

ANNUAL FINANCIAL REPORT

City of Ovilla, Texas

For the Year Ended September 30, 2024

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City of Ovilla, Texas

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Ovilla, Texas

Opinions

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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

As discussed in Note V to the financial statements, the City had a restatement due to error corrections. 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.

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 generally accepted 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 generally accepted 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 and required supplementary information, as listed on the table of contents, on pages 3-8 and 49-52. 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 nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Vail + Park, P.C.

Frisco, Texas
April 30, 2025

City of Ovilla, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

As management of the City of Ovilla, Texas (the “City”), we offer readers of the City of Ovilla’s financial statements this narrative overview and analysis of the financial activities of the City of Ovilla, Texas for the fiscal year (“FY”) ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with the City’s financial statements.

FINANCIAL HIGHLIGHTS

- Total net position for the City of Ovilla at the close of FY24 is \$11,893,154. The unrestricted net position at the close of FY24 is \$4,277,064 and may be used to meet the City’s ongoing obligations to citizens and creditors.
- The City’s total net position increased by \$1,897,127 (19%) during fiscal year 2024.
- The City’s governmental funds reported combined fund balances of \$6,673,533. The fund balances increased by \$1,449,125 (28%). \$1,453,490 is unassigned and available for spending at the City’s discretion. The General Fund’s unassigned fund balance of \$ 1,910,854 is equivalent to 37% of the total 2024 General Fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City’s financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a private-sector business.

Fund financial statements report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds. Governmental fund statements tell how services were financed in the short term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for funding requests and appropriations from the State.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.

Reporting the City as a Whole – Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities

Government-wide financial statements provide an analysis of the City’s overall financial condition and operation. The primary objective of these statements is to show whether the City’s financial condition has improved or deteriorated because of the year’s activities.

The Statement of Net Position includes all the City’s assets, deferred inflows of resources, deferred outflows of resources, and liabilities while the Statement of Activities includes all the revenue and expenses generated by the City’s operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private-sector companies. All of the current year’s revenue and expenses are taken into account regardless of when cash is received or paid.

City of Ovilla, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, and 3) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and change in them. The City's net position provides one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City however, non-financial factors should also be considered, such as changes in the City's request for services from citizens and the condition of the City's facilities.

The Statement of Net Position and the Statement of Activities report two kinds of activities, as well as two component units.

Governmental Type Activities – City services such as police, fire protection, municipal court, parks, street maintenance, economic development and city administration are reported here. City property taxes and charges for services finance most of these activities.

Business-Type Activities - The City uses a proprietary (business-type) fund to account for its water, sewer, and sanitation operations. The services are supported by monthly charges to citizens.

Discretely Presented Component Units—The Ovilla 4B Economic Development Corporation and Ovilla Municipal Development Corporation are reported in separate columns since they meet the requirements for discrete presentation in the financial statements.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about each City fund. The City's two kinds of funds – governmental and proprietary– use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities, which are reported in the Statement of Net Position and the Statement of Activities and governmental funds in the reconciliation schedules.

Proprietary Funds – The City uses one proprietary (business-type) fund to account for its water, sewer, and sanitation operations. The full-accrual basis of accounting is used for all proprietary-type funds.

City of Ovilla, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

The table below provides a summary of the City's net position on September 30, 2024, and 2023.

	Summary of Net Position					
	2024			2023		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 4,208,075	\$ 7,890,942	\$ 12,099,017	\$ 2,854,752	\$ 7,654,663	\$ 10,509,415
Capital and leased assets, net	5,979,640	2,530,854	8,510,494	5,875,721	2,615,006	8,490,727
Total Assets	10,187,715	10,421,796	20,609,511	8,730,473	10,269,669	19,000,142
Deferred Outflows of Resources	255,223	84,623	339,846	498,829	162,930	661,759
Other liabilities	373,934	819,627	1,193,561	706,426	1,132,034	1,838,460
Long-term liabilities	2,303,597	4,461,824	6,765,421	2,493,328	4,518,031	7,011,359
Total Liabilities	2,677,531	5,281,451	7,958,982	3,199,754	5,650,065	8,849,819
Deferred Inflows of Resources	1,091,874	5,347	1,097,221	805,140	10,915	816,055
Net Position:						
Net investment in capital assets	4,237,130	2,391,856	6,628,986	3,704,464	2,243,060	5,947,524
Restricted	982,913	4,191	987,104	990,502	4,001	994,503
Unrestricted	1,453,490	2,823,574	4,277,064	529,442	2,524,558	3,054,000
Total Net Position	\$ 6,673,533	\$ 5,219,621	\$ 11,893,154	\$ 5,224,408	\$ 4,771,619	\$ 9,996,027

The table below provides a summary of the changes in the City's net position for the years ended September 30, 2024 and 2023.

	Summary of Changes in Net Position					
	For the Year Ended September 30, 2024			For the Year Ended September 30, 2023		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program revenues:						
Charges for services	\$ 1,648,655	\$ 2,517,325	\$ 4,165,980	\$ 1,137,068	\$ 2,579,191	\$ 3,716,259
Operating grants and contributions	234,024	-	234,024	128,222	-	128,222
General revenues:						
Property taxes	3,929,243	-	3,929,243	3,210,332	-	3,210,332
Sales taxes	678,734	-	678,734	563,163	-	563,163
Franchise tax	184,952	-	184,952	193,002	-	193,002
Investment earnings	84,122	33,750	117,872	52,622	289	52,911
Miscellaneous	125,214	-	125,214	232,235	-	232,235
Proceeds from sale of capital assets	373,945	-	373,945	30,875	-	30,875
Total Revenues	7,258,889	2,551,075	9,809,964	5,547,519	2,579,480	8,126,999
Expenses						
General government	\$ 2,509,773	-	2,509,773	1,268,334	-	1,268,334
Public safety	1,528,786	-	1,528,786	2,347,179	-	2,347,179
Streets and parks	296,133	-	296,133	511,073	-	511,073
Cultural and recreational	370,534	-	370,534	244,081	-	244,081
Solid waste	477,492	-	477,492	367,102	-	367,102
Interest and fiscal charges	20,998	-	20,998	30,045	-	30,045
Water and sewer operations	-	2,731,035	2,731,035	-	2,153,954	2,153,954
Total Expenses	5,203,716	2,731,035	7,934,751	4,767,814	2,153,954	6,921,768
Change in Net Position						
Before Transfers	2,055,173	(179,960)	1,875,213	779,705	425,526	1,205,231
Transfers	(580,462)	627,962	47,500	(29,158)	(60,250)	(89,408)
Total	(580,462)	627,962	47,500	(29,158)	(60,250)	(89,408)
Change in Net Position	1,474,711	448,002	1,922,713	750,547	365,276	1,115,823
Beginning Net Position	5,198,822	4,771,619	9,970,441	4,473,861	4,406,343	8,880,204
Ending Net Position	\$ 6,673,533	\$ 5,219,621	\$ 11,893,154	\$ 5,224,408	\$ 4,771,619	\$ 9,996,027

City of Ovilla, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position serves as one useful indicator of a government's financial position. In the case of the City, net position totaled \$6,673,533 at the close of FY24. Net assets increased from the prior year's balance by \$1,449,125 (28%) during fiscal year 2024. This increase is primarily a result of greater than expected property tax and sales tax.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$924,048 (175%) during 2024.

Sixty-three percent (63%) of the City's net position is invested in capital assets; land, buildings, streets, vehicles, electronic equipment, and infrastructure, less any outstanding debt used to acquire these assets. The City uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the period.

As the City completed the year 2024, its governmental funds, as presented in the balance sheet, reported a combined fund balance of \$2,894,923. Approximately 66% of this total amount is the unassigned fund balance, which is available for spending at the City's discretion. The remaining fund balances are restricted, assigned, or committed as further explained in the notes to the financial statements.

The General Fund is the chief operating fund of the City. At the end of the current period, the unassigned fund balance of the General Fund totaled \$1,910,854, while the total fund balance was also \$1,910,854. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total General Fund expenditures. The unassigned fund balance represents 37% of total FY24 General Fund expenditures.

The City's General Fund's revenues and other financing sources were \$ 6,121,259, while total expenditures and other financing uses were \$ 5,110,512. The General Fund had a net increase in fund balance of \$1,010,747.

The City's proprietary fund's operating and nonoperating revenues were \$2,551,075; total expenses were \$2,731,035. The proprietary fund had a transfer in of \$627,962 which increased the Water and Sewer Fund net position by \$448,002. For 2024, the Water and Sewer Fund had an ending net position of \$5,219,621, of which \$2,823,574 consisted of unrestricted funds. The current year's increase in net position was primarily due to an increase in water service transfers in.

City of Ovilla, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

Other Analysis of the City's Funds

Budget versus Actual for the General Fund:

For the required supplemental information of budget versus actual report shown on, the statement reflects a positive budget variance of \$684,047. The largest contributing factor was that the City budgeted for considerably less revenue than was actually incurred.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment (net of depreciation) in capital assets for all activities as of September 30, 2024, is \$8,510,494 compared to \$8,490,727 at September 30, 2023. This is a net increase in capital assets of \$19,767 and is mostly attributable to additions in fiscal year 2024.

Long-term Debt

At September 30, 2024, the City had total bonded debt and contractual obligations outstanding of \$7,039,195. This is a decrease of \$740,234 from the prior year, due to timely principal payments on bonds and contractual obligations.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund had a total positive budget variance before transfers of \$781,899. Revenues had a positive variance of \$659,874 for the year, and expenditures had a positive variance of \$122,025. The difference between actual and budgeted revenues was mainly due to the City experiencing commercial growth that was budgeted for the fiscal year. The difference between actual and budgeted expenditures variance relates mainly to the public safety budgeted in FY24 but not expensed until the beginning of FY25.

