and range from \$2,290 to \$23,233. Interest rate of 4.20%

Future principal and interest lease payments as of September 30, 2024, are as follows for the governmental activities:

Year Ended September 30,	Governmental Activities		Total
	Principal	Interest	Requirements
2025	\$ 399,805	\$ 31,924	\$ 431,729
2026	420,261	11,468	431,729
Totals	<u>\$ 820,066</u>	<u>\$ 43,392</u>	<u>\$ 863,458</u>

## Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Compensated absences	\$ 3,847,166	\$ 1,482,336	\$ 817,184	\$ 4,512,318	\$ 902,464
Notes payable -					
direct borrowing	3,300,204	-	959,802	2,340,402	754,814
Certificates of obligation	33,050,000	-	1,315,000	31,735,000	1,395,000
Intergovernmental payable	7,763,881	-	568,587	7,195,294	-
General obligation bonds	8,900,000	-	835,000	8,065,000	480,000
Bond issuance premium	3,418,609	-	138,849	3,279,760	-
Leases payable	1,030,979	-	371,202	659,777	282,467
Subscription payable	1,200,412	-	380,346	820,066	399,805
Developer agreement payable	90,500	-	90,500	-	-
Governmental activities					
long-term liabilities	<u>62,601,751</u>	<u>1,482,336</u>	<u>5,476,470</u>	<u>58,607,617</u>	<u>4,214,550</u>
<b>Business-type activities</b>					
Compensated absences	137,332	120,974	113,331	144,975	28,995
Certificates of obligation -					
direct borrowing	<u>73,380,000</u>	<u>-</u>	<u>1,545,000</u>	<u>71,835,000</u>	<u>1,940,000</u>
Business-type activities					
long-term liabilities	<u>\$ 73,517,332</u>	<u>\$ 120,974</u>	<u>\$ 1,658,331</u>	<u>\$ 71,979,975</u>	<u>\$ 1,968,995</u>

### **Intergovernmental Payable**

The City entered into an agreement to partner with Kaufman County, Texas to perform State highway projects. They are the Spur 557 frontage roads and ramps along with improvements to FM 148 North. The County has agreed to assist with funds from their 2014 bond issuance. The County will advance funds not to exceed \$8.5 million for the aforementioned projects. The City will reimburse these funds with grant money from the Texas Department of Transportation contract that will be available upon conclusion of the two projects. Kaufman County has funded the City \$7,195,294 as of September 30, 2024.

### **Contingent Liabilities**

The City is defendant in various lawsuits. Although the outcome of the lawsuits is not presently determinable, in the opinion of the City Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for the year ended September 30, 2024, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

On November 28, 1997, the City was issued an Administrative Order from Region VI of the U. S. Environmental Protection Agency ("EPA") for apparent violations of the County's National Pollution Discharge Elimination System Permit ("NPDES" Permit) for exceeding the allowable amount of silver, which could be discharged from the City's wastewater treatment plant. Failure of the City to comply with the Order could result in substantial penalties being assessed against the City.

### **Insurance Plan**

The City has established an insurance plan for health care benefits that pays 100% of employee claims limited to \$50,000 per employee and \$1,300,000 in aggregate. The City has insured claims in excess of plan limits. Accrued claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid each claimant. The provision for claims incurred but not yet reported is estimated based on the City's experience. Claims liabilities are reevaluated periodically to take into consideration settlement of claims, new claims, and other factors. As of September 30, 2024, the estimated value of these liabilities was \$116,000.

### **Employee Retirement Systems and Pension Plans**

#### **Plan Description**

The City participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency 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 agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmrs.com](http://www.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 benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

Beginning in 2010, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Cost of living adjustments (COLA) for retirees	70% of consumer price index (CPI) repeating

### ***Employees covered by benefit terms***

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

Inactive employees or beneficiaries current receiving benefits	153
Inactive employees entitled to but not yet received benefits	72
Active employees	<u>209</u>
	<u><u>434</u></u>

### ***Contributions***

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City was 16.52% and 17.03% in calendar years 2023 and 2024 respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$2,647,171 and were equal to the required contributions.

### ***Net Pension Liability***

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.



**Actuarial assumptions:**

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75% net of pension plan expense including inflation

Salary increases were 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 2018 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% 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 Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuarial firm 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 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Other Public and Private Markets	12.0%	8.00%
Real Estate	12.0%	7.60%
Hedge Funds	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	100.0%	

**Discount Rate**

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

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 77,683,186	\$ 62,752,361	\$ 14,930,825
Changes for the year:			
Service cost	2,852,270	-	2,852,270
Interest	5,227,977	-	5,227,977
Difference between expected and actual experience	1,092,231	-	1,092,231
Change in assumptions	(378,184)		
Contributions - employer	-	2,647,171	(2,647,171)
Contributions - employee	-	1,112,926	(1,112,926)
Net investment income	-	7,265,566	(7,265,566)
Benefits payments, including refunds of employee contributions	(3,315,633)	(3,315,633)	-
Administrative expense	-	(46,205)	46,205
Other change	-	(323)	323
Net changes	5,478,661	7,663,502	(1,806,657)
Balance at 12/31/2023	\$ 83,161,847	\$ 70,415,863	\$ 12,745,984

### 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%) of 1-percentage-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	\$ 24,443,892	\$ 12,745,984	\$ 3,130,255

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2024, the City recognized pension expense of \$3,365,170. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,613,598	\$ -
Changes in actuarial assumptions	-	298,900
Difference between projected and actual investment earnings	1,672,755	-
Contributions subsequent to the measurement date	2,356,181	-
Totals	\$ 6,642,534	\$ 298,900

\$2,356,181 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the Year Ended September 30,	
2025	\$ 1,361,212
2026	1,339,744
2027	1,777,191
2028	(490,694)

### **Defined Other Post-Employment Benefit (OPEB) Plans**

#### **TMRS Supplemental Death Benefits Fund**

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

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

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

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

Inactive employees or beneficiaries currently receiving benefits	106
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>209</u>
Total	<u><u>334</u></u>

**Contributions.** The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.38% for 2023 and 0.37% for 2024, of which 0.17% for 2023 and 0.17% for 2024 represented the retiree-only portion for both years, 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 contributions to the SDBF for the years ended September 30, 2023 and 2024 were \$50,033 and \$66,298, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

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

Measurement year ended December 31,	2023
Inflation rate	2.50%
Discount rate	3.77%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.60% to 11.85% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68. Salary increases were based on a service-related table.

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 107.5% and female rates multiplied by 107.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 107.5% and female rates multiplied by 107.5% with a 3-year set-forward for both males and females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2023, valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**Discount Rate.** 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. As such, a single discount rate of 4.05% was used to measure the Total OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2023.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.77%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
Total OPEB Liability	\$ 750,643	\$ 634,395	\$ 543,158

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs.** At September 30, 2024, the City reported a liability of \$634,395 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2023. For the year ended September 30, 2024, the City recognized OPEB expense of \$26,101. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

#### **Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at 12/31/2022	\$ 600,242
Changes for the year:	
Service cost	22,259
Interest	24,213
Difference between expected and actual experience	(15,350)
Changes of assumptions	30,059
Benefit payments	(27,028)
Net changes	34,153
Balance at 12/31/2023	\$ 634,395

In the governmental activities, the total OPEB liability is generally liquidated by the General Fund.

At September 30, 2024, the City reported deferred outflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 78	\$ 48,060
Changes in actuarial assumptions	99,338	193,011
Contributions subsequent to the measurement date	49,134	-
Totals	<u>\$ 148,550</u>	<u>\$ 241,071</u>

\$49,134 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in future years as follows:

For the Year Ended September 30,		
2025	\$	(18,453)
2026		(28,837)
2027		(42,137)
2028		(48,866)
2029		(3,768)
Thereafter		406

## **Other Post-Employment Benefit (OPEB) Plans**

### **Retiree Health Insurance Plan**

**Plan Description.** The City sponsors a Retiree Health Insurance Benefits Plan (the "Plan"). The Plan provides these other post-employment benefits ("OPEB") for retired employees and their eligible dependents through a self-insured PPO plan. Employees qualifying for retirement from the City may receive City paid health coverage for up to seven years after they have retired or reached age 65, whichever occurs first. Employees become eligible to elect retiree coverage at age 55, with the last 20 years employed by the City, or 20 years total with the last 10 years employed by the City. Additionally, employees must have an accumulated 20 years of TMRS service without regard to age. The City pays the full monthly contribution for individual coverage. The retiree pays the full monthly contribution for any dependent coverage elected. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Inactive employees or beneficiaries currently receiving benefits	9
Active employees	114
Active employees with dependant coverage	74
Total	<u>197</u>

**Actuarial Methods and Assumptions.** Significant methods and assumptions were as follows:

Actuarial Valuation Date	September 30, 2024
Actuarial Cost Method	Individual Entry Age Normal Cost Method - Level Percentage of Projected Salary.
Discount Rate	4.06%
Inflation Rate	2.50%
Salary Scale	3.50%
Demographic Assumptions	Based on the actuarial assumptions used in the 2017 actuarial report for the Texas Municipal Retirement System ("TMRS").
Mortality	RPH-2014 Total Table with Projection MP-2021
Health care cost trend rates	Level 4.50% for medical.
Participation rates	100% of all retirees who currently have healthcare coverage will continue with the same coverage. 100% of all actives who currently have healthcare coverage will continue with employee only coverage upon retirement.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

A Single Discount Rate of 4.06% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date. The source of the municipal bond rate was the Bond Buyer GO Bond 20 Index.

**Changes in the Total OPEB Liability.** The City's total OPEB liability of \$4,146,303 was measured as of September 30, 2024 and was determined by an actuarial valuation as of September 30, 2024.

	Total OPEB Liability
Balance at 10/01/2023	\$ 4,962,794
Changes for the year:	
Service cost	194,948
Interest on the total OPEB liability	239,185
Differences between expected and actual experience	(1,194,186)
Changes in assumptions	230,319
Benefit payments	(286,757)
Net changes	(816,491)
Balance at 09/30/2024	<u>\$ 4,146,303</u>

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.77%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (3.06%)	Discount Rate (4.06%)	1% Increase in Discount Rate (5.06%)
City's total OPEB liability	\$ 3,826,686	\$ 4,146,303	\$ 4,496,519

**Healthcare Cost Trend Rate Sensitivity Analysis.** The following schedule shows the impact of the total OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the total OPEB liability.

	1% Decrease	Current Healthcare Cost Cost Trend Rate Assumption	1% Increase
City's total OPEB liability	\$ 3,742,094	\$ 4,146,303	\$ 4,618,026

**OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB.** For the year ended September 30, 2024, the City recognized OPEB expense of \$336,644. At September 30, 2024, the City reported deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 880,845	\$ 1,032,880
Changes in actuarial assumptions	197,463	665,640
Total	<u>\$ 1,078,308</u>	<u>\$ 1,698,520</u>

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

For the Year Ended September 30,	
2025	\$ (97,485)
2026	(97,236)
2027	(72,615)
2028	(76,499)
2029	(137,499)
Thereafter	(138,878)

### **Risk Management**

The City is exposed to risk of loss due to injuries incurred by employees while performing work-related duties. The City provides workers' compensation insurance coverage with the Texas Municipal League, which provides statutory coverage against potential losses.

The City is exposed to various risks of loss related to torts, damage to, and destruction of assets; errors and omissions and natural disasters. A comprehensive insurance plan for property and casualty and general liability coverage has been established with the Texas Municipal League.

### **Commitments**

During the fiscal year ended September 30, 2005, the City entered into an agreement with North Texas Municipal Water District (the "District"). Under the agreement, the District has agreed to acquire property and construct a transmission line in order to sell water to the City. As part of the agreement, the project will be financed by a bond issue in the amount of \$12,470,000 issued in the name of the District. The District is responsible for the cost of the project only to the extent of the bond issue and any additional construction costs are the responsibility of the City. During the construction phase, the City is responsible for the monthly transfer of funds to the District in order to pay the debt service obligation of the bonds and to fund any necessary reserve funds established by the bond ordinance. Upon completion of the project, the rights, title and interest in the project will rest irrevocably with the City. This transaction shall result in the automatic sale and delivery of the project to the City in consideration of the agreement of the City to perform its obligations under the agreement.

### **Accounting Changes and Error Corrections**

In accordance with GASB 100, accounting changes and error corrections for the year are reported as follows.

**Changes within the Financial Reporting Entity.** For Fiscal Year 2024, the City reported several changes within its financial reporting entity. During the year, as part of the process of implementing the City's new financial software, the City reviewed the status of all reported funds. Management identified several funds that would not be needed in the future, primarily because the funds tracked a grant or project that was complete. Most significantly, the Insurance internal service fund would no longer be needed because the City had transitioned away from a self-insurance arrangement. Each of these funds' residual fund balances or deficits were consolidated into the General Fund. The consolidated funds, and their residual balances or deficits as of the beginning of fiscal year 2024, are as follows:

	Fund Balance (Deficit) 9/30/23
<b>Nonmajor funds</b>	
Grant HRA	\$ 32,106
C of O Tax and Revenue Series 2004	(16,400)
CO 2014 Bond	96,822
Grant 721440	34
<b>Internal Service Funds:</b>	
Insurance	4,424,379
<b>Total</b>	<b>\$ 4,536,941</b>

**Error Corrections.** For Fiscal Year 2024, the City identified certain errors related to amounts reported in the prior year. Items reported for error corrections include the following:

1. The Terrell EDC determined that the amount reported as investment in land held for sale was overstated in prior years. This overstatement resulted primarily from relying on estimates or prorated values of land in certain transactions rather than documented, actual values of the land at the time the EDC acquired the land. Additionally, some land sales in prior years had not completely been removed from the listings on the full acreage that was sold. The error overstated prior year's fund balance and investment in land asset by \$840,396 in the Terrell EDC Fund. Additionally, the land sale revenues in prior years were cumulatively understated by that same amount. The correction reduced the both the land held for resale and beginning fund balance by \$840,396. These errors had a corresponding effect on the governmental activities, reducing beginning net position and investment in land by those same amounts.
2. The City identified certain reconciliation variances within its bank accounts and due to/from other funds that related to prior year activity. The error understated the General Fund balance and overstated due from liability by \$597,234. This correction reduced the due from liability and increased the fund balance in the General Fund by \$597,234. The error also caused the governmental activities in prior year's net position to be understated by \$597,234. The error correction increased the beginning net position by \$597,234.

**Adjustments to and Restatements of Beginning Balances.** During Fiscal Year 2024, the error corrections and the changes within the financial reporting entity, described above, resulted in adjustments to and restatements of beginning net position and fund balance, as follows:

	9/30/2023 As Previously Reported	Change Within Financial Reporting Entity	Error Correction (1)	Error Correction (2)	9/30/2023 As Restated
<b>Government-Wide</b>					
Governmental Activities	\$ 53,277,790	\$ -	\$ (840,396)	\$ 597,234	\$ 53,034,628
Business-type Activities	61,064,414	-	-	-	61,064,414
Total primary government	<u>\$ 114,342,204</u>	<u>\$ -</u>	<u>\$ (840,396)</u>	<u>\$ 597,234</u>	<u>\$ 114,099,042</u>
<b>Governmental Funds</b>					
Major Funds:					
General Fund	\$ 6,015,247	\$ 4,536,941	\$ -	\$ 597,234	\$ 11,149,422
Terrell PPPF	6,137,741	-	-	-	6,137,741
Terrell EDC	8,333,510	-	(840,396)	-	7,493,114
Rent Supplement Section 8	181,002	-	-	-	181,002
Permanent Street Improvement	957,079	-	-	-	957,079
C of O Series 2021A	5,414,301	-	-	-	5,414,301
Nonmajor funds	8,848,043	(112,562)	-	-	8,735,481
Total governmental funds	<u>\$ 35,886,923</u>	<u>\$ 4,424,379</u>	<u>\$ (840,396)</u>	<u>\$ 597,234</u>	<u>\$ 40,068,140</u>
<b>Proprietary Funds</b>					
Water and Sanitary Sewer	\$ 44,166,818	\$ -	\$ -	\$ -	\$ 44,166,818
Airport	16,897,596	-	-	-	16,897,596
Internal Service Funds	6,742,022	(4,424,379)	-	-	2,317,643
Total proprietary funds	<u>\$ 67,806,436</u>	<u>\$ (4,424,379)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,382,057</u>



### **Implementation of New Accounting Statements**

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

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

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

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

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

GASB Statement No. 105, *Subsequent Events* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of subsequent events. This Statement defines subsequent events as transactions or other events that occur after the date of the financial reporting statements but before the date the financial statements are available to be issued and clarifies the categories of subsequent events, when recognition is required, and when note disclosure is required. This Statement will become effective for reporting periods beginning after June 15, 2026, and the impact has not yet been determined.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF TERRELL, TEXAS**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

<b>Measurement Date December 31,</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>A. Total pension liability</b>			
Service cost	\$ 1,424,738	\$ 1,550,353	\$ 1,678,902
Interest (on the Total Pension Liability)	3,206,624	3,375,957	3,388,307
Difference between expected and actual experience	(223,375)	(848,603)	(22,007)
Change of assumptions	-	(239,310)	-
Benefit payments, including refunds of employee contributions	<u>(2,080,054)</u>	<u>(2,023,443)</u>	<u>(1,843,541)</u>
Net change in total pension liability	2,327,933	1,814,954	3,201,661
Total pension liability - beginning	<u>46,136,568</u>	<u>48,464,501</u>	<u>50,279,455</u>
Total pension liability - ending (a)	<u>\$ 48,464,501</u>	<u>\$ 50,279,455</u>	<u>\$ 53,481,116</u>
<b>B. Plan fiduciary net position</b>			
Contributions - employer	\$ 1,499,857	\$ 1,553,257	\$ 1,630,137
Contributions - employee	592,009	624,423	665,100
Net investment income	2,197,994	59,920	2,756,646
Benefit payments, including refunds of employee contributions	(2,080,054)	(2,023,443)	(1,843,541)
Administrative expenses	(22,947)	(36,495)	(31,126)
Other	<u>(1,887)</u>	<u>(1,803)</u>	<u>(1,677)</u>
Net change in plan fiduciary net position	2,184,972	175,859	3,175,539
Plan fiduciary net position - beginning	<u>38,420,455</u>	<u>40,605,427</u>	<u>40,781,286</u>
Plan fiduciary net position - ending (b)	<u>\$ 40,605,427</u>	<u>\$ 40,781,286</u>	<u>\$ 43,956,825</u>
<b>C. Net pension liability - ending (a) - (b)</b>	<u>\$ 7,859,074</u>	<u>\$ 9,498,169</u>	<u>\$ 9,524,291</u>
<b>D. Plan fiduciary net position as a percentage of total pension liability</b>	83.78%	81.11%	82.19%
<b>E. Covered payroll</b>	<u>\$ 8,457,269</u>	<u>\$ 8,920,328</u>	<u>\$ 9,501,425</u>
<b>F. Net position liability as a percentage of covered payroll</b>	92.93%	106.48%	100.24%

<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 1,690,413	\$ 1,740,224	\$ 1,875,502	\$ 2,112,764	\$ 2,189,879	\$ 2,446,168	\$ 2,852,270
3,593,692	3,749,962	3,949,658	4,191,275	4,456,768	4,798,934	5,227,977
(759,364)	(77,119)	368,409	408,073	1,203,390	2,079,389	1,092,231
-	-	63,375	-	-	-	(378,184)
<u>(2,172,881)</u>	<u>(2,296,201)</u>	<u>(2,748,295)</u>	<u>(2,843,830)</u>	<u>(2,791,027)</u>	<u>(3,027,088)</u>	<u>(3,315,633)</u>
2,351,860	3,116,866	3,508,649	3,868,282	5,059,010	6,297,403	5,478,661
<u>53,481,116</u>	<u>55,832,976</u>	<u>58,949,842</u>	<u>62,458,491</u>	<u>66,326,773</u>	<u>71,385,783</u>	<u>77,683,186</u>
<u>\$ 55,832,976</u>	<u>\$ 58,949,842</u>	<u>\$ 62,458,491</u>	<u>\$ 66,326,773</u>	<u>\$ 71,385,783</u>	<u>\$ 77,683,186</u>	<u>\$ 83,161,847</u>
\$ 1,554,002	\$ 1,607,993	\$ 1,669,130	\$ 1,876,806	\$ 1,988,024	\$ 2,219,201	\$ 2,647,171
665,517	689,003	745,515	826,220	855,699	956,602	1,112,926
6,094,066	(1,500,162)	7,506,432	4,226,478	7,788,524	(4,930,913)	7,265,566
(2,172,881)	(2,296,201)	(2,748,295)	(2,843,830)	(2,791,027)	(3,027,088)	(3,315,633)
(31,574)	(28,984)	(42,397)	(27,340)	(36,023)	(42,654)	(46,205)
<u>(1,600)</u>	<u>(1,515)</u>	<u>(1,274)</u>	<u>(1,064)</u>	<u>247</u>	<u>50,899</u>	<u>(323)</u>
6,107,530	(1,529,866)	7,129,111	4,057,270	7,805,444	(4,773,953)	7,663,502
<u>43,956,825</u>	<u>50,064,355</u>	<u>48,534,489</u>	<u>55,663,600</u>	<u>59,720,870</u>	<u>67,526,314</u>	<u>62,752,361</u>
<u>\$ 50,064,355</u>	<u>\$ 48,534,489</u>	<u>\$ 55,663,600</u>	<u>\$ 59,720,870</u>	<u>\$ 67,526,314</u>	<u>\$ 62,752,361</u>	<u>\$ 70,415,863</u>
\$ 5,768,621	\$ 10,415,353	\$ 6,794,891	\$ 6,605,903	\$ 3,859,469	\$ 14,930,825	\$ 12,745,984
89.67%	82.33%	89.12%	90.04%	94.59%	80.78%	84.67%
\$ 9,507,385	\$ 9,842,896	\$ 10,650,208	\$ 11,803,150	\$ 12,233,958	\$ 12,233,958	\$ 15,989,924
60.68%	105.82%	63.80%	55.97%	31.55%	122.04%	79.71%

# CITY OF TERRELL, TEXAS

## SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Fiscal Year Ended September 30,	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarial determined contribution	\$ 1,530,795	\$ 1,675,988	\$ 1,628,132
Contributions in relation to the actuarially determined contribution	<u>(1,530,795)</u>	<u>(1,675,988)</u>	<u>(1,628,132)</u>
Contribution deficiency (excess)	-	-	-
Covered payroll	8,746,456	9,707,751	9,523,303
Contributions as a percentage of covered payroll	17.50%	17.26%	17.10%

### 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	23 years
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.

**Mortality** Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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

<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
\$ 1,599,025	\$ 1,688,716	\$ 1,790,713	\$ 1,914,975	\$ 2,140,788	\$ 2,543,255	\$ 3,138,273
<u>(1,599,025)</u>	<u>(1,688,716)</u>	<u>(1,790,713)</u>	<u>(1,914,975)</u>	<u>(2,140,788)</u>	<u>(2,543,255)</u>	<u>(3,174,513)</u>
-	-	-	-	-	-	(36,240)
9,784,285	10,435,005	11,292,256	11,847,344	13,171,931	15,370,621	17,796,294
16.34%	16.18%	15.86%	16.16%	16.25%	16.55%	17.84%

**CITY OF TERRELL, TEXAS**

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

<b>Measurement Date December 31,</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>A. Total OPEB liability</b>			
Service Cost	\$ 21,867	\$ 25,592	\$ 22,365
Interest (on the Total OPEB Liability)	18,331	18,622	20,767
Difference between expected and actual experience	-	(2,281)	3,162
Changes of assumptions	40,431	(37,510)	102,471
Benefit payments, including refunds of employee contributions	<u>(4,754)</u>	<u>(4,921)</u>	<u>(6,389)</u>
Net change in Total OPEB liability	75,875	(498)	142,376
Total OPEB liability - beginning	<u>476,398</u>	<u>552,273</u>	<u>551,775</u>
Total OPEB liability - ending (a)	<u>552,273</u>	<u>551,775</u>	<u>694,151</u>
<b>B. Covered-employee payroll</b>	\$ 9,507,385	\$ 9,842,896	\$ 10,650,208
<b>C. Total OPEB liability as a percentage of covered-employee payroll</b>	5.81%	5.61%	6.52%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: 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*.

Note: The changes of assumptions generally includes the annual change in the municipal bond index rate.



<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
\$ 33,048	\$ 39,149	\$ 43,730	\$ 22,259
19,446	17,008	16,329	24,213
(5,223)	(25,252)	(29,807)	(15,350)
106,879	25,864	(283,968)	30,059
<u>(7,082)</u>	<u>(20,798)</u>	<u>(23,232)</u>	<u>(27,028)</u>
147,068	35,971	(276,948)	34,153
<u>694,151</u>	<u>841,219</u>	<u>877,190</u>	<u>600,242</u>
<u>841,219</u>	<u>877,190</u>	<u>600,242</u>	<u>634,395</u>
\$ 11,803,150	\$ 12,233,958	\$ 13,665,742	\$ 15,898,924
7.13%	7.17%	4.39%	3.99%

**CITY OF TERRELL, TEXAS**

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
RETIREE HEALTHCARE PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2024

<b>Measurement Date September 30,</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>A. Total OPEB liability</b>			
Service Cost	\$ 149,830	\$ 155,913	\$ 155,913
Interest (on the Total OPEB Liability)	161,550	161,063	172,687
Differences between expected and actual experiences	-	-	(31,779)
Changes in assumptions	-	-	(142,084)
Benefit payments, including refunds of employee contributions	<u>(165,999)</u>	<u>(181,092)</u>	<u>(192,104)</u>
Net change in Total OPEB liability	145,381	135,884	(37,367)
Total OPEB liability - beginning	<u>3,912,241</u>	<u>4,057,622</u>	<u>4,193,506</u>
Total OPEB liability - ending (a)	<u>4,057,622</u>	<u>4,193,506</u>	<u>4,156,139</u>
<b>B. Covered-employee payroll</b>	\$ 9,169,796	\$ 9,169,796	\$ 10,205,273
<b>C. Total OPEB liability as a percentage of covered-employee payroll</b>	44.25%	45.73%	40.73%

Note: This schedule is required to have 10 years of information, but the information prior to 2018 is not available.

Note: 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*.

<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
\$ 207,676 96,025	\$ 207,676 97,956	\$ 194,948 231,494	\$ 194,948 239,185
-	1,551,539	-	(1,194,186)
-	(1,101,235)	-	230,319
<u>(192,104)</u>	<u>(243,660)</u>	<u>(243,660)</u>	<u>(286,757)</u>
111,597	512,276	182,782	(816,491)
<u>4,156,139</u>	<u>4,267,736</u>	<u>4,780,012</u>	<u>4,962,794</u>
<u>4,267,736</u>	<u>4,780,012</u>	<u>4,962,794</u>	<u>4,146,303</u>
\$ 10,205,273	\$ 13,106,601	\$ 13,106,601	\$ 13,106,601
41.82%	36.47%	37.86%	31.64%

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## **COMBINING STATEMENTS**

## **NONMAJOR GOVERNMENTAL FUNDS**

**Tourism Fund** – to account for expenditures designated for the promotion of local tourism. Resources are provided from the collection of hotel/motel occupancy tax revenues.

**Infrastructure Improvements** – to account for street and utility service construction for Pioneer Terraces multifamily housing subdivision.

**Impact Fees Fund** – to account for fees charged on developments in order to improve current existing infrastructure.

**Park Land/Park Dedication Fees Fund** – to account for fees charged on new residential construction for future parks development.

**Grant HRA** – to account for funds received through the HRA Grant.

**Courthouse Technology** – to account for fees restricted for courthouse technology expenditures.

**Courthouse Security** – to account for fees restricted for courthouse security expenditures.

**C.O. Tax and Revenue Series 2004 Fund** - is a Capital Projects Fund used to account for construction projects funded by the Series 2004 Bond issuance.

**TCDP Grant** – to account for programs within the TCDP Grant.

**Pavilion Rentals** – to account for fees charged for the use of City pavilions.

**Police Federal Awards** – to account for federal programs involving the Terrell Police Department.

**Texas Soil and Water Conservation** – to act as a clearing fund for funds sent for the Texas Soil and Water Conservation Grant.

**Hotel Events Center** – to account for tourism taxes to study the potential for a hotel events center in Terrell.

**CO 2014 Bond** – to account for funds received from the issuance of the Certificates of Obligation 2014.

**CO 2018 Bond** – to account for funds received from the issuance of the Certificates of Obligation 2018.

**CO 2021 Bond** – to account for the funds received from the issuance of the Certificates of Obligation 2021.

**Fire Grants** – to account for the funds received for grants for fire related expenditures and fire personal.

**Public Improvement District** – to account for funds used to pay for detention or retention pond maintenance at Market Center Cross Roads.

**Pedestrian Improvements Grant** – to account for the Pedestrian Improvements Grant through HUD.

**Grant 721440** – to account for the Community Development Block Grant through HUD.

**Grant Clearing** – to act as a clearing fund for receipts from various federal and state agencies for grants.

**Debt Service** – to account for taxes levied through the I & S rate and the associated expenditures of those funds.

**Information Technology** – provides network, internet, software, and hardware infrastructures, systems and services that supports all Departments of the City of Terrell.

**Market Center PID** – is a public improvement district located east of FM148 development near Spur 557 and HWY 20. Property owners pay special assessments for improvements and services within this area.

**Cross Roads PID** – is a public improvement district located west of FM148 development near Spur 557 and HWY 20. Property owners pay special assessments for improvements and services within this area.

***Ninth Street PID*** – is a public improvement district located in the Ninth Street Partnership Zone. Property owners pay special assessments for improvements and services within this area.

***Downtown Maintenance. & Operations*** – accounts for funds collected and utilized for maintenance and improvements to the downtown area.

### **INTERNAL SERVICE FUNDS**

***Insurance Fund*** – to account for the receipt and disbursement of medical insurance expenditures and related payments from other funds.

***Equipment Replacement Fund*** – to account for the acquisition, maintenance and other operation expenses of the City's fleet assets. Revenues are generated from the rental of equipment to various departments within the City.

**CITY OF TERRELL, TEXAS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	Tourism	Infrastructure Improvements	Impact Fees	Park Land/Park Dedication Fees
<b>ASSETS</b>				
Cash and investments	784,222	\$ 1,180,100	\$ 2,538,724	\$ 2,286,002
Taxes receivable, net	91,160	-	-	-
Other receivables	-	175,368	-	-
Due from other funds	-	388,735	1,000,000	50,250
Total assets	<u>\$ 875,382</u>	<u>\$ 1,744,203</u>	<u>\$ 3,538,724</u>	<u>\$ 2,336,252</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 50,000	\$ 108,063	\$ 19,294	\$ 2,510
Due to other funds	467,951	333,982	1,230,106	86,108
Unearned revenue	-	-	-	-
Total liabilities	<u>517,951</u>	<u>442,045</u>	<u>1,249,400</u>	<u>88,618</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - taxes	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted	357,431	1,302,158	2,289,324	2,247,634
Unassigned	-	-	-	-
Total fund balances	<u>357,431</u>	<u>1,302,158</u>	<u>2,289,324</u>	<u>2,247,634</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 875,382</u>	<u>\$ 1,744,203</u>	<u>\$ 3,538,724</u>	<u>\$ 2,336,252</u>



Courthouse Technology	Courthouse Security	TCDP Grant	Pavilion Rentals	Police Federal Awards
\$ 47,936	\$ 48,914	\$ 7	\$ 26,644	\$ 398
-	-	-	-	-
-	-	-	-	-
4	5	-	50	-
<u>\$ 47,940</u>	<u>\$ 48,919</u>	<u>\$ 7</u>	<u>\$ 26,694</u>	<u>\$ 398</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	169,221	-	-
-	-	-	-	-
-	-	169,221	-	-
-	-	-	-	-
-	-	-	-	-
47,940	48,919	-	26,694	398
-	-	(169,214)	-	-
<u>47,940</u>	<u>48,919</u>	<u>(169,214)</u>	<u>26,694</u>	<u>398</u>
<u>\$ 47,940</u>	<u>\$ 48,919</u>	<u>\$ 7</u>	<u>\$ 26,694</u>	<u>\$ 398</u>

**CITY OF TERRELL, TEXAS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

SEPTEMBER 30, 2024

	Texas Soil and Water Conservation	Hotel Events Center	CO 2018 Bond	CO 2021 Bond
<b>ASSETS</b>				
Cash and investments	\$ 4,041,034	\$ 1,306,859	\$ 84,694	\$ -
Taxes receivable, net	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	467,951	-	-
Total assets	<u>\$ 4,041,034</u>	<u>\$ 1,774,810</u>	<u>\$ 84,694</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 8,700	\$ -	\$ 86,616
Due to other funds	344,679	-	-	485,414
Unearned revenue	-	-	-	-
Total liabilities	<u>344,679</u>	<u>8,700</u>	<u>-</u>	<u>572,030</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - taxes	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted	3,696,355	1,766,110	84,694	-
Unassigned	-	-	-	(572,030)
Total fund balances	<u>3,696,355</u>	<u>1,766,110</u>	<u>84,694</u>	<u>(572,030)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,041,034</u>	<u>\$ 1,774,810</u>	<u>\$ 84,694</u>	<u>\$ -</u>

Fire Grants	Public Improvement District	Pedestrian Improvements Grant	Grant Clearing	Debt Service
\$ 1	\$ 19,789	\$ 59	\$ 959,886	299,369
-	-	-	-	132,774
-	-	-	-	-
7,847	-	119,364	166,467	435,129
<u>\$ 7,848</u>	<u>\$ 19,789</u>	<u>\$ 119,423</u>	<u>\$ 1,126,353</u>	<u>\$ 867,272</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	845,244	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>845,244</u>	<u>-</u>
-	-	-	-	120,469
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,469</u>
7,848	19,789	119,423	281,109	746,803
-	-	-	-	-
<u>7,848</u>	<u>19,789</u>	<u>119,423</u>	<u>281,109</u>	<u>746,803</u>
<u>\$ 7,848</u>	<u>\$ 19,789</u>	<u>\$ 119,423</u>	<u>\$ 1,126,353</u>	<u>\$ 867,272</u>

**CITY OF TERRELL, TEXAS**

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

SEPTEMBER 30, 2024

	<u>Information Technology</u>	<u>Market Center</u>	<u>Cross Roads</u>	<u>Ninth Street</u>
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 634,978	\$ -	\$ 23,799
Taxes receivable, net	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	<u>2,649,799</u>	<u>525,000</u>	<u>60,000</u>	<u>20,000</u>
Total assets	<u>\$ 2,649,799</u>	<u>\$ 1,159,978</u>	<u>\$ 60,000</u>	<u>\$ 43,799</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 329,829	\$ 27,041	\$ 15,032	\$ -
Due to other funds	2,410,323	-	5,761	-
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,740,152</u>	<u>27,041</u>	<u>20,793</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted	-	1,132,937	39,207	43,799
Unassigned	<u>(90,353)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(90,353)</u>	<u>1,132,937</u>	<u>39,207</u>	<u>43,799</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,649,799</u>	<u>\$ 1,159,978</u>	<u>\$ 60,000</u>	<u>\$ 43,799</u>

Downtown Maint. & Op.	DAFY23-01	Total Governmental Funds
\$ 403,496	\$ 3,010,000	\$ 17,696,911
-	-	223,934
-	-	175,368
-	-	5,890,601
<u>\$ 403,496</u>	<u>\$ 3,010,000</u>	<u>\$ 23,986,814</u>
\$ -	\$ -	\$ 647,085
-	10,000	6,388,789
-	3,000,000	3,000,000
<u>-</u>	<u>3,010,000</u>	<u>10,035,874</u>
-	-	120,469
<u>-</u>	<u>-</u>	<u>120,469</u>
403,496	-	14,662,068
-	-	(831,597)
<u>403,496</u>	<u>-</u>	<u>13,830,471</u>
<u>\$ 403,496</u>	<u>\$ 3,010,000</u>	<u>\$ 23,986,814</u>

**CITY OF TERRELL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Tourism	Infrastructure Improvements	Impact Fees	Park Land/Park Dedication Fees
<b>REVENUES</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Hotel/motel occupancy taxes	908,132	-	-	-
Fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	2,079,368	389,237	872,728
Investment earnings	-	-	-	-
Total revenues	<u>908,132</u>	<u>2,079,368</u>	<u>389,237</u>	<u>872,728</u>
<b>EXPENDITURES</b>				
Current:				
General government	370,386	451,181	2,616	-
Culture and recreation	-	-	-	104,687
Capital outlay	-	1,531,442	695,879	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>370,386</u>	<u>1,982,623</u>	<u>698,495</u>	<u>104,687</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>537,746</u>	<u>96,745</u>	<u>(309,258)</u>	<u>768,041</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	(467,951)	(110,000)	-	-
Transfers out	-	(223,982)	-	-
Total other financing sources and uses	<u>(467,951)</u>	<u>(333,982)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	69,795	(237,237)	(309,258)	768,041
<b>FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED</b>	<u>287,636</u>	<u>1,539,395</u>	<u>2,598,582</u>	<u>1,479,593</u>
<b>ADJUSTMENTS</b>				
Change within the financial reporting entity	-	-	-	-
Total adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, BEGINNING, AS ADJUSTED</b>	<u>287,636</u>	<u>1,539,395</u>	<u>2,598,582</u>	<u>1,479,593</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 357,431</u>	<u>\$ 1,302,158</u>	<u>\$ 2,289,324</u>	<u>\$ 2,247,634</u>

Grant HRA	Courthouse Technology	Courthouse Security	Certificates of Obligation Tax and Revenue Series 2004	TCDP Grant	Pavilion Rentals	Police Federal Awards
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	602	764	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	55	-
-	602	764	-	-	55	-
-	-	-	-	-	-	-
-	1,121	2,083	-	-	-	-
-	-	-	-	-	-	-
-	90	1,233	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,211	3,316	-	-	-	-
-	(609)	(2,552)	-	-	55	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	(609)	(2,552)	-	-	55	-
32,106	48,549	51,471	(16,400)	(169,214)	26,639	398
(32,106)	-	-	16,400	-	-	-
(32,106)	-	-	16,400	-	-	-
-	48,549	51,471	-	(169,214)	26,639	398
\$ -	\$ 47,940	\$ 48,919	\$ -	\$ (169,214)	\$ 26,694	\$ 398

**CITY OF TERRELL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Texas Soil and Water Conservation	Hotel Events Center	CO 2014 Bond	CO 2018 Bond
<b>REVENUES</b>				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Hotel/motel occupancy taxes	-	-	-	-
Fees and fines	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	6,004	-	-	963
Total revenues	<u>6,004</u>	<u>-</u>	<u>-</u>	<u>963</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	52,200	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	69,600	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>-</u>	<u>121,800</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>6,004</u>	<u>(121,800)</u>	<u>-</u>	<u>963</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,686,267	467,951	-	-
Transfers out	-	-	-	-
Total other financing sources and uses	<u>3,686,267</u>	<u>467,951</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,692,271	346,151	-	963
<b>FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED</b>	<u>4,084</u>	<u>1,419,959</u>	<u>96,822</u>	<u>83,731</u>
<b>ADJUSTMENTS</b>				
Change within the financial reporting entity	-	-	(96,822)	-
Total adjustments	<u>-</u>	<u>-</u>	<u>(96,822)</u>	<u>-</u>
<b>FUND BALANCES, BEGINNING, AS ADJUSTED</b>	<u>4,084</u>	<u>1,419,959</u>	<u>-</u>	<u>83,731</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 3,696,355</u>	<u>\$ 1,766,110</u>	<u>\$ -</u>	<u>\$ 84,694</u>



CO 2021 Bond	Fire Grants	Public Improvement District	Pedestrian Improvements Grant	Grant 721440	Grant Clearing	Debt Service
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,489,293
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,774	122,528
-	-	-	-	-	1,774	3,611,821
-	-	-	-	-	-	-
45,319	-	-	-	-	-	-
-	-	-	-	-	-	2,587,248
-	-	-	-	-	-	1,465,833
45,319	-	-	-	-	-	4,053,081
(45,319)	-	-	-	-	1,774	(441,260)
-	-	-	-	-	-	2,958,954
-	-	-	-	-	-	(2,647,449)
-	-	-	-	-	-	311,505
(45,319)	-	-	-	-	1,774	(129,755)
(526,711)	7,848	19,789	119,423	34	279,335	876,558
-	-	-	-	(34)	-	-
-	-	-	-	(34)	-	-
(526,711)	7,848	19,789	119,423	-	279,335	876,558
\$ (572,030)	\$ 7,848	\$ 19,789	\$ 119,423	\$ -	\$ 281,109	\$ 746,803

**CITY OF TERRELL, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Information Technology	Market Center	Cross Roads	Ninth Street
<b>REVENUES</b>				
Ad valorem taxes	\$ -	\$ 47,947	\$ 148,855	\$ 3,386
Hotel/motel occupancy taxes	-	-	-	-
Fees and fines	-	-	-	-
Intergovernmental	212,015	486,785	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Total revenues	<u>212,015</u>	<u>534,732</u>	<u>148,855</u>	<u>3,386</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,538,959	61,255	180,508	301
Culture and recreation	-	-	-	-
Capital outlay	505	-	-	-
Debt Service:				
Principal	380,346	-	-	-
Interest and fiscal charges	51,383	-	-	-
Total expenditures	<u>2,971,193</u>	<u>61,255</u>	<u>180,508</u>	<u>301</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,759,178)</u>	<u>473,477</u>	<u>(31,653)</u>	<u>3,085</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,649,799	525,000	60,000	20,000
Transfers out	-	-	-	-
Total other financing sources and uses	<u>2,649,799</u>	<u>525,000</u>	<u>60,000</u>	<u>20,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(109,379)</u>	<u>998,477</u>	<u>28,347</u>	<u>23,085</u>
<b>FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED</b>	<u>19,026</u>	<u>134,460</u>	<u>10,860</u>	<u>20,714</u>
<b>ADJUSTMENTS</b>				
Change within the financial reporting entity	-	-	-	-
Total adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, BEGINNING, AS ADJUSTED</b>	<u>19,026</u>	<u>134,460</u>	<u>10,860</u>	<u>20,714</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ (90,353)</u>	<u>\$ 1,132,937</u>	<u>\$ 39,207</u>	<u>\$ 43,799</u>

Downtown Maint. & Op.	DAFY23-01	Total Governmental Funds
\$ -	\$ -	\$ 3,689,481
-	-	908,132
-	-	1,366
-	-	698,800
-	-	3,341,333
140	-	131,464
140	-	8,770,576
-	-	3,660,610
-	-	104,687
-	-	2,344,068
-	-	2,967,594
-	-	1,517,216
-	-	10,594,175
140	-	(1,823,599)
-	-	9,790,020
-	-	(2,871,431)
-	-	6,918,589
140	-	5,094,990
403,356	-	8,848,043
-	-	(112,562)
-	-	(112,562)
403,356	-	8,735,481
\$ 403,496	\$ -	\$ 13,830,471

**CITY OF TERRELL, TEXAS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2024**

	Equipment Replacement	Total
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,435	\$ 3,435
Due from other funds	<u>2,381,646</u>	<u>2,381,646</u>
Total current assets	<u>2,385,081</u>	<u>2,385,081</u>
Non-current assets:		
Capital assets:		
Vehicles and equipment	5,978,694	5,978,694
Right to use - vehicles and equipment	2,446,525	2,446,525
Accumulated depreciation	<u>(5,790,882)</u>	<u>(5,790,882)</u>
Total non-current assets	<u>2,634,337</u>	<u>2,634,337</u>
Total assets	<u>5,019,418</u>	<u>5,019,418</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - pensions	51,811	51,811
Deferred outflows - supplemental death benefits	1,159	1,159
Deferred outflows - retiree health	<u>8,411</u>	<u>8,411</u>
Total deferred outflows of resources	<u>61,381</u>	<u>61,381</u>
<b>LIABILITIES</b>		
Current liabilities:		
Due to other funds	1,214,690	1,214,690
Other accrued expenses	223,088	223,088
Compensated absences	2,474	2,474
Leases payable	282,467	282,467
Notes payable	41,378	41,378
Total OPEB liability - TMRS SDBF	517	517
Total OPEB liability - retiree health	<u>2,237</u>	<u>2,237</u>
Total current liabilities	<u>1,766,851</u>	<u>1,766,851</u>
Non-current liabilities:		
Compensated absences	9,895	9,895
Leases payable	377,310	377,310
Net pension liability	99,419	99,419
Total OPEB liability - TMRS SDBF	4,431	4,431
Total OPEB liability - retiree health	<u>30,104</u>	<u>30,104</u>
Total non-current liabilities	<u>521,159</u>	<u>521,159</u>
Total liabilities	<u>2,288,010</u>	<u>2,288,010</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows - pensions	2,331	2,331
Deferred inflows - supplemental death benefits	1,880	1,880
Deferred inflows - retiree health	<u>13,248</u>	<u>13,248</u>
Total deferred inflows of resources	<u>17,459</u>	<u>17,459</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,933,182	1,933,182
Unrestricted	<u>842,148</u>	<u>842,148</u>
Total net position	<u>\$ 2,775,330</u>	<u>\$ 2,775,330</u>

**CITY OF TERRELL, TEXAS****INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Insurance</u>	<u>Equipment Replacement</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Maintenance services		\$ 1,865,612	\$ 1,865,612
Miscellaneous		<u>163,221</u>	<u>163,221</u>
Total operating revenues		<u>2,028,833</u>	<u>2,028,833</u>
<b>OPERATING EXPENSES</b>			
Personnel services		236,625	236,625
Miscellaneous services		943,195	943,195
Repairs and maintenance		46,759	46,759
Supplies		499,586	499,586
Depreciation		<u>618,739</u>	<u>618,739</u>
Total operating expenses		<u>2,344,904</u>	<u>2,344,904</u>
<b>OPERATING INCOME (LOSS)</b>		(316,071)	(316,071)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain (loss) on disposal of assets		63,088	63,088
Capital contribution		723,122	723,122
Interest and fiscal charges		(53,621)	(53,621)
Transfers in		75,000	75,000
Transfers out		<u>(33,831)</u>	<u>(33,831)</u>
Total non-operating revenue (expenses)		<u>773,758</u>	<u>773,758</u>
<b>CHANGE IN NET POSITION</b>		457,687	457,687
<b>FUND BALANCES, BEGINNING, AS PREVIOUSLY REPORTED</b>	<u>4,424,379</u>	<u>2,317,643</u>	<u>6,742,022</u>
<b>ADJUSTMENT</b>			
Change within the financial reporting entity	<u>(4,424,379)</u>	-	<u>(4,424,379)</u>
Total adjustments	<u>(4,424,379)</u>	-	<u>(4,424,379)</u>
<b>FUND BALANCES, BEGINNING, AS ADJUSTED</b>	<u>-</u>	<u>2,317,643</u>	<u>2,317,643</u>
<b>TOTAL NET POSITION, ENDING</b>	<u>\$ -</u>	<u>\$ 2,775,330</u>	<u>\$ 2,317,643</u>

**CITY OF TERRELL, TEXAS**

INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Equipment Replacement</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers and users	\$ 2,028,833
Cash paid to suppliers for goods and services	(1,489,540)
Cash paid to employees for services	<u>(72,571)</u>
Net cash provided by operating activities	<u>466,722</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash received from other funds	1,287,710
Cash paid to other funds	<u>(2,415,477)</u>
Net cash provided (used) by noncapital financing activities	<u>(1,127,767)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interest and fiscal charges	(53,621)
Acquisition of capital assets	(699,945)
Proceeds from sale of capital assets	63,088
Principal paid on long-term debt	<u>(121,355)</u>
Net cash used for capital and related financing activities	<u>(811,833)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	<u>723,122</u>
Net cash provided by investing activities	<u>723,122</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(749,756)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>753,191</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>3,435</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	(316,071)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation	618,739
Decrease (increase) in deferred outflows of resources	28,043
Increase (decrease) in deferred inflows of resources	7,234
Increase (decrease) in net pension obligation	(33,465)
Increase (decrease) in total OPEB liability - TMRS SDBF	(394)
Increase (decrease) in total OPEB liability - retiree health	(11,828)
Increase (decrease) in accrued liabilities	177,985
Increase (decrease) in compensated absences	<u>(3,521)</u>
Net cash provided by operating activities	\$ <u>466,722</u>