AGENDA
City Council Meeting
Tuesday, March 11, 2025
1371 WEST FM 550 - McLENDON-CHISHOLM, TEXAS 75032 6:30 PM

Page

1. CALL TO ORDER
2. INVOCATION AND PLEDGE OF ALLEGIANCE TO U.S. AND TEXAS FLAGS
3. RULES OF DECORUM
4. AGENDA APPROVAL
5. PROCLAMATION
   Celebrating the Service of Dennis Bailey to McLendon-Chisholm
6. CITIZEN COMMENTS
7. STATEMENT FROM THE MAYOR
8. CONSENT AGENDA

8.1.	Consider approval of the Minutes for City Council Meeting - Feb. 25, 2025 (City Administrator) Minutes - CC Meeting Feb. 25, 2025	4 - 9
8.2.	Acknowledge and approve the termination of the license agreement with Blackland Water Supply (City Administrator) 03.11.25 Staff Report - BWS License agreement BWS termination of license agreement	10 - 12
8.3.	Acknowledge and accept the termination of MOU with Blackland Water Supply (City Administrator) 03.11.25 Staff Report - BWS MOU BWS termination of MOU	13 - 15
8.4.	Consider approval of an Ordinance for No Smoking/Vaping in Public Buildings (City Administrator) No Smoking staff report (1) MC No Smoking Ordinance 3.3.2025 Final (1)	16 - 29
8.5.	Consider approving the final plat providing for the development of a wastewater treatment plan on 3.084 acres of land, located generally approximately 2,771 feet Northeast of FM 548 and Mann Road. (City Administrator) Staff Report_Meraki Wastewater Treatment Plant Final	30 - 36

Plat_CC_3.11.25
WW Treatment Plant Plat Application (2)
Meraki WWTP Final Plat (2)

9. ITEMS FOR DISCUSSION AND ACTION

9.1. Discuss and consider acceptance of FY 2024 City Audited Financial Statementss (City Administrator) 37 - 87

Staff Report for 2024 Audited Financial Report
FY24 Audit

9.2. Discuss and consider approving the purchase of an Enterprise Resource Planning System (ERP) for the city. (City Administrator) 88

03.11.25 Staff Report - ERP (1)

9.3. Discuss and consider approval of a CAD Board of Director Resolution providing a nominee to fill the current vacancy of RCAD Board. (City Administrator) 89 - 91

03.11.25 Staff Report - CAD Board appointment
RCAD Resolution

9.4. Discuss and Consider Action regarding a requested Directive to the Council from the City Administrator, as outlined in an email to the mayor dated 2/25/25, that requires councilmembers to take questions or information requests solely to/through the City Administrator or through the City Secretary. (Mayor Pro Tem Tucker)

9.5. Discuss and Consider approval of the Blackland Water Supply Corporation Franchise Fee Ordinance (Mayor Pro Tem Tucker) 92 - 102

BWS staff report (1)
MC Blackland franchise 2.19.25

9.6. Discuss and consider action to Amend the Resolution regarding Agenda Preparation, to wit: Paragraph C, to read "At the beginning of each City Council meeting ***and so indicated on the Council agenda*** just after the Call to Order, the presiding officer of the Council shall afford the Council the opportunity to alter the final order of business for that day's Council agenda. Setting the final order of the agenda shall be accomplished via majority vote and care shall be taken not to deliberate on the agenda items. The presiding officer of the Council meeting shall be required to follow this approved order of the agenda unless a change is deemed necessary and granted via two-thirds (2/3) vote of the City Council." Note: changed text is in italics. (Council Member Day)

9.7. Discuss and consider action on cancelling the 22 April 2025 City Council Meeting as previously scheduled. (Council Member Tucker)

10. COUNCIL MEMBER REPORTS AND ANNOUNCEMENTS

The City Council will have an opportunity to address items of community interest including: expressions of thanks, congratulations, or condolence; information regarding holiday schedules; an honorary or salutary recognition of a public official, public employee, or other citizen; a reminder about an upcoming event organized or sponsored by the City of McLendon-Chisholm; information regarding a social, ceremonial, or community event organized or sponsored by an entity other than the City of McLendon-Chisholm that was attended or is scheduled to be attended by a member of the City Council or an official or employee of the City of McLendon-Chisholm; and announcements involving an imminent threat to the public health and safety of people in the City of McLendon-Chisholm that has arisen after posting the agenda.

11. ADJOURN

As authorized by Section 551.071 of the Texas Government Code, this meeting may be convened into closed Executive Session in order to seek confidential legal advice from the City Attorney on any agenda item herein.