WATER AND SEWER BUDGETARY HIGHLIGHTS

The water and sewer fund had a total positive budget variance of \$536,902. Revenues had a positive variance of \$503,725 for the year, and expenditures had a negative variance of \$628,535. Transfers in had a positive variance of \$538,962 from the budgeted amount due to a transfer in of \$627,962. The difference between actual and budgeted revenues was mainly due to City Impact fees and water sales. The difference between actual and budgeted expenditures variance relates mainly to depreciation and sewer expenses.

ECONOMIC FACTORS

The budget reflects the positive financial condition of the City, and the ongoing mission of the Ovilla City Council to provide cost-effect programs and responsive services to enhance the quality of life in Ovilla. The City accomplishes this through the utilization of sound fiscal policy directives and a conservative approach in revenue and expenditure forecasting.

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Ovilla and improving services provided to their public citizens.

City of Ovilla, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2024

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Ovilla, Finance Director, 105 Cockrell Hill, Ovilla, Texas 75154.

BASIC FINANCIAL STATEMENTS

City of Ovilla, Texas
STATEMENT OF NET POSITION
As of September 30, 2024

	Component Units				
	Primary Government			Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
	Governmental Activities	Business-Type Activities	Total		
Assets					
Cash and cash equivalents	\$ 2,940,095	\$ 3,272,826	\$ 6,212,921	\$ 815,166	\$ 293,528
Investments	270,796	-	270,796	-	-
Receivables (net of allowances)	868,959	303,584	1,172,543	51,507	28,051
Inventories	-	30,061	30,061	-	-
Prepaid items and other assets	1,491	3,818	5,309	-	100
Due from component units	99,760	-	99,760	-	-
Internal balances	26,974	(27,309)	(335)	-	-
Restricted assets:					
Cash and cash equivalents	-	4,307,962	4,307,962	-	-
Capital assets (net of acc. depreciation)					
Non-depreciable	411,423	86,700	498,123	350,000	-
Net depreciable capital assets	5,568,217	2,444,154	8,012,371	-	-
Total Assets	10,187,715	10,421,796	20,609,511	1,216,673	321,679
Deferred Outflows of Resources					
Deferred outflows - OPEB	3,602	1,195	4,797	-	-
Deferred outflows - pension	251,621	83,428	335,049	-	-
Total Deferred Outflows of Resources	255,223	84,623	339,846	-	-
Liabilities					
Accounts payable	23,107	369,253	392,360	1,307	-
Escrow payable	56,216	-	56,216	-	-
Accrued wages	68,187	4,856	73,043	-	-
Due to primary government	-	-	-	99,135	625
Customer deposits	-	167,870	167,870	-	-
Interest payable	2,567	-	2,567	-	-
Unearned revenue	-	189,346	189,346	-	-
Compensated absences	223,857	49,917	273,774	-	-
Accrued interest payable		38,385	38,385		
Noncurrent liabilities:					
Total OPEB liability	64,584	21,413	85,997	-	-
Net pension liability	502,627	166,650	669,277	-	-
Debt due within one year	436,882	237,313	674,195	-	-
Debt due in more than one year	1,299,504	4,036,448	5,335,952	-	-
Total Liabilities	2,677,531	5,281,451	7,958,982	100,442	625
Deferred Inflows of Resources					
Deferred charges on refunding	6,124	1,138	7,262	-	-
Deferred inflows - pension	2,722	903	3,625	-	-
Deferred inflows - OPEB	9,973	3,306	13,279	-	-
Deferred lease inflows	1,073,055	-	1,073,055	-	-
Total Deferred Inflows of Resources	1,091,874	5,347	1,097,221	-	-
Net Position					
Net investment in capital assets	4,237,130	2,391,856	6,628,986	-	-
Restricted	982,913	4,191	987,104	-	-
Unrestricted	1,453,490	2,823,574	4,277,064	1,116,231	321,054
Total Net Position	\$ 6,673,533	\$ 5,219,621	\$ 11,893,154	\$ 1,116,231	\$ 321,054

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas
STATEMENT OF ACTIVITIES
For the year ended September 30, 2024

	Net (Expense) Revenue and Changes in Net Position						Component Units	
	Program Revenues			Primary Government			Ovilla 4B	Ovilla
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	Economic Development	Municipal Development
							Corporation	District
Primary Government:								
Governmental activities:								
General government	\$ 2,509,773	\$ 625,555	\$ -	\$ (1,884,218)	\$ (1,884,218)	\$ -	\$ -	\$ -
Public safety	1,528,786	636,395	234,024	(658,367)	(658,367)			
Streets	296,133	-	-	(296,133)	(296,133)			
Cultural and recreational	370,534	-	-	(370,534)	(370,534)			
Solid waste	477,492	386,705	-	(90,787)	(90,787)			
Interest and fiscal charges	20,998	-	-	(20,998)	(20,998)			
Total governmental activities	5,203,716	1,648,655	234,024	(3,321,037)	(3,321,037)	\$ -	\$ -	\$ -
Business-type activities:								
Water and sewer	2,731,035	2,517,325	-	(213,710)	(213,710)			
Total business-type activities	2,731,035	2,517,325	-	(213,710)	(213,710)	\$ -	\$ -	\$ -
Total primary government	\$ 7,934,751	\$ 4,165,980	\$ 234,024	\$ (3,321,037)	\$ (213,710)	\$ (3,534,747)	\$ -	\$ -
Component unit:								
Ovilla 4B Economic Development Corporation	\$ 30,668	\$ -	\$ -			\$ (30,668)	\$ -	\$ -
Economic & municipal development	8,990	-	-				-	(8,990)
Total component unit	\$ 39,658	\$ -	\$ -			\$ (30,668)	\$ -	(8,990)
General Revenues and Transfers:								
Property tax		3,929,243	-	3,929,243	-			
Sales tax		678,734	-	678,734	271,493		155,242	
Franchise tax		184,952	-	184,952				
Miscellaneous		125,214	-	125,214			1,480	
Investment earnings		84,122	33,750	117,872	10,149		2,250	
Proceeds from sale of capital assets		373,945	-	373,945				
Transfers in (out)		(580,462)	627,962	47,500	(47,500)			
Total General Revenues and Transfers	4,795,748	661,712	5,457,460	234,142	158,972			
Change in Net Position								
Beginning Net Position, as restated		1,474,711	448,002	1,922,713	203,474		149,982	
Ending Net Position	\$ 5,198,822	\$ 4,771,619	\$ 9,970,441	\$ 912,757	\$ 171,072			
	\$ 6,673,533	\$ 5,219,621	\$ 11,893,154	\$ 1,116,231	\$ 321,054			

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas

BALANCE SHEET GOVERNMENTAL FUNDS As of September 30, 2024

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,974,946	\$ 616,368	\$ 348,781	\$ 2,940,095
Investments	270,796	-	-	270,796
Receivables: (net)				
Property tax	81,069	8,505	-	89,574
Sales tax	103,013	-	25,753	128,766
Leases	650,303	-	-	650,303
Other	316	-	-	316
Prepaid items and other assets	-	400	1,091	1,491
Due from other funds	124,545	2,189	-	126,734
Total Assets	<u>3,204,988</u>	<u>627,462</u>	<u>375,625</u>	<u>4,208,075</u>
Liabilities				
Accounts payable	18,447	-	4,660	23,107
Accrued wages payable	56,216	-	-	56,216
Other accrued liabilities	68,187	-	-	68,187
Total Liabilities	<u>142,850</u>	<u>-</u>	<u>4,660</u>	<u>147,510</u>
Deferred Inflows of Resources				
Unavailable revenues due to property tax and other	78,229	14,358	-	92,587
Leases related	1,073,055	-	-	1,073,055
Total Deferred Inflows of Resources	<u>1,151,284</u>	<u>14,358</u>	<u>-</u>	<u>1,165,642</u>
Fund Balances				
Nonspendable	-	400	756	1,156
Restricted	-	-	-	-
Debt service	-	612,704	-	612,704
Public safety	-	-	(49,536)	(49,536)
Cultural and recreational	-	-	49,536	49,536
Streets	-	-	370,209	370,209
Unassigned	1,910,854	-	-	1,910,854
Total Fund Balances	<u>1,910,854</u>	<u>613,104</u>	<u>370,965</u>	<u>2,894,923</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,204,988</u>	<u>\$ 627,462</u>	<u>\$ 375,625</u>	<u>\$ 4,208,075</u>

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

As of September 30, 2024

Total Fund Balances - Governmental Funds Balance Sheet	\$ 2,894,923
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Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:

Capital and leased assets used in governmental activities are not reported in the funds.	5,979,640
Property taxes receivable and court fines unavailable to pay for current period expenditures are deferred in the fund	92,587
Payables for bond and certificates of obligation principal, lease liability, and subscription liability, which are not due in the current period, are not reported in the funds.	(1,736,386)
Payables for bond interest, which are not due in the current period, are not reported in the funds.	(2,567)
Payables for compensated absences, which are not due in the current period, are not reported in the funds.	(223,857)
Deferred bond refunding losses are not reported in the funds.	(6,124)
The City's proportionate share of the OPEB liability and net pension liability are not reported in the funds.	(567,211)
Deferred resource inflows related to the pension and OPEB plans are not reported in the funds.	(12,695)
Deferred resource outflows related to the pension and OPEB plans are not reported in the funds.	255,223
Net Position of Governmental Activities	<u>\$ 6,673,533</u>

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the year ended September 30, 2024

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property tax	\$ 3,117,567	\$ 776,515	\$ -	\$ 3,894,082
Sales tax	542,988	-	135,746	678,734
Franchise tax	184,952	-	-	184,952
Licenses and permits	507,044	-	-	507,044
Fines and forfeitures	122,190	-	7,161	129,351
Charges for services	982,024	-	9,702	991,726
Miscellaneous	125,214	-	-	125,214
Intergovernmental	20,534	-	-	20,534
Grants and contributions	155,324	-	78,700	234,024
Investment earnings	83,774	348	-	84,122
Total Revenues	5,841,611	776,863	231,309	6,849,783
Expenditures				
Current:				
General government	2,348,266	-	793	2,349,059
Public safety	1,443,890	-	-	1,443,890
Streets and parks	240,500	-	12,400	252,900
Cultural and recreational	176,435	-	-	176,435
Solid waste	420,731	-	-	420,731
Capital outlay	480,690	-	58,875	539,565
Debt service:				
Principal	-	400,000	-	400,000
Interest and fiscal charges	-	25,689	-	25,689
Total Expenditures	5,110,512	425,689	72,068	5,608,269
Excess (Deficiency) of Revenues Over (Under) Expenditures	731,099	351,174	159,241	1,241,514
Other Financing Sources (Uses)				
Transfers in (out)	(94,297)	(407,465)	(78,700)	(580,462)
Proceeds from sale of capital assets	373,945	-	-	373,945
Total Other Financing Sources (Uses)	279,648	(407,465)	(78,700)	(206,517)
Net Change in Fund Balances	1,010,747	(56,291)	80,541	1,034,997
Beginning Fund Balances, as restated	900,107	669,395	290,424	1,859,926
Ending Fund Balances	\$ 1,910,854	\$ 613,104	\$ 370,965	\$ 2,894,923

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATE OF ACTIVITIES For the year ended September 30, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ 1,034,997
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Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	539,565
The depreciation of capital assets used in governmental activities is not reported in the funds.	(410,060)
Certain property tax and court revenues are unavailable in the funds. This is the change in the amounts.	35,161
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	400,000
(Increase) decrease in accrued interest from beginning of period to end of period and amortization of bond premium and discount.	4,691
Some liabilities, including compensated absences, lease liability, and subscription liability are not reported as liabilities in the governmental funds.	(96,605)
Pension and other postemployment benefits net expense are not reported in governmental funds	(33,038)
Change in Net Position of Governmental Activities	\$ 1,474,711

City of Ovilla, Texas
 STATEMENT OF NET POSITION
 PROPRIETARY FUND
 As of September 30, 2024

	Water & Sewer Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 3,272,826
Receivables (net of allowances for doubtful accounts)	
Accounts receivable	303,584
Inventories	30,061
Prepays	3,818
Restricted cash and cash equivalents	4,307,962
Total Current Assets	7,918,251
Noncurrent Assets:	
Capital assets:	
Non-depreciable	86,700
Net depreciable capital assets	2,444,154
Total Noncurrent Assets	2,530,854
	Total Assets 10,449,105
Deferred Outflows of Resources	
Deferred outflows - pension	83,428
Deferred outflows - OPEB	1,195
Total Deferred Outflows of Resources	84,623
Liabilities	
Current Liabilities:	
Accounts payable	369,253
Compensated absences	49,917
Customer deposits	167,870
Due to other funds	27,309
Unearned revenue	189,346
Accrued wages	4,856
Accrued interest payable	38,385
Current portions of long-term debt	237,313
Total Current Liabilities	1,084,249
Noncurrent Liabilities:	
Bonds and certificates of obligation payable (net)	4,036,448
Net pension liability	166,650
Total OPEB liability	21,413
Total Noncurrent Liabilities	4,224,511
	Total Liabilities 5,308,760
Deferred Inflows of Resources	
Deferred charges on refunding	1,138
Deferred inflows - pension	903
Deferred inflows - OPEB	3,306
Total Deferred Inflows of Resources	5,347
Net Position	
Net investment in capital assets	2,391,856
Restricted	4,191
Unrestricted	2,823,574
Total Net Position	\$ 5,219,621

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 NET POSITION - PROPRIETARY FUND
 For the year ended September 30, 2024

	Water & Sewer Fund
<u>Operating Revenues</u>	
Water service	\$ 1,352,840
Sewer service charges	627,785
Impact fees	238,436
Infrastructure improvement fees	98,542
Grant	90,946
Miscellaneous	108,776
Total Operating Revenues	2,517,325
<u>Operating Expenses</u>	
Water administration	245,579
Water production	1,006,455
Sewer	996,051
Depreciation	241,679
Miscellaneous	241,271
Total Operating Expenses	2,731,035
Operating Income (Loss)	(213,710)
<u>Nonoperating Revenues (Expenses)</u>	
Investment earnings	33,750
Total Nonoperating Revenues (Expenses)	33,750
Transfers in (out)	627,962
	627,962
	Change in Net Position
Beginning Net Position, as restated	4,771,619
Ending Net Position	\$ 5,219,621

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the year ended September 30, 2024

	Water & Sewer Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 2,287,122
Cash Payments to Suppliers for Goods and Services	(2,065,277)
Cash Payments to Employees for Services	(183,729)
Net Cash Provided (Used) by Operating Activities	38,116
Cash Flows from Non-capital and Related Financing Activities:	
Transfers from Other Funds	627,962
Net Cash Provided (Used) by Non-Capital & Related Financing Activities	627,962
Cash Flows from Capital and Related Financing Activities:	
Principal and Interest Paid	(230,743)
Acquisition or Construction of Capital Assets	(157,527)
Net Cash Provided (Used) by Capital and Related Financing Activities	(388,270)
Cash Flows from Investing Activities:	
Interest on Short-Term Investments	33,750
Net Cash Provided (Used) by Non-Capital & Related Financing Activities	33,750
Net Increase (decrease) in Cash, Cash Equivalents and Restricted Cash	311,558
Cash, Cash Equivalents and Restricted Cash at Beginning of the Year	
Unrestricted Cash and Cash Equivalents	2,979,225
Restricted Cash and Cash Equivalents	4,290,005
	7,269,230
Cash, Cash Equivalents and Restricted Cash at End of the Year	
Unrestricted Cash and Investments	3,272,826
Restricted Cash	4,307,962
	\$ 7,580,788
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (213,710)
Depreciation and Amortization	241,679
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables and unbilled revenue	(230,203)
Decrease (Increase) in Inventories	(4,110)
Decrease (Increase) in Deferred Outflows of Resources	78,307
Increase (Decrease) in Accounts Payable	126,995
Increase (Decrease) in Deferred Inflows of Resources	(4,811)
Increase (Decrease) in Accrued Liabilities	83,330
Increase (Decrease) in Customer Deposits	14,982
Increase (Decrease) in Net Pension Liability	(65,362)
Increase (Decrease) in Total OPEB Liability	11,019
Total Adjustments	251,826
Net Cash Provided (Used) by Operating Activities	\$ 38,116

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2024

I. SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Government-wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The City of Ovilla, Texas (the City) was incorporated as a Type A general law municipality in 1963 under the provisions of Chapter 11 Title 28; Texas revised civil statutes of 1925. The City operates under a Mayor/Council form of government. The City provides such services as are authorized by the Texas Local Government Code to advance the welfare, health, comfort, safety, and convenience of the City and its inhabitants.

The accounting policies of the City conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard-setting body for governmental entities. The notes to the financial statements are an integral part of the City's financial statements.

The City's (primary government) financial statements include its component units. The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that financial statements include all organizations, activities, functions, and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Accordingly, the City has included the following:

Discretely Presented Component Units

The Corporation and District described below are included in the City's reporting entity because the City appoints the governing body and are fiscally dependent on the City. The Corporation and District are reported as discretely presented component units since the governing body is not substantively the same as the governing body of the City, and they provide services to the citizens of Ovilla, and the surrounding area as opposed to only the primary government. To emphasize that they are legally separate from the City, they are reported in separate columns in the financial statements.

The Ovilla 4B Economic Development Corporation was created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended, and is responsible for collecting and disbursing the one-half percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City.

City of Ovilla, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

The City can impose its will on the Corporation by significantly influencing the program, projects, activities, or level of service performed by the Corporation. The Corporation is presented as a governmental fund type and has a September 30 fiscal year-end.

Ovilla Municipal Development District was created in accordance with Chapter 377 of the Texas Local Government Code and is responsible for collecting and disbursing the one-quarter percent sales tax to be used for municipal development within the City. The members of the District's board are appointed by the City. The City can impose its will on the District by significantly influencing the program, projects, activities, or level of service performed by the District. The District is presented as a governmental fund type and has a September 30 year-end.

Separate financial statements for the Corporation and District are not issued.

Basis of Presentation – Government-wide

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and proprietary fund.

The two discretely presented component units, Ovilla 4B Economic Development Corporation and Ovilla Municipal Development District, are shown in separate columns in the government-wide financial statements.

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

C. Basis of Presentation – Fund Financial Statements

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

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 Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The City reports the following major enterprise fund:

The Water and Sewer Fund operates the water distribution system and the wastewater collection system.

During operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

City of Ovilla, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

D. Measurement Focus, Basis of Accounting, and Basis of Presentation

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

The government-wide financial statements 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.

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

Property taxes, franchise taxes, sales 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services.

City of Ovilla, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

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

E. Budgetary Policy and Control

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. For management purposes, the City adopts budgets for all funds. An annual budget is legally adopted by the General Fund, Debt Service Fund, and Water and Sewer Fund. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is within a fund. Budgeted amounts presented are the original adopted budget and the budget as further amended by the City Council (if amended).

Continuing Appropriations

The unexpended and unencumbered appropriations, which are available and recommended for continuation to the following fiscal year, are approved by the City Council for carryover. These commitments are reported as a designation of fund balance. Encumbered appropriations lapse at year-end but are recommended to the City Council for carryover. There were no unexpended and unencumbered appropriations at year-end.

F. Use of Estimates

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

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

1. Deposits and investments

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

Nonnegotiable certificates of deposit are carried at amortized cost. The government investment pools, TexPool and TexSTAR operate in accordance with state laws and regulations. Investments in external pools are carried at either net asset value or amortized cost, as determined by each pool's individual investment valuation method and whether there is a readily determinable fair value of the pool as of the City's fiscal year-end. In instances where pools transact at amortized cost, such as TexPool, no readily determinable fair value is deemed available.

City of Ovilla, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

2. 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 the interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

All other outstanding balances between funds are reported as “due to/from other funds.” 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 trade receivables are shown net of an allowance for uncollectible accounts. Water and sewer accounts receivable in excess of 120 days and available customer deposits comprise the allowance for uncollectible accounts.

3. Property taxes

The appraisal of property within the City is the responsibility of the Ellis and Dallas County Appraisal Districts as required by legislation passed by the Texas Legislature. Each Appraisal District is required under such legislation to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The City’s property tax is levied and recorded as a receivable each October 1, on the assessed value listed as of the prior January 1, for all real and business property located in the City. Taxes are delinquent on February 1 following the October 1 levy date. A statutory lien becomes effective on all property with unpaid taxes as of January 1 of the year following the assessment.

4. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Subscription Asset

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

City of Ovilla, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

6. Capital assets

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB-34, depreciation policies were adopted to include useful lives and classification by function. Infrastructure assets are listed at estimated or actual historical costs. General capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in governmental-type activities. Donated capital assets are valued at their estimated fair market value on the date of donation. The City uses the following criteria to classify capital assets:

Useful life exceeds one year, and cost equals \$5,000 or more for assets acquired by governmental funds. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation and amortization of capital assets are estimated using the straight-line method over estimated useful lives and are charged as an expense against operations. Accumulated depreciation and amortization are reported for governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Buildings	30 – 50 years
Improvements	5 – 40 years
Machinery and equipment	3 – 15 years
Infrastructure	10 – 40 years

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. A deferred outflow of resources is reported for deferred pension and OPEB balances which are amortized over future periods.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from several sources, including, property taxes, court fines, and special assessments. A deferred inflow of resources is also reported for deferred pension and OPEB balances which are amortized over future periods.

City of Ovilla, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

The government reports deferred charges on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred as an outflow or inflow and amortized over the shorter of the life of the refunded or refunding debt.

8. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits. No liability is reported for unpaid accumulated sick leave. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. Upon separation from the city, employees will be paid for their accrued and unused vacation pay benefits earned in the year.

Sick leave accrues to eligible employees will be paid for their specified maximums, including the maximum number of hours that can be carried from the previous year. Accumulated sick leave lapses when employees leave the employ of the City and, upon separation from service, no monetary obligation exists.

9. Subscription Liability

The City contracts for noncancellable subscriptions of information technology software. The City recognizes a subscription liability and an intangible subscription asset (subscription asset) in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more. At the commencement of a subscription, the City measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

10. Unearned Revenue

Funds received in advance for which all eligibility requirements have not been met are considered unearned revenue.

11. Long-term obligations

In the government-wide financial statements, and proprietary fund type 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, as well as issuance costs, 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 discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. 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.

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12. Leases

Lessor

The City is a lessor for noncancelable leases of property. The City 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 the 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 judgements related to leases include how the City determines (1.) the discount rate it uses to discount the expected lease receipts to present value, (2.) the lease term, and (3.) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases, unless there is a stated interest rate in the lease.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed payments from the lessee, variable payments from the lessee that are fixed in substance or that depend on an index or a rate, residual value guarantee payments from the lessee that are fixed in substance, and any lease incentives that are payable to the lessee.

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

Lessee

The City recognizes a lease liability and intangible right-to-use lease assets in the government-wide and proprietary funds financial statements.

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 right-to-use assets were 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 right-to-use assets are 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 noncancelable 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.

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The City monitors changes in circumstances that would require a re-measurement of its leases and will remeasure the lease assets and liabilities 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.

13. 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

14. Fund balance flow assumptions

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 balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

15. Fund balance policies

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable fund balances category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted fund balances are reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the City Council. Those committed 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 (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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Assigned amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts in the General Fund represent intended uses established by the City Council.

Unassigned fund balances are the residual classification for the General Fund and include all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classifications are used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

I. Revenues and Expenditures/Expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds operating and non-operating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund are charges to customers for sales and services. The Water Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

J. Pension and Other Post-Employment Benefits (OPEB)

The City has a retirement (pension) post-employment benefits plan with Texas Municipal Retirement System (TMRS) covering substantially all employees. It is the City's policy to record the cost for such plan on the accrual basis (see Note IV).

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.

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage.

The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan.

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For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

K. GASB Pronouncements Implemented by the City

The GASB has issued the following statements:

GASB Statement No. 99, Omnibus 2022, enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain provisions of Statement No 99 are effective upon issuance, while other provisions are effective for fiscal years beginning after June 15, 2022, or 2023. The City has determined that the provisions applicable to the City have no impact on the City's financial statements.

GASB issued Statement No. 100, "Accounting Changes and Error Corrections-Amendment of GASB Statement No. 62," which prescribes the accounting and financial reporting for each type of accounting change and error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating the prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement are effective for reporting periods beginning after June 15, 2023. The City has seen no impact from implementing this statement.

GASB issued Implementation Guide No. 2023-1, "Implementation Guidance Update—2023" to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide apply to the financial statements of all state and local governments unless narrower applicability is specifically provided for in the pronouncement addressed by a question and answer. This Implementation Guide amends Implementation Guide No. 2019-3, Leases, Question 4.16, and Implementation Guide No. 2021-1, Implementation Guidance Update—2021, Question 4.13. The requirements of this Implementation Guide are effective for fiscal years beginning after June 15, 2023, and reporting periods thereafter. The City has seen no impact from implementing this statement.

GASB issued Statement No. 101, "Compensated Absences," that clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2023. The City is evaluating the impact that adoption of this Statement on its financial statements.

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GASB issued Statement No. 102, "Certain Risk Disclosures," that clarifies the definitions & disclosure guidance for risks due to concentration or constraint. The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources and a constraint as a limitation imposed by an external party or formal action of the government's highest level of decision-making authority. The Statement requires the government to assess whether a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact, and whether an event associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin within the 12 months after the date the financial statements are issued. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2024. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

GASB issued Statement No. 103, "Financial Reporting Model Improvements," that attempts 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 expands requirements for the management discussion & analysis, presentation of proprietary fund statement of revenues, expenses & changes in fund net position, and information related to major component units & budgetary comparisons. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

GASB issued Statement No. 104, "Disclosure of Certain Capital Assets," to clarify the disclosure requirements related to capital assets. This Statement requires separate disclosure of capital assets arising from leases, public-private & public-public partnerships & availability payment arrangements, and subscription-based information technology arrangements, and additional disclosures for capital assets held for sale. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

II. RECONCILIATIONS OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the governmentwide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds. Reconciling items have been presented on the balance sheet of governmental funds in the basic financial statements.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental funds that, "the issuance of long-term debt (e.g., bonds) 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.

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Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” A reconciliation has been presented in the basic financial statements.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Investment Type	Investment Maturities (in Years)	
	Fair Value	Less Than 1 Year
Investments measured at net asset value		
TexSTAR	\$ 8,463	\$ 8,463
Investment measured at net asset value		
TexPool	360	360
Nonnegotiable certificates of deposit	261,973	261,973
Total investments	<u>\$ 270,796</u>	<u>\$ 270,796</u>

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

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

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City’s investment policy requires funds on bank deposit at the depository bank to be collateralized by securities with a collective market value (market value of the principal and accrued interest) of at least 102%. As of September 30, 2024, the market values of pledged securities and FDIC exceeded of bank balances.

TexPool is an external investment pool operated by the Texas Comptroller of Public Accounts and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller has established an advisory board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

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The Texas Short Term Asset Reserve Fund ("TexSTAR") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR use amortized cost rather than fair value to report net position to compute share prices.

Accordingly, the fair value of the position in TexSTAR is the same as the value of TexSTAR shares. There were no limitations or restrictions on withdrawals.

B. Restricted assets

Deposits received that are designated for future periods or restricted for specific purposes are reported as restricted cash. During the fiscal year ended September 30, 2024 for business-type, the City has \$4,307,962 for the Development Agreements. Those amounts are shown as restricted cash in the statement of net position.

The following comprise of restricted assets for business-type at year end:

Business-type Activities

Customer deposits	\$ 167,870
Bond construction account	4,135,901
Infrastructure impact fees	4,191
	<u>\$ 4,307,962</u>

C. Receivables

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

	Governmental Activities			Business-			Component Unit EDC	Component Unit MDD		
	General	Debt		Type Activities	Component Unit EDC					
		Service Fund	Total							
Property taxes	\$ 100,228	\$ 14,174	\$ 114,402	\$ -	\$ -	\$ -	\$ -	\$ -		
Sales taxes	128,766	-	128,766	-	-	51,507	-	28,051		
Leases	648,047	-	648,047	-	-	-	-	-		
Other	39,668	-	39,668	-	-	-	-	-		
Customer accounts	-	-	-	310,301	-	-	-	-		
Allowance	(56,254)	(5,670)	(61,924)	(6,717)	-	-	-	-		
	<u>\$ 860,455</u>	<u>\$ 8,504</u>	<u>\$ 868,959</u>	<u>\$ 303,584</u>	<u>\$ 51,507</u>	<u>\$ 28,051</u>				

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D. Lease Receivable

The City leases a portion of its property to various cell phone companies and businesses who use the space to conduct their operations, the terms of which expire 2025 through 2030. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

The City recognized \$123,463 in lease revenue and \$7,664 in interest revenue during the current fiscal year related to these leases. As of September 30, 2024, the City receivable for lease payments was \$648,563. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2024, the balance of the deferred inflow of resources was \$1,073,055.

In the governmental activities and general fund, a portion of the deferred inflow of resources associated with these leases of \$449,054 represents monies unearned revenue related to a 35-year telecom easement the City granted during fiscal year 2018. The City is amortizing the balance over the life of the easement and will recognize revenue each year on a straight-line basis.

The following is a schedule by year of minimum payments to be received under the City's leases that are included in the measurement of the lease receivable as of September 30, 2024:

Governmental Activities			
Fiscal Year	Principal	Interest	Total
2025	\$ 112,035	\$ 15,418	\$ 127,453
2026	121,391	12,435	133,826
2027	131,336	9,181	140,517
2028	184,767	5,749	190,516
2029	47,992	1,218	49,210
2030	51,042	628	51,670
	<u>\$ 648,563</u>	<u>\$ 44,629</u>	<u>\$ 693,192</u>

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E. Capital Assets

Capital asset activity for the primary government for the year ended September 30, 2024 are as follows:

	Beginning Balances	Increases	Decreases/ Reclasses	Ending Balances
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 397,763	\$ -	\$ (250,728)	\$ 147,035
Construction in progress	13,660	-	-	13,660
Total capital assets not being depreciated	<u>411,423</u>	<u>-</u>	<u>(250,728)</u>	<u>160,695</u>
Capital lease and subscription assets being depreciated				
Buildings	1,619,004	-	(4,778)	1,614,226
Machinery and equipment	3,797,560	376,652	(772,784)	3,401,428
Infrastructure	4,627,646	153,350	-	4,780,996
Right to use lease asset	33,420	-	-	33,420
SBITA assets	97,621	9,563	-	107,184
Total capital assets being depreciated	<u>10,175,251</u>	<u>539,565</u>	<u>(777,562)</u>	<u>9,937,254</u>
Less accumulated depreciation				
Buildings	(383,799)	(69,713)	3,849	(449,663)
Machinery and equipment	(3,225,661)	(127,771)	748,127	(2,605,305)
Infrastructure	(1,067,187)	(175,706)	-	(1,242,893)
Right to use lease asset	(11,697)	(8,362)	-	(20,059)
SBITA assets	(22,609)	(28,508)	-	(51,117)
Total accumulated depreciation	<u>(4,710,953)</u>	<u>(410,060)</u>	<u>751,976</u>	<u>(4,369,037)</u>
Net capital assets being depreciated	5,464,298	129,505	(1,529,538)	5,568,217
Total Capital Assets	<u>\$ 5,875,721</u>	<u>\$ 129,505</u>	<u>\$ (1,780,266)</u>	<u>\$ 5,728,912</u>
Business-Type Activities				
Capital assets, not being depreciated				
Land	\$ 86,700	\$ -	\$ -	\$ 86,700
Total capital assets not being depreciated	<u>86,700</u>	<u>-</u>	<u>-</u>	<u>86,700</u>
Capital assets, being depreciated				
Buildings	119,104	-	-	119,104
Infrastructure	5,917,440	71,232	(6,373)	5,982,299
Machinery and equipment	921,926	86,295	(45,370)	962,851
Total capital assets being depreciated	<u>6,958,470</u>	<u>157,527</u>	<u>(51,743)</u>	<u>7,064,254</u>
Less accumulated depreciation				
Buildings	(47,637)	(3,012)	-	(50,649)
Infrastructure	(4,041,703)	(185,406)	6,373	(4,220,736)
Machinery and equipment	(340,824)	(53,261)	45,370	(348,715)
Total accumulated depreciation	<u>(4,430,164)</u>	<u>(241,679)</u>	<u>51,743</u>	<u>(4,620,100)</u>
Net capital assets being depreciated	2,528,306	(84,152)	(103,486)	2,444,154
Total Capital Assets	<u>\$ 2,615,006</u>	<u>\$ (84,152)</u>	<u>\$ (103,486)</u>	<u>\$ 2,530,854</u>

City of Ovilla, Texas
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Capital asset activity for the discretely presented component units for the year ended September 30, 2024 are as follows:

EDC Activities:	Beginning Balances	Increases	Decreases/ Reclasses	Ending Balances
Capital assets, not being depreciated				
Land	\$ -	\$ 350,000	\$ -	\$ 350,000
Total capital assets not being depreciated	\$ -	\$ 350,000	\$ -	\$ 350,000

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

General administration	\$ 45,500
Fire	43,233
Streets	194,099
Parks and recreation	54,503
Public works	72,725
Total Governmental Activities Depreciation Expense	<u>\$ 410,060</u>

F. Interfund Transfers

Interfund transfers are used to pay an allocation of general and administrative services, contribute toward the cost of capital projects, and for other operational purposes.

	Transfers To Other Funds	Transfers From Other Funds	Net Transfers
	<u>Other Funds</u>	<u>Other Funds</u>	<u>Net Transfers</u>
Governmental Funds:			
General	\$ (47,500)	\$ 141,797	\$ 94,297
Street Maintenance Fund	-	78,700	78,700
Debt Service	-	407,465	407,465
	<u>(47,500)</u>	<u>627,962</u>	<u>580,462</u>
Proprietary Funds:			
Water and Sewer	(627,962)	-	(627,962)
	<u>(627,962)</u>	<u>-</u>	<u>(627,962)</u>
Discretely Presented Component Unit:			
EDC	-	47,500	47,500
	<u>\$ -</u>	<u>\$ 47,500</u>	<u>\$ 47,500</u>

City of Ovilla, Texas
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Due To and Due From between funds during the 2024 year were as follows:

	<u>Due From</u>	<u>Due To</u>	<u>Net</u>
Governmental Funds:			
General	\$ 124,545	-	\$ 124,545
Debt Service	2,593	(404)	2,189
Non Major	335	-	335
	<u>127,473</u>	<u>-</u>	<u>127,069</u>
Proprietary Funds:			
Water and Sewer	3,369	(30,678)	(27,309)
	<u>3,369</u>	<u>(30,678)</u>	<u>(27,309)</u>
Discretely Presented Component Units:			
EDC	-	(99,135)	(99,135)
MDD	-	(625)	(625)
	<u>\$ -</u>	<u>\$ (99,760)</u>	<u>\$ (99,760)</u>

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as due to/from other funds.

G. Unearned Federal Grant Revenue

On March 11, 2021, the American Rescue Plan Act was signed into law and established the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund, which together make up the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program.

In conjunction with this program, the City received \$500,789 in the fiscal years 2021 and 2022. The total unearned federal grant revenue, as of September 30, 2024, is \$189,345.

H. Long-term Debt

The following is a summary of outstanding debt for the year ended September 30, 2024. In general, the City uses the debt service fund to liquidate certain governmental long-term liabilities.

Governmental Activities Debt Issuances:		Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2024
General Obligation Bond	\$ 2,840,000	2022	2028	1.23%	\$ 1,665,496	
Total Governmental Activities Debt Issuances:						<u>\$ 1,665,496</u>
Business-Type Activities Debt Issuances:						
Business-Type Activities Debt Issuances:		Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/2024
General Obligation Bond	\$ 710,000	2022	2028	1.23%	\$ 404,504	
Notes Payable-SIB Loan	\$ 4,000,000	2023	2043	4.26%	\$ 3,869,257	
Total Business-Type Activities Debt Issuances:						<u>\$ 4,273,761</u>

City of Ovilla, Texas
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During the year ended September 30, 2024, the following changes occurred in liabilities reported as governmental and business-type:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bond	\$ 2,065,496	\$ -	\$ (400,000)	\$ 1,665,496	\$ 404,000
Lease liability	21,934	-	(8,573)	13,361	6,564
SBITA liability	73,621	9,563	(25,655)	57,529	26,318
	<u>2,161,051</u>	<u>9,563</u>	<u>(434,228)</u>	<u>1,736,386</u>	<u>436,882</u>
Total OPEB liability	61,896	2,688	-	64,584	-
Net pension liability (asset)	699,765	-	(197,138)	502,627	-
Accrued compensated absences	102,587	223,857	(102,587)	223,857	223,857
Total Governmental Activities:	<u>\$ 3,025,299</u>	<u>\$ 236,108</u>	<u>\$ (733,953)</u>	<u>\$ 2,527,454</u>	<u>\$ 660,739</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Business-Type Activities:					
General obligation bond	\$ 504,504	\$ -	\$ (100,000)	\$ 404,504	\$ 101,000
Notes Payable-SIB Loan	4,000,000	-	(130,743)	3,869,257	136,313
	<u>4,504,504</u>	<u>-</u>	<u>(230,743)</u>	<u>4,273,761</u>	<u>237,313</u>
Total OPEB liability	10,394	11,019	-	21,413	-
Net pension liability (asset)	232,012	-	(65,362)	166,650	-
Accrued compensated absences	7,220	49,917	(7,220)	49,917	49,917
Total Business-Type Activities:	<u>\$ 4,754,130</u>	<u>\$ 60,936</u>	<u>\$ (303,325)</u>	<u>\$ 4,511,741</u>	<u>\$ 287,230</u>

The City of Ovilla issues general obligation bond and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bond have been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

The annual requirements to amortize the City's General Obligation Bond on September 30, 2024, are as follows:

Year	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2025	\$ 404,000	\$ 20,464	\$ 101,000	\$ 4,997	\$ 530,461
2026	414,364	15,472	100,636	3,778	534,250
2027	418,387	10,380	101,613	2,535	532,915
2028	428,746	5,240	101,254	1,279	536,519
Total	<u>\$ 1,665,496</u>	<u>\$ 51,556</u>	<u>\$ 404,504</u>	<u>\$ 12,589</u>	<u>\$ 2,134,145</u>

Texas Department of Transportation is currently widening FM 664/Ovilla Road. In 2023, the City received a long-term loan from the State Infrastructure Bank to fund the relocation of wastewater transmission lines as a result of the road widening.

City of Ovilla, Texas
NOTES TO THE FINANCIAL STATEMENTS
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The annual requirements to amortize business-type activities notes payable outstanding on September 30, 2024, are as follows:

Year	Principal	Interest	Total
2025	\$ 136,313	\$ 164,830	\$ 301,143
2026	142,120	159,023	301,143
2027	148,174	152,969	301,143
2028	154,486	146,657	301,143
2029	161,067	140,076	301,143
2030-2034	914,294	591,421	1,505,715
2035-2039	1,126,353	379,362	1,505,715
2040-2043	1,086,451	118,119	1,204,571
Total	\$ 3,869,257	\$ 1,852,459	\$ 5,721,716

I. Lease Liability

The City leases equipment from various third parties to conduct its operations, the terms of which expire in 2027. The measurement of the lease payable is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

The future principal and interest payments for lease liabilities as of September 30, 2024, are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2025	\$ 6,275	\$ 623	\$ 6,898
2026	6,564	334	6,898
2027	6,797	101	6,898
	\$ 19,636	\$ 1,058	\$ 20,694

J. Subscription Based Information Technology Arrangement (SBITA)

The City has subscription based IT arrangements to conduct its operations, the terms of which expire 2025 through 2027. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any subscription incentives payable.

City of Ovilla, Texas
NOTES TO THE FINANCIAL STATEMENTS
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The future principal and interest payments for subscription liabilities as of September 30, 2024, are as follows:

Fiscal Year	Governmental		
	Principal	Interest	Total
2025	\$ 26,318	\$ 3,023	\$ 29,341
2026	15,315	1,956	17,271
2027	15,896	1,186	17,082
	<u>\$ 57,529</u>	<u>\$ 6,165</u>	<u>\$ 63,694</u>

IV. RETIREMENT COMMITMENTS

Texas Municipal Retirement Systems

A. Plan Description

The City participates as one of 934 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 agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

TMRS's defined benefit pension plan is a tax-qualified plan under Section 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. All eligible employees of the City are required to participate in TMRS.

B. Benefits

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 of 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 benefits in one of seven payment 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.

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

	2023	2022
Inactive employees or beneficiaries currently receiving benefits	22	18
Inactive employees entitled to but not yet receiving benefits	42	40
Active employees	<u>29</u>	<u>30</u>
Total	<u>93</u>	<u>88</u>

City of Ovilla, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age (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 cale year. The contribution rates for the City were 10.83% and 11.82% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$230,688.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 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%
Overall payroll growth	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%

Salary increases were based on a service-related table. The retirement age is based on the experience-based table of rates that are specific to the City's plan of benefits. It was last updated for the 2023 valuation pursuant to an experience study of the period ending 2022. Mortality rates for post-retirement are based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

The pre-retirement members is based on the 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

Effective December 31, 2015, the long-term expected rate of return on TMRS pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation and the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

City of Ovilla, Texas
NOTES TO THE FINANCIAL STATEMENTS
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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 of 2.50%. 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%	6.7%	
Core Fixed Income	6.0%	4.7%	
Non-Core Fixed Income	20.0%	8.0%	
Other Public and Private Markets	12.0%	8.0%	
Real Estate	12.0%	7.6%	
Hedge Funds	5.0%	6.4%	
Private Equity	10.0%	11.6%	
Total	<u>100.0%</u>		

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:

	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2022	\$ 5,248,256	\$ 4,316,479	\$ 931,777
Changes for the year:			
Service Cost	300,057	-	300,057
Interest	354,982	-	354,982
Difference between expected and actual experience	(82,168)	-	(82,168)
Changes of assumptions	(5,149)	-	(5,149)
Contributions - employer	-	200,100	(200,100)
Contributions - employee	-	132,768	(132,768)
Net Investment income	-	500,554	(500,554)
Benefit payments, including refunds of emp. contributions	(278,570)	(278,570)	-
Administration expense	-	(3,178)	3,178
Other changes	-	(22)	22
Net Changes	<u>289,152</u>	<u>551,652</u>	<u>(262,500)</u>
Balance at 12/31/2023	<u>\$ 5,537,408</u>	<u>\$ 4,868,131</u>	<u>\$ 669,277</u>

City of Ovilla, Texas
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2024

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 using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

Current Discount		
1% Decrease	Rate	1% Increase
5.75%	6.75%	7.75%
<hr/> \$ 1,484,124	<hr/> \$ 669,277	<hr/> \$ (239)

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2024, the City recognized pension expense of \$ 230,688. At September 30, 2024, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and actual investment earnings	\$ 106,998	\$ -
Difference in changes of assumptions	43,685	-
Difference between expected and actual economic experience	-	(3,625)
Contributions subsequent to the measurement date	<hr/> 184,366	-
Total	\$ 335,049	\$ (3,625)

\$335,049 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	Deferred Outflow (Inflow) of Resources
2024	\$ 71,567
2025	44,199
2026	73,127
2027	(41,835)
2028	-
Thereafter	-
	<hr/> \$ 147,058

City of Ovilla, Texas

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2024

Other Post-Employment Benefits (OPEB) Plan

A. Plan Description

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

B. Benefits Provided

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 another post-employment benefit (“OPEB”) and is a fixed amount of \$7,500. At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

	2023
Inactive employees or beneficiaries currently receiving benefit	13
Inactive employees entitled to but not yet receiving benefits	8
Active employees	29
Total	50

C. Contributions

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. 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 pre-fund retiree term life insurance during employees’ entire careers.

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

Contribution rates to the SDBF for the City were 0.08% and 0.09% for calendar years 2023 and 2024 respectively. The City’s contributions to the SDBF for the year ended September 30, 2024, were \$1,404 and were equal to the required contributions.

City of Ovilla, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

D. Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2023, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

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

Inflation	2.50%
Overall payroll growth	3.6% to 11.85%, including inflation
Discount rate	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounting for under reporting requirements under 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 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis with scale UMP to account for future mortality improvements. For disabled annuitants, the 2019 Municipal Retirees of Texas mortality tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.77%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

City of Ovilla, Texas
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2024

Changes in Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2022	\$ 72,290
Changes for the year:	
Service cost	4,173
Interest on Total OPEB Liability	2,982
Change of benefit terms	-
Difference between expected and actual experience	3,647
Changes of assumptions or other inputs	4,422
Benefit payments	(1,517)
Net changes	<u>\$ 13,707</u>
Balance at 12/31/2023	<u>\$ 85,997</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

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

1% Decrease	Current Discount Rate	1% Increase
2.77%	3.77%	4.77%
<u>\$ 103,600</u>	<u>\$ 85,997</u>	<u>\$ 72,269</u>

E. 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 \$1,404. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in assumptions	\$ 3,393	\$ -
Differences between expected and actual experience	-	(13,279)
Contributions made subsequent to measurement date	1,404	-
	<u>\$ 4,797</u>	<u>\$ (13,279)</u>

The \$4,797 reported as deferred outflows of resources related to OPEB resulting from changes in assumptions and other inputs will reduce the Total OPEB liability during the year ending September 30, 2025.

City of Ovilla, Texas
NOTES TO THE FINANCIAL STATEMENTS
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The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	Deferred Outflows (Inflows) of Resources
2024	\$ (791)
2025	326
2026	(2,436)
2027	(4,379)
2028	(2,857)
Thereafter	251
	<hr/>
	\$ (9,886)

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, business interruption, errors and omissions, injuries to employees, employee health benefits, and other claims of various natures. The City participates in the Texas Municipal League Intergovernmental Risk Pool (Pool) which provides protection against risks of loss. Premiums are paid to the Pool which retains the risk of loss beyond the City's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's general purpose financial statements.

B. Prior Period Adjustments

Governmental Funds – Prior Period Adjustments

In fiscal year 2024, the City addressed historical reconciling items from previous years, leading to adjustments in the cash balances recorded in the general ledger. Prior to these adjustments, cash was overstated for the General Fund, Fire Department Auxiliary Fund, and the Police Department Auxiliary Fund at prior fiscal year end for the Governmental Funds. This prior period adjustment corrects this error.

Governmental Activities – Prior Period Adjustments

In fiscal year 2024, the City addressed historical reconciling items from previous years, leading to adjustments in the cash balances recorded in the general ledger. Prior to these adjustments, cash was overstated for the General Fund, Fire Department Auxiliary Fund, and the Police Department Auxiliary Fund at prior fiscal year end for Governmental Activities. This prior period adjustment corrects this error.

Business Type Activities – Prior Period Adjustments

In fiscal year 2024, the City conducted an inventory count. The City has various inventory for water and sewer repairs that was not recorded as inventory at prior fiscal year end. This prior period adjustment corrects this error.

City of Ovilla, Texas
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2024

Discretely Presented Component Units—Prior Period Adjustments

In fiscal year 2024, the City addressed historical reconciling items from previous years, leading to adjustments in the cash balances recorded in the general ledger. Prior to these adjustments, cash was overstated for the Ovilla 4B Economic Development and understated for the Ovilla Municipal Corporation at prior fiscal year end for the Discretely Presented Component Units. This prior period adjustment corrects this error.

During the fiscal year ended September 30, 2024, the City Management discovered the following prior period adjustments:

Governmental Fund Description	Debt						Nonmajor Governmental Funds		Remaining
	General Fund	Service Fund	Fire Department	Auxiliary Fund	Police Department	Nonmajor Funds	Total Amount		
Fund Balance, as Originally Reported	\$ 983,960	\$ 669,395	\$ 3,590	\$ 1,965	\$ 290,424	\$ 1,949,334			
Decrease in reconciled cash balance	(83,853)	-	(3,590)	(1,965)	-	-	(89,408)		
Fund Balance, as Restated	<u>\$ 900,107</u>	<u>\$ 669,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,424</u>	<u>\$ 1,859,926</u>			
 Governmental Activities- Government-wide									
	Amount								
Net Position, as Originally Reported	\$ 5,313,816								
Decrease in reconciled cash balance	(89,408)								
Net Position, as Restated	<u>\$ 5,224,408</u>								
 Business-Type Activities Description									
	Amount								
Net Position, as Originally Reported	\$ 4,758,723								
Increases in inventory	12,896								
Net Position, as Restated	<u>\$ 4,771,619</u>								
 Discretely Presented Component Units Activities Description									
	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development Corporation	Total Amount						
Net Position, as Originally Reported	\$ 919,557	\$ 164,272	\$ 1,083,829						
(Decrease)/Increase in reconciled cash balance	(6,800)	6,800	-						
Net Position, as Restated	<u>\$ 912,757</u>	<u>\$ 171,072</u>	<u>\$ 1,083,829</u>						

C. Subsequent Events

The current interlocal agreement between the City and City of Midlothian ("Midlothian") expired on September 30, 2024. The City and Midlothian entered into another interlocal agreement that will provide emergency medical transport services to the City from October 1, 2024, until March 31, 2025, with options for monthly renewals.

Midlothian will offer both Basic and Advanced Life Support services, depending on availability. The City will compensate Midlothian with a base fee of \$60,509 for six months, plus a per capita fee of \$22.29 per resident, adjusted annually based on population estimates.

REQUIRED SUPPLEMENTARY INFORMATION

City of Ovilla, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GENERAL FUND - BUDGET TO ACTUAL

For the year ended September 30, 2024

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Taxes:				
Property tax	\$ 2,794,330	\$ 2,988,400	\$ 3,117,567	\$ 129,167
Sales tax	461,000	590,000	542,988	(47,012)
Franchise tax	175,000	180,000	184,952	4,952
Licenses and permits	249,435	148,750	507,044	358,294
Fines and forfeitures	129,725	146,625	122,190	(24,435)
Charges for services	788,187	914,462	982,024	67,562
Miscellaneous	159,500	168,200	125,214	(42,986)
Intergovernmental	1,100	1,100	20,534	19,434
Contributions and donations	12,000	12,200	155,324	143,124
Investment earnings	25,000	32,000	83,774	51,774
Total Revenues	4,795,277	5,181,737	5,841,611	659,874
Expenditures				
Current:				
General government	2,226,736	2,508,797	2,348,266	160,531
Public safety	1,448,890	1,733,390	1,443,890	289,500
Streets	411,300	388,350	240,500	147,850
Cultural and recreational	177,325	187,000	176,435	10,565
Solid waste	313,500	415,000	420,731	(5,731)
Capital outlays	-	-	480,690	(480,690)
Total Expenditures	4,577,751	5,232,537	5,110,512	122,025
Excess (Deficiency) of Revenues Over (Under) Expenditures	217,526	(50,800)	731,099	781,899
Other Financing Sources (Uses)				
Transfers in (out)	7,500	337,500	(94,297)	(431,797)
Proceeds from sale of capital assets	-	40,000	373,945	333,945
Total Other Financing Sources (Uses)	7,500	377,500	279,648	(97,852)
Net Change in Fund Balances	225,026	326,700	1,010,747	684,047
Beginning Fund Balances, as restated	900,107	900,107	900,107	-
Ending Fund Balances	\$ 1,125,133	\$ 1,226,807	\$ 1,910,854	\$ 684,047

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS -
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS) -
Last Ten Measured Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service Cost	\$ 300,057	\$ 289,131	\$ 272,492	\$ 227,874	\$ 206,345	\$ 196,139	\$ 186,109	\$ 169,345	\$ 152,418
Interest (on the Total Pension Liability)	354,982	315,885	277,281	246,441	225,012	199,433	178,592	158,406	146,343
Difference between expected and actual experience	(82,168)	177,031	131,145	72,513	(14,448)	99,321	38,596	40,946	(33,064)
Change of assumptions	(5,149)	-	-	-	17,779	-	-	-	68,368
Benefit payments, including refunds of employee contributions	(278,570)	(138,005)	(96,657)	(127,831)	(128,138)	(113,964)	(85,146)	(70,894)	(101,887)
Net Change in Total Pension Liability	289,152	644,042	584,261	418,997	306,550	380,929	318,151	297,803	232,178
Total Pension Liability - Beginning	5,248,256	4,604,214	4,019,953	3,600,956	3,294,406	2,913,477	2,595,326	2,297,523	2,065,345
Total Pension Liability - Ending (a)	\$ 5,537,408	\$ 5,248,256	\$ 4,604,214	\$ 4,019,953	\$ 3,600,956	\$ 3,294,406	\$ 2,913,477	\$ 2,595,326	\$ 2,297,523
Plan Fiduciary Net Position									
Contributions - Employer	200,100	199,022	172,325	148,148	129,665	136,171	113,088	93,871	87,584
Contributions - Employee	132,768	140,407	124,102	105,497	94,654	99,975	82,978	75,265	69,779
Net Investment Income	500,554	(324,287)	489,139	255,845	438,791	(83,870)	327,413	143,377	3,054
Benefit payments, including refunds of employee contributions	(278,570)	(138,005)	(96,657)	(127,831)	(128,138)	(113,965)	(85,146)	(70,894)	(101,887)
Administrative Expense	(3,178)	(2,804)	(2,263)	(1,656)	(2,481)	(1,623)	(1,700)	(1,623)	(1,861)
Other	(22)	3,346	15	(65)	(75)	(84)	(86)	(87)	(92)
Net Change in Plan Fiduciary Net Position	551,652	(122,321)	686,661	379,938	532,416	36,604	436,547	239,909	56,577
Plan Fiduciary Net Position - Beginning	4,316,479	4,438,800	3,752,139	3,372,201	2,839,785	2,803,181	2,366,634	2,126,725	2,070,148
Plan Fiduciary Net Position - Ending (b)	\$ 4,868,131	\$ 4,316,479	\$ 4,438,800	\$ 3,752,139	\$ 3,372,201	\$ 2,839,785	\$ 2,803,181	\$ 2,366,634	\$ 2,126,725
Net Pension Liability - Ending (a) - (b)	\$ 669,277	\$ 931,777	\$ 165,414	\$ 267,814	\$ 228,755	\$ 454,621	\$ 110,296	\$ 228,692	\$ 170,798
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.91%	82.25%	96.41%	93.34%	93.65%	86.20%	96.21%	91.19%	92.57%
Covered Payroll	\$ 1,896,692	\$ 1,873,826	\$ 1,772,884	\$ 1,507,100	\$ 1,352,193	\$ 1,272,801	\$ 1,185,406	\$ 1,075,213	\$ 996,849
Net Pension Liability as a Percentage of Covered Payroll	35.29%	49.73%	9.33%	17.77%	16.92%	35.72%	9.30%	21.27%	17.13%

NOTES TO SCHEDULE:

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is presented.

City of Ovilla, Texas
SCHEDULE OF CONTRIBUTIONS TO PENSION PLAN -
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)-
Last Ten Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 230,688	\$ 199,167	\$ 188,460	\$ 175,591	\$ 139,428	\$ 131,837	\$ 119,502	\$ 108,758	\$ 90,963	\$ 76,327
Contributions in relation to the actuarially determined contribution	230,688	199,167	188,460	175,591	139,428	131,837	119,502	108,758	90,963	76,327
Covered payroll	\$ 1,987,497	\$ 1,901,398	\$ 1,867,795	\$ 1,801,336	\$ 1,404,914	\$ 1,368,217	\$ 1,231,768	\$ 1,166,120	\$ 1,040,711	\$ 955,673
Contributions as a percentage of covered payroll	11.61%	10.47%	10.09%	9.75%	9.92%	9.64%	9.70%	9.33%	8.74%	7.99%

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

Valuation Date:

Methods and Assumptions Used to Determine Contribution Rates:

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

Other Information:

Notes There were no benefit changes during the year

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS:

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is presented.

City of Ovilla, Texas
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS -
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS) -
Last Ten Measured Years

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service Cost	\$ 4,173	\$ 7,683	\$ 7,623	\$ 4,823	\$ 3,380	\$ 3,818	\$ 3,083
Interest (on the Total OPEB Liability)	2,982	1,990	1,909	1,932	1,907	1,864	1,782
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	3,647	(2,232)	1,297	5,148	916	(6,229)	-
Changes in assumptions or other inputs	4,422	(38,726)	3,420	12,915	12,356	(3,799)	4,343
Benefit payments	(1,517)	(1,499)	(1,596)	(452)	(406)	(382)	(356)
Net Change in Total OPEB Liability	13,707	(32,784)	12,653	24,366	18,153	(4,728)	8,852
Total OPEB Liability - Beginning	72,290	105,074	92,421	68,055	49,902	54,630	45,778
Total OPEB Liability - Ending (a)	\$ 85,997	\$ 72,290	\$ 105,074	\$ 92,421	\$ 68,055	\$ 49,902	\$ 54,630
Covered Payroll	\$ 1,896,692	\$ 1,873,826	\$ 1,772,884	\$ 1,507,100	\$ 1,352,193	\$ 1,272,801	\$ 1,185,406
Total OPEB Liability as a Percentage of Covered Payroll	4.53%	3.86%	5.93%	6.13%	5.03%	3.92%	4.61%

NOTES TO SCHEDULE OF TOTAL OPEB LIABILITY

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is presented.

OTHER SUPPLEMENTARY INFORMATION

City of Ovilla, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND DEBT SERVICE FUND - BUDGET TO ACTUAL For the year ended September 30, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 469,515	\$ 747,800	\$ 776,515	\$ 28,715
Investment earnings	5	10	348	338
	Total Revenues	469,520	747,810	776,863
Expenditures				
Debt service:				
Principal	490,000	630,743	400,000	230,743
Interest and fiscal charges	38,188	202,561	25,689	176,872
Other Expenses	8,970	-	-	-
	Total Expenditures	537,158	833,304	425,689
Excess (Deficiency) of Revenues Over (Under) Expenditures	(67,638)	(85,494)	351,174	436,668
Other Financing Sources (Uses)				
Transfer in (out)	67,638	85,494	(407,465)	(492,959)
	Total Other Financing Sources (Uses)	67,638	85,494	(407,465)
Net Change in Fund Balances	-	-	(56,291)	(56,291)
Beginning Fund Balances	669,395	669,395	669,395	-
	Ending Fund Balances	\$ 669,395	\$ 669,395	\$ 613,104

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

PROPRIETARY FUND - BUDGET TO ACTUAL

For the year ended September 30, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Water service	\$ 1,157,199	\$ 1,222,450	\$ 1,352,840	\$ 130,390
Sewer service charges	527,200	660,000	627,785	(32,215)
Impact fees	15,000	19,500	238,436	218,936
Infrastructure improvement fees	113,000	111,500	98,542	(12,958)
Grant	-	-	90,946	90,946
Miscellaneous	68,800	150	108,776	108,626
Total Revenues	<u>1,881,199</u>	<u>2,013,600</u>	<u>2,517,325</u>	<u>503,725</u>
Expenditures				
Water administration	282,825	269,600	245,579	24,021
Water production	875,660	1,015,100	1,006,455	8,645
Sewer	817,202	817,800	996,051	(178,251)
Depreciation	-	-	241,679	(241,679)
Miscellaneous	-	-	241,271	(241,271)
Total Expenditures	<u>1,975,687</u>	<u>2,102,500</u>	<u>2,731,035</u>	<u>(628,535)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(94,488)</u>	<u>(88,900)</u>	<u>(213,710)</u>	<u>(124,810)</u>
Other Financing Sources (Uses)				
Investment earnings	-	-	33,750	33,750
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>33,750</u>	<u>33,750</u>
Transfers in (out)	-	89,000	627,962	538,962
	-	89,000	627,962	538,962
Net Change in Fund Balances	<u>(94,488)</u>	<u>(88,900)</u>	<u>448,002</u>	<u>536,902</u>
Beginning Fund Balances	<u>4,771,619</u>	<u>4,771,619</u>	<u>4,771,619</u>	<u>-</u>
Ending Fund Balances	<u>\$ 4,677,131</u>	<u>\$ 4,682,719</u>	<u>\$ 5,219,621</u>	<u>\$ 536,902</u>

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas

NOTES TO SUPPLEMENTARY INFORMATION

September 30, 2024

Individual Nonmajor Governmental Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes.

- Park Impact Fees – This fund is used to account for funds received from an impact fee assessed through new building permits and is used to purchase new park equipment and make improvements to our parks.
- Court Security Fund – This fund accounts for the collection of a municipal court security fee. The proceeds of a fee attached to each conviction are dedicated to securing the municipal court.
- Court Technology Fund – This fund accounts for the collection of a municipal court technology fee. The proceeds of a fee attached to each conviction are dedicated to acquisition of technology that enhances the operation efficiency of the court.
- Fire Department Auxiliary – This fund is used to account for donations to the Fire Department which in turn are spent on education, firefighter awards banquet and community services such as National Night Out and Heritage Day.
- Police Department Special – This fund is used to account for donations to the Police Department which in turn are spent on education, protective equipment, police awards and community services such as National Night Out and Heritage Day.

Street Improvement Fund

- This fund is used to account for the one-half cent Street Improvement Sales tax revenues and expenditures devoted to street repair, mill and overlay, and reconstruction projects.

City of Ovilla, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of September 30, 2024

	Street Maintenance Fund	Park Impact Fund	Court Security Fund	Court Technology Fund	Fire Department Auxiliary Fund	Police Department Auxiliary Fund	Total Nonmajor Governmental Funds
Assets							
Cash and investments	\$ 246,972	\$ 49,201	\$ 35,445	\$ 17,163	\$ -	\$ -	\$ 348,781
Receivables	25,753	-	-	-	-	-	25,753
Other assets	756	335	-	-	-	-	1,091
Total Assets	273,481	49,536	35,445	17,163	-	-	375,625
Liabilities							
Accounts payable	4,660	-	-	-	-	-	4,660
Total Liabilities	4,660	-	-	-	-	-	4,660
Fund Balances							
Nonspendable	756	-	-	-	-	-	756
Restricted	268,065	49,536	35,445	17,163	-	-	370,209
Total Fund Balances	268,821	49,536	35,445	17,163	-	-	370,965
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 273,481	\$ 49,536	\$ 35,445	\$ 17,163	\$ -	\$ -	\$ 375,625

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS
 For the year ended September 30, 2024

	Street Maintenance Fund	Park Impact Fund	Court Security Fund	Court Technology Fund	Fire Department Auxiliary Fund	Police Department Auxiliary Fund	Total Nonmajor Governmental Funds
Revenues							
Sales Tax	\$ 135,746	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,746
Fines and forfeitures	-	-	3,920	3,241	-	-	7,161
Charges for services		9,702	-	-	-	-	9,702
Grants and contributions	78,700	-	-	-	-	-	78,700
Total Revenues	214,446	9,702	3,920	3,241	-	-	231,309
Expenditures							
Current:							
General government	-	-	793	-	-	-	793
Streets and parks	12,400	-	-	-	-	-	12,400
Capital outlays	58,875	-	-	-	-	-	58,875
Total Expenditures	71,275	-	793	-	-	-	72,068
Revenues Over Expenditures	143,171	9,702	3,127	3,241	-	-	159,241
Other Financing Sources (Uses)							
Transfers in (out)	(78,700)	-	-	-	-	-	(78,700)
Total Other Financing (Uses)	(78,700)	-	-	-	-	-	(78,700)
Net Change in Fund Balances	64,471	9,702	3,127	3,241	-	-	80,541
Beginning Fund Balances, as restated	204,350	39,834	32,318	13,922	-	-	290,424
Ending Fund Balances	\$ 268,821	\$ 49,536	\$ 35,445	\$ 17,163	\$ -	\$ -	\$ 370,965

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas
 BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNITS
 As of September 30, 2024

	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
Assets		
Cash and cash equivalents	\$ 815,166	\$ 293,528
Receivables, net	51,507	28,051
Other asset	-	100
Total Assets	<u>866,673</u>	<u>321,679</u>
Liabilities		
Accounts payable	1,307	
Due to primary government	<u>99,135</u>	625
Total Liabilities	<u>100,442</u>	<u>625</u>
Fund Balances		
Unassigned	766,231	321,054
Total Fund Balances	<u>766,231</u>	<u>321,054</u>
Total Liabilities and Fund Balances	<u>\$ 866,673</u>	<u>\$ 321,679</u>

The accompanying notes are an integral part of this statement.

City of Ovilla, Texas

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES

DISCRETELY PRESENTED COMPONENT UNITS

For the year ended September 30, 2024

	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
<u>Revenues</u>		
Sales tax	\$ 271,493	\$ 155,242
Interest income	10,149	2,250
Other income	-	1,480
Total Revenues	281,642	158,972
<u>Expenditures</u>		
Economic development	30,668	-
Municipal development	-	8,990
Capital outlay	350,000	-
Total Expenditures	380,668	8,990
Revenues Over Expenditures	(99,026)	149,982
<u>Other Financing Sources (Uses)</u>		
Transfers in (out)	(47,500)	-
Total Other Financing Sources (Uses)	(47,500)	-
Net Change in Fund Balances	(146,526)	149,982
Beginning Fund Balances, as restated	912,757	171,072
Ending Fund Balances	\$ 766,231	\$ 321,054

The accompanying notes are an integral part of this statement.