I, Angela Jennings, do hereby certify that the above Notice of Meeting of the City Council of McLendon-Chisholm, Texas was posted or before 5:00 p.m., March 7, 2025 on the outside bulletin board at City Hall, a place convenient and readily accessible to the public at all times.

Minutes
City Council Meeting
Tuesday, February 25, 2025
1371 WEST FM 550 - McLENDON-CHISHOLM, TEXAS 75032 6:30 PM

Present: Mayor Bryan McNeal
Mayor Pro Tem Dan Tucker
Council Member Paul Day
Council Member Jerry Brewer
Council Memer Floyd McLendon
Council Member Michael Easter

Staff: Interim City Administrator Bev Stibbens
City Secretary Angela Jennings
City Attorney Michael Halla
City Planner Asa Woodberry
Fire Chief Jim Simmons
Fire Marshall Eddie Stough

Also Present: Deputy Steven Saric

1. CALL TO ORDER

Mayor Calls the Meeting to order at 6:30 P.M.

2. INVOCATION AND PLEDGE OF ALLEGIANCE TO U.S. AND TEXAS FLAGS

Mr. Halla leads the Council in prayer
Chief Simmons leads the council in both U.S and Texas pledges

3. AGENDA APPROVAL

Motion to approve the agenda order
Made by: Council Member Day
Seconded by: Council Member Easter
Motion passed: Unanimous

4. RULES OF DECORUM

Mayor reminds council and citizens of the Rules of Decorum

5. CITIZEN COMMENTS

Mark Kipphut, 31 Fireside Dr., McLendon-Chisholm, TX 75032
Mr. Kipphut thanks the Fire Department for coming out and helping to change a tire one evening when they needed help. He presented the FD with a card and a check to be used within the Fire Dept however they saw fit as a thank you for coming to the rescue.

Mr. Tom Hritz, 1305 Somerset Lane, Rockwall, TX 75032
Mr. Hritz explained to the Council that for a year, he has been dealing with a late charge from Inframark that he has had no luck resolving but after one conversation with Bev, the issue has been resolved, and he really appreciates it. He also presented her with flowers.

Shari London, 216 Harvest Ridge, McLendon-Chisholm, TX 75032
Speaks on agenda item 7.1 & 7.3. She discusses when franchise fees, according to Texas Code, may be charged and under what circumstances. She believes that the ordinances need to be rescinded, and that council should Stop the pursuit of the franchise fees which will eventually cost the citizens more money.

Dennis London, 216 Harvest Ridge Dr, McLendon-Chisholm, TX 75032
Spoke about his trip in Austin where he is fighting to help cities maintain local control. It is very frustrating to have to come back and find our own city council, taking advantage of that very power. It seems that you do not appreciate the power given to you and the more reckless you are with that power, the more fuel you give Austin to take away that power. He also states that he is appreciative of the outgoing council members and although he might not have agreed with the things they have done, he does hope that when seeing them around the community because they are all still neighbors.

Mayor closes citizens comments at 6:40 pm

6. CONSENT AGENDA

6.1. Consider approving minutes from the Regular City Council Meeting on Feb 11, 2025 (City Administrator)

6.2 Consider approving an ordinance amending Chapter 8, "Offenses and Nuisances" of the City of McLendon-Chisholm Code of Ordinances Ordinances by adding Article 8.09, "Dangerous Buildings and Other Structures", Enacting regulations with respect to substandard, unsecured or Dangerous Buildings or Structures; specifying the Remedies available to the City to obtain compliance with those regulations; Authorizing the City to take certain actions to remedy violations and providing methods by which it can recover its expenses in doing so; enacting civil and criminal penalties for violation of the regulations; providing for a savings and severability clause; providing for a repealing clause; and providing for an effective date. (City Administrator)

6.3 Consider approving an Ordinance of the City of McLendon-Chisholm, Texas, Amending section 3.01.001 of Article 3.01 of Chapter 3, "Building Regulations," of the Code of Ordinances by amending the fee schedule; providing a Repealing Clause; Providing a Savings Clause; Providing a Severability Clause; and Providing for an Effective Date. (City Administrator)

6.4 Consider approving an Ordinance declaring unopposed candidates in the May 3, 2025 General Election elected to office; Canceling the General Election; providing a severability Clause; and providing an Effective Date. (City Administrator)

6.5 Acknowledge and approve the Termination notice from Blackland Water terminating the agreement to supply water to Sonoma Verde Phase 3 and 5. (City Administrator)

Paul Day removes 6.2, 6.3, 6.5 for discussion and makes motion to approve 6.1 and 6.4.
Seconded by: Mayor Pro Tem Tucker
Motion passes: Unanimous

7. ITEMS FOR DISCUSSION

Moved from Items from Consent Agenda

6.2 Consider approving an ordinance amending Chapter 8, "Offenses and Nuisances" of the City of McLendon-Chisholm Code of Ordinances by adding Article 8.09, "Dangerous Buildings and Other Structures", Enacting regulations with respect to substandard, unsecured or Dangerous Buildings or Structures; specifying the Remedies available to the City to obtain compliance with those regulations; Authorizing the City to take certain actions to remedy. (City Administrator)

Motion to approve the Ordinance as written
Made by: Council Member Brewer

Seconded by: Council Member Easter
Motion passes: Unanimous

6.3 Consider approving an Ordinance of the City of McLendon-Chisholm, Texas, Amending section 3.01.001 of Article 3.01 of Chapter 3, "Building Regulations," of the Code of Ordinances by amending the fee schedule; providing a Repealing Clause; Providing a Savings Clause; Providing a Severability Clause; and Providing for an Effective Date.

Motion to approve the Ordinance
Made by: Council Member Easter
Seconded by: Council Member Brewer
Motion passes: Unanimously

6.5 Acknowledge and approve the Termination notice from Blackland Water terminating the agreement to supply water to Sonoma Verde Phase 3 and 5. (City Administrator)

Motion to acknowledge and approve termination notice from Blackland Water and Sonoma Verde Phase 3 & 4
Made by: Council Member Brewer
Seconded by: Council Member Easter

After a short conversation it was decided that this item would be brought Back on March 11 agenda with the agreement attached.

No Action Taken

7.1 Discuss and consider approval of the Franchise Fee Ordinance between City of McLendon- Chisholm and Blackland WSC upon future delivery of water within McLendon-Chisholm city limits. (Mayor Pro Tem Dan Tucker)

Motion made to discuss 7.1 and states that he will postpone for the vote
Made by: Mayor Pro Tem Dan Tucker
Seconded by: Council Member Easter

Mayor Pro tem explains why he wanted this item brought up to the council and after a Short discussion ask that the Item be brought back at the March 11 meeting assuring Council he will have the supporting documents.

Council Member Easter states he would like to know for sure if what Mrs. London stated is correct and would like to know the legalities of imposing the franchise fees.

Mr. Halla states he will investigate the legal issues but also went into some detail on Franchise fees that the city can charge.

Mayor asks Mr. Halla to please check into the issues that were touched on and pointed out that the ordinance was never acted on in 2023 when they were passed.

Mayor Pro Tem ask the this be brought back to the next meeting with the Ordinance.

No Action Taken

7.2 Discuss and consider action on directing staff to seek vendor RFQ in pursuit of future sewer impact fee report and schedule. (Mayor Pro Tem Tucker)

Motion to consider seeking vendor RFQ in pursuit of sewer impact fee.
Made by: Paul Day
Seconded by: Michael Easter
Motion passed: Unanimous

7.3 Discuss and consider approval to instruct City Administrator to forward a Letter of Notification to RCH WSC and High Point SUD designation each in violation of Ordinance 2023-05 (RCH) and Ordinance 2023-06 (High Point), respectively, requiring a 30 day notice to reply prior to pursuing further action (Mayor Pro Tem Tucker)

Motion to send a Letter of Notification
Made by: Mayor Pro Tem Tucker
Seconded by: Council Member Easter

Mayor Pro Tem Tucker explains why he wanted the letter sent and Bev Stibbens, told the Council that the letter had been sent. The Mayor pointed out why the letter had been sent Out. He also states that since it has not been enforced for two years, and in his opinion, the Best way to move forward with a fee would be to start over.

No Action is taken.

7.4 Discuss and consider approving the purchase of an Enterprise Resource Planning System (ERP) for the city. (City Administrator)

Item 7.4 will be moved to March 11, 2025, City Council Meeting.

7.5 Discuss and consider the distribution of Rockwall County Child Safety Funds (City Administrator)

Motion to consider the distribution of Rockwall County Child Safety Funds
Made by: Jerry Brewer
Seconded by: Michael Brewer

Bev Stibbens tells the council it is there choice as to where this goes. After a brief Explanation of where the funds come from and giving the council their choices, council chooses to divide the total between the 5 charities.

Motion to divide the total evenly among the 5 charities.
Made by: Council Member Easter
Seconded by: Paul Day
Motion passes: Unanimously

8. UPDATES, DISCUSSION AND DIRECTION TO STAFF

9. EXECUTIVE SESSION

No Business for Executive Session

10. COUNCIL MEMBER REPORTS AND ANNOUNCEMENTS

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Mr. Brewer gives an update on the upcoming Home Rule Charter Town Hall meetings.

Bev Stibbens reminds people to fill out the City Survey.
She also announces resignation of City Planner, Asa Woodberry

Mayor gave an update on the Austin presence to maintain local government Control. They have been asked to look at and red line documents by the Senators and says he feels they are making headway.

9. ADJOURN

Mayor adjourns meeting at 7:37

I, Angela Jennings, do hereby certify that the above Notice of Meeting of the City Council of McLendon-Chisholm, Texas was posted or before 5:00 p.m., Feb 21, 2025 on the outside bulletin board at City Hall, a place convenient and readily accessible to the public at all times.

City of McLendon-Chisholm

Staff Report

Date: March 11, 2025

Agenda Item: Acknowledge and accept the termination of the license agreement with Blackland Water Supply

Financial Impact: None.

Background: Blackland Water Supply has requested that we acknowledge and approve the termination of the license agreement for Sonoma Verde phases 3 & 5. Taylor Duncan has approved their license agreement being canceled with BWS.

Presenter: Bev Stibbens, City Administrator

TERMINATION OF LICENSE AGREEMENT BETWEEN BLACKLAND WATER SUPPLY CORPORATION AND THE CITY OF MCLENDON-CHISHOLM, TEXAS

Pursuant to section 5 of the License Agreement between Blackland Water Supply Corporation and the City of McLendon-Chisholm, Texas entered into on October 26, 2023 by and between Blackland Water Supply Corporation and the City of McLendon-Chisholm, Texas (the "License"), the parties hereby mutually agree to terminate the License. Upon the parties' signatures below, the License will be terminated and have no further force or effect.

BY THE SIGNATURES BELOW, the parties mutually agree to terminate the License.

Blackland Water Supply Corporation

By: ______________________
Scott Muckensturm, General Manager

STATE OF TEXAS §
§
ROCKWALL COUNTY §

SWORN TO AND SUBSCRIBED BEFORE ME on this 24th day of January, 2025.

STACIE J WILLIAMS
Notary ID #125780699
My Commission Expires
July 31, 2026

____
Notary Public in and for the State of Texas

My Commission Expires: July 31, 2025

City of McLendon-Chisholm, Texas

By: ______________________________
[to be added]

STATE OF TEXAS §
§
________ COUNTY §

SWORN TO AND SUBSCRIBED BEFORE ME on this ____ day of January, 2025.

____
Notary Public in and for the State of Texas

My Commission Expires: _____________

City of McLendon-Chisholm

Staff Report

Date: March 11, 2025

Agenda Item: Acknowledge and accept the termination of the memorandum of understanding with Blackland Water Supply

Financial Impact: None.

Background: Blackland Water Supply has requested that we acknowledge and approve the termination of the memorandum of understanding for Sonoma Verde phases 3 & 5. Taylor Duncan has approved their license agreement with BWS.

Presenter: Bev Stibbens, City Administrator

TERMINATION OF MEMORANDUM OF UNDERSTANDING REGARDING A WHOLESALE WATER SUPPLY AGREEMENT BETWEEN THE CITY OF MCLENDON-CHISHOLM AND BLACKLAND WATER SUPPLY CORPORATION

Pursuant to sections 3, 6, and 10 of the Memorandum of Understanding Regarding a Wholesale Water Supply Agreement Between the City of McLendon-Chisholm and Blackland Water Supply entered into on January 24, 2024 by and between Blackland Water Supply Corporation and the City of McLendon-Chisholm, Texas (the "MOU"), the parties hereby mutually agree to terminate the MOU. Upon the parties' signatures below, the MOU will be terminated and have no further force or effect.

BY THE SIGNATURES BELOW, the parties mutually agree to terminate the MOU.

Blackland Water Supply Corporation

By: ______________________
Scott Muckensturm, General Manager

STATE OF TEXAS §
§
ROCKWALL COUNTY §

SWORN TO AND SUBSCRIBED BEFORE ME on this 24th day of January, 2025.

STACIE J WILLIAMS
Notary ID #125780699
My Commission Expires
July 31, 2026

____
Notary Public in and for the State of Texas

My Commission Expires: July 31, 2026

City of McLendon-Chisholm, Texas

By: ______________________________
[to be added]

STATE OF TEXAS §
§
________ COUNTY §

SWORN TO AND SUBSCRIBED BEFORE ME on this ____ day of January, 2025.

____
Notary Public in and for the State of Texas

My Commission Expires: ____________

City of McLendon-Chisholm

Staff Report

Date: March 11, 2025

Agenda Item: Approve ordinance for no smoking/vaping in public buildings

Financial Impact:

Background: Many cities in the state of Texas have put this ordinance in place for health and safety reasons. With the increase of commercial/retail proposed for our city I strongly encourage the council to consider this ordinance.

Presenter: Bev Stibbens, City Administrator

ORDINANCE NO. ______

AN ORDINANCE OF THE CITY OF MCLENDON-CHISHOLM, TEXAS, AMENDING CHAPTER 8, "OFFENSES AND NUISANCES," OF THE CITY OF MCLENDON-CHISHOLM CODE OF ORDINANCES BY ADDING ARTICLE 8.10, "SMOKING AND VAPING," ENACTING REGULATIONS WITH RESPECT TO SMOKING OR VAPING IN PUBLIC PLACES; SPECIFYING REQUIRED SIGNAGE; ENACTING CIVIL AND CRIMINAL PENALTIES FOR VIOLATION OF THE REGULATIONS; PROVIDING FOR A SAVINGS AND SEVERABILITY CLAUSE; PROVIDING FOR A REPEALING CLAUSE; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, there is a substantial body of evidence which reveals that the smoking of tobacco is a positive danger to health and a material annoyance, inconvenience, discomfort and a health hazard to those who are present in confined spaces; and

WHEREAS, Section 48.01 of the Penal Code of the State of Texas prohibits the possession of a burning tobacco product or the smoking f tobacco in the facility of a public primary or secondary school or an elevator, enclosed theater or movie house, library, museum, hospital, transit system bus, or intrastate bus, plane, or train which is a public place; and

WHEREAS, there exists Other enclosed public places and places of employment wherein the possession of a burning tobacco product or the smoking of tobacco is not regulated by the laws of the State of Texas.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS, THAT:

SECTION 1. The recitals set forth above arc hereby found to be true and correct and are incorporated into the body of this Ordinance for all purposes as if fully set forth herein.

SECTION 2. That Chapter 8, "Offenses and Nuisances", is hereby amended to add Article 8.10, "Smoking and Vaping", and which Article shall read as follows:

"…

Chapter 8. OFFENSES AND NUISANCES

…

8.10. Smoking and Vaping

Section 8.10.001. Definitions.

The following words and phrases, whenever used in this chapter, shall be construed as defined in this section:

A. "Administrative Area" shall mean any enclosed indoor area. under the control of an employer, to which employees, but not the general public, except by specific invitation, have access to during the course of employment. including, but not limited to, work areas, employee lounges, employee restrooms, conference rooms, and employee cafeterias.

B. "Adult's Only Establishment" shall mean any place of business that limits its customers to individuals 8 years of age or older and that employees no one below the age of 18. Businesses of this category may include restaurants, bars, sports bars, billiard halls, bingo parlors, retail tobacco shops or Other comparable businesses.

C. "Air Barrier" shall mean a system that creates an air curtain to prevent the drift or penetration of tobacco smoke from a smoking area to a non-smoking area not a allowing drift Or penetration from the ceiling down to 24 inches above the floor.

D. "Air Purification System" shall mean an electrically powered hospital grade, hepa media filter that will clean all of the air in a designated smoking area every 15 minutes as follows: not less than 95 percent of three tenths (0.3) micron particulates efficiency including dust. smoke, pollen, mold spores, bacteria, tobacco smoke, viruses, and allergens and not less than 95 percent removal of gases, vapors, volatile organic compounds (V .O.C.) and Odors and contains an air barrier system or other barrier system if required by a licensed professional engineer, to prevent air from the smoking area from being drawn across the non-smoking area.

E. "Bar" shall mean an establishment licensed by the State of Texas for the sale of alcoholic beverages that derives more than 75% of the establishment's gross revenue from the on-premise sale Of alcoholic beverages for on-premise consumption. For the purposes of this definition, gross revenue shall be calculated using the total amount Of gross revenue received from the sale of alcoholic beverages and from the sale Of food by the establishment for the preceding 12-month period. Such establishments shall make available to the city or its agents, during reasonable hours, its books and records for inspection if required by the city.

F. "Billiard Hall" shall mean a place Of amusement whose chief purpose is providing the use of billiard/pool tables to the public.

G. "Bingo Parlor" shall mean a facility regulated under V.C.S., Article 1 79d “Bingo Enabling Act,"

H. "Bus" shall mean every motor vehicle designed for carrying more than 10 passengers and used for the transportation of persons, and every motor vehicle, other than a taxicab, designed and used for the transportation of persons for compensation.

I. "Business" shall mean any sole proprietorship, partnership, joint venture, corporation, or Other business entity formed for profit-making Or non-profit purposes, including but not limited to, banks, laundromats, hotels, motel, retail establishments, professional corporations, and other entities where legal, medical. dental, engineering, architectural or other professional services are delivered.

J. "City" shall mean the City of McLendon-Chisholm.

K. "Eating Establishment" shall mean any place where food is served for on-premises consumption, and which is accessible by the public or a substantial group of the public.

L. "Electronic smoking device" means any device with a heating element, battery, or electronic circuit that delivers nicotine or any other substance intended for human consumption by inhalation. The term includes every variation and type of such device whether manufactured, distributed, marketed, or sold as an electronic cigarette, an electronic cigar, an electronic cigarillo, an electronic pipe, an electronic hookah, vaping device, or any other product name or descriptor, and any aerosol, liquid, or vapor used in such a device."

M. "Employee" shall mean any person, partnership, corporation, municipal corporation, non-profit entity, or other entity who employs the services of one or more individual persons.

N. "Employer" shall mean any person who employs the services of an individual person.

N. "Enclosed Area" shall mean an area closed in by a roof and walls with appropriate openings for ingress and egress.

O. "Health Facility" shall mean any institution that provides medical, surgical, and overnight facilities for patients, including, but not limited to, hospitals, clinics, physical therapy facilities, doctors' offices, dentists' offices, nursing homes, adult care facilities, convalescent homes, and residential treatment centers/homes.

P. "Major Renovation" shall mean changing the amount of floor space in a building by One third (1/3).

Q. "Minor" shall mean any person under 1 8 years of age.

R. "Net Floor Area" shall mean the total floor area of the interior of an eating establishment, excluding the kitchen, restrooms, storage areas, and offices.

S. "Person" shall mean any individual, partnership, cooperative, association, corporation, or venture.

T. "Physical Barrier" Shall mean a barrier that will form an effective membrane continuous from outside wall to outside wall, from a smoke barrier to a smoke barrier, from floor to floor or roof above, or a combination thereof, including continuity through all concealed spaces, such as above suspended ceilings, interstitial structural and mechanical spaces. Transfer grilles, louvers and similar openings shall not be used in these partitions. Self-closing, tight fitting doors are permitted in such barriers.

U. "Place of Employment" shall mean any enclosed area under the control of an employer including but not limited to work areas, employee lounges, restrooms, conference rooms, classrooms, employee cafeterias and hallways. A private residence shall not be considered a place of employment.

V. "Portable Air Purification System" shall mean a portable electrically powered hospital grade, hepa media filter that will clean all of the air in a designated smoking area every 15 minutes as follows: not less than 95 percent of three tenths (0.3) micron particulates efficiency including dust, smoke, pollen. mold spores, bacteria, tobacco smoke, viruses and allergens and not less than 95 percent removal of gases, vapors, volatile organic compounds (V.O.C.) and odors.

W. "Private Club" shall mean any building, premise or portion thereof which is permitted by the State and allowed by special use permit by the City as a private club for the storing, possession, and dispensing for on-premises consumption of alcoholic beverages. However, 'Vivate club" does not include a premise operated by an organization which is not available to and not customarily used by the general public and entry and privileges thereto are established by regulations that are created by an organization distinct from a Texas Alcohol and Beverage private club membership.

X. "Private Function" shall mean the rental of a ballroom, restaurant, private club, or other facility for the sole purpose of entertaining, private parties, events, or other social functions.

Y. "Public Business" shall mean any deliberation between a quorum of members of any board, commission, department, committee or agency within the executive or legislative department of the State of Texas, or the City Council or any Board or Commission of the City of McLendon-Chisholm at which any public business or public policy is discussed or considered or at which any formal action is taken.

Z. "Public Place" shall mean any enclosed area in which the public is invited or permitted, including, but not limited to, banks, educational facilities, health facilities, laundromats, public transportation facilities, reception areas, restaurants, marketing establishments, retail service establishments, retail stores, theaters, and waiting rooms. A private residence is not a "public place," nor is a facility while it is being used for a private function, such as a reception, party, etc. Private clubs are not considered a "public place."

AA. "Restaurant" shall mean any place where food is manufactured, packaged, produced, processed, transported, stored, sold, commercially prepared, vended, or otherwise handled. The term includes any such place regardless of the duration of the permit or whether there is a charge for the food. The term includes, but is not limited to. a coffee shop, cafeteria, sandwich shop, private or public school cafeteria, and any Other eating establishment that gives or offers food to the public, guests, or employees, including catering facilities. The term shall not include a cocktail lounge or tavern if said cocktail lounge or tavern is a "baf' as defined in this section. The term does not include private homes where food is prepared or served for guests and individual family consumption.

BB. "Retail or Service Establishment" shall mean any establishments which sells goods or services to the general public.

CC. "Retail tobacco store means any retail establishment utilized primarily for the sale of tobacco products, electronic smoking devices, and related accessories in which the sale of other products, including food and beverages, does not exceed 40 percent of gross revenues." "Sell" shall mean to offer for sale, convey, exchange, barter, or trade.

DD. "Service Line" shall mean any indoor line or area where persons wait for goods or service of any kind, regardless of whether or not an exchange of money will occur. Such service includes, but is not limited to, sales, giving of information, directions, advice, and the transfer of money or goods.

EE. "Smoking" means inhaling, exhaling, burning, or carrying any lighted cigar, cigarette, pipe, hookah, electronic smoking device, or any other lighted tobacco product, plant material, or other combustible substance."

GG. "Sports Arena" shall mean sports pavilions, gymnasiums, health spas, boxing arenas, swimming pools, roller and ice rinks, and other similar places where members of the general public assemble either to engage in physical exercise, participate in athletic competition or witness sports events.

HH. “Tobacco Product" shall mean any tobacco, cigarette, cigar, pipe tobacco, smokeless tobacco, snuff, or any other form of tobacco, which may be utilized for smoking, chewing, inhalation or other manner of ingestion Or absorption.

II. "Tobacco Shop" shall mean a retail establishment whose annual gross revenues from the sale of tobacco products and smoking accessories are at least 50 percent of total revenue.

JJ. "Tobacco Vending Machine" shall mean any mechanical, electric or electronic self-serving device which, upon insertion of money, tokens, Or any other form of payments, dispenses tobacco products.

KK. "Valid Identification" shall mean a valid driver's license or an identification card issued by the Department of Public Safety which contains a physical description and a photograph consistent with the person's appearance. The proof of identification may include a driver's license issued by Texas or another State, a passport, or an identification card issued by a State or the Federal government.

LL. "Ventilation System" shall mean an HVAC system designed by a licensed professional engineer to meet the requirements of this ordinance and all other requirements of the City's building code. A ventilation system must provide an air change every 15 minutes; exhaust the air to the exterior of the building and the air from the smoking area cannot be drawn across the non-smoking area; and has an air barrier system, if required by a licensed professional engineer, to prevent air from the smoking area from being drawn across the non-smoking area.

MM. "Workplace" shall mean any enclosed area of a structure, or portion thereof, intended for occupancy by employees who provide primarily clerical, professional or business services of a business entity, or which provide primarily clerical, professional or business services to other business entities Or to the public at that location.

Section 8.10.002

Smoking Prohibited — Public Places.

A. City Owned Buildings:

All enclosed buildings owned or leased by the City of McLendon-Chisholm shall be designated nonsmoking with no designated smoking section.

B. Places Where Smoking is Prohibited:

A person commits an offense if he smokes or possesses a burning tobacco, weed, or other plant product in any of the following indoor or enclosed areas:

1. Public or private schools.
2. City buildings.
3. Public elevators and stairwells.
4. Buses, taxi cabs, and other means of public transportation.
5. All boarding and waiting areas of public transit depots.
6. Public restrooms, lobbies, reception areas, hallways and any other common use
7. Service lines and waiting queues, whether indoor or outdoor.
8. Retail or service establishments.
9. Businesses, including all areas available to and customarily used by the general public.

10. Aquariums, galleries, libraries, and museums.

11. Day care centers, except that day care centers that are also private homes shall be considered private residences when the children or adults receiving care have gone home.

12. Every publicly or privately owned theater, auditorium or Other enclosed facility which is Open to the public for the primary purpose of exhibiting any motion picture, stage drama, musical recital, athletic event or any other performance or event, except when smoking is part of a stage production.

13. Any portion of any publicly or privately owned area to which the public has access. This section does not apply to private residences.

14. Any seating area of any publicly or privately owned outdoor athletic facility.

15. Health care facilities and hospitals.

16. Hotels and motels, except as provided for in Section 8.10.005

17. Within 30 feet of any door, operable window/vent or other opening to an indoor enclosed area of a use listed above.

C. Exceptions:

1. An Adult's Only Establishment as defined in Section 8.10.001 of this Ordinance is exempt from the non-smoking provisions set forth above under the following circumstances:

   a. It must prohibit the entry of customers below the age of 1 8;
   b. It may have no employees or guests below the age of 1 8;
   c. It must prominently display a sign by all public entrances reflecting that this is an adult's only establishment and that no one under 1 8 years of age is permitted within the establishment and that it permits smoking in all areas and that there are no nonsmoking facilities contained within.

2. A business establishment listed above under Section 8.10.002B where smoking would otherwise be prohibited may construct a separate but contiguous facility of the same business where smoking is permitted. The facility must be separated from the nonsmoking facility by a solid wall which extends from floor to ceiling, must have a separate entrance and must not share a common heating and air conditioning system which allows the passage of air from one facility to the other. It may have no employees or guests below the age of 18. The smoking portion of the business must display a sign at all public entrances reflecting that this is an adult's only establishment and that no one under 18 years of age is permitted within the

establishment and that smoking is permitted in all areas and that there are no nonsmoking facilities contained within. A business establishment operating pursuant to this section may serve both the smoking and non-smoking dining areas from a single kitchen provided that the facility is designed and constructed in a manner that does not permit smoke from the smoking portion to pass through the kitchen to the non-smoking area. An establishment operating under this section may serve both the smoking and non-smoking areas from a single set of restrooms provided that they are located within the non-smoking portion of the establishment and the facility is designed and constructed in such a manner as to prevent smoke from the smoking area being drawn into the non-smoking area when patrons pass from one portion of the establishment to the other.

D. <u>Defenses</u>:

1. It is a defense to prosecution under this section that the conveyance or public place within which the offense occurred did not have prominently displayed a reasonably sized notice that smoking was prohibited.

Section 8.10.003

<u>Regulation Of Smoking Eating Establishments. Nighclubs. Adult Entertainment Establishments. Billiard Halls. Bingo Parlors. And Bowling Centers.</u>

A A person commits an offense if he or she smokes tobacco or possesses a burning tobacco product in an eating establishment, bar, night club, adult entertainment establishment, billiard hall, bingo parlor, or bowling center unless it operates in compliance with 8.10.002C.

B An owner, manager, or operator Of an eating establishment, bar, night club, adult entertainment establishment, billiard hall, bingo parlor, Or bowling center commits an offense if he or she allows smoking of a tobacco product in the establishment unless it operates in compliance with 8.10.002C.

C Defenses:

1. It is a defense to a prosecution under Subsection (A) of this Section that the establishment did not have prominently displayed a reasonably sized notice that smoking was prohibited.

D Existing Businesses and Facilities:

1. All businesses and facilities in operation on the effective date of this Ordinance shall have 18 months from the passage of this ordinance to be in compliance.

E Owner/Operator Responsibility:

1. The owner, manager, or operator of an eating establishment, bar, night club, adult entertainment establishment, billiard hall, bingo parlor, Or bowling center commits an offense if he or she designates or maintains a smoking area in violation of this Ordinance.

2. The Owner or manager of an establishment governed by this Ordinance commits an offense if he or she fails to post and maintain any signs required by this Ordinance.

Section 8.10.004 Regulation Of Smoking — Workplace

A. An employer who owns, occupies, or controls a workplace may:

1. Have and implement a written policy on smoking which conforms to this chapter.
2. Make the policy available for inspection by employees and communicate said policy to all employees at least three weeks prior to its adoption.
3. Prominently display reasonably sized signs that smoking is prohibited.
4. Provide facilities in sufficient numbers in such locations as to be readily accessible for the extinguishment of smoking materials.
5. Not discharge, retaliate, Or discriminate against an employee who:

a) Files a complaint or causes a proceeding to be instituted under or related to this article, or

b) Testifies or will testify in a proceeding instituted under this article, or

c) Exercises on his own behalf or the behalf of others any right afforded by this article.

Section 8.10.005 Where Smoking is not Regulated.

A. Notwithstanding any other provision of this chapter to the contrary, the following areas shall not be subject to the smoking restrictions of this chapter:

1. Private residences, including porch and yard areas, except when used as a child care, adult day care Or health care facility.

2. Not more than ten percent (10%) of hotel and motel rooms rented to guests Shall be designated as smoking rooms. The following standards shall apply:

a. All smoking rooms shall be on the same floor, shall be contiguous to the other smoking rooms and shall be configured and ventilated in a manner to restrict the smoke from these rooms from infiltrating into areas where smoking is prohibited under provisions of this article;

b. Separate ventilation and HVAC Systems that prevent the commingling of air with other rooms, hallways and all other non-smoking areas shall be required; and

c. The Status of rooms as smoking or non-smoking may not be changed, except to add additional non-smoking rooms.

3. Retail tobacco stores, where a retail Store is utilized primarily for the sale of tobacco products and accessories and in which the sale of other products is merely incidental. Separate ventilation and HVAC systems that prevent the commingling of air with other businesses, Common areas, hallways and Other non-smoking areas shall be required.

4. Enclosed meeting or assembly rooms in restaurants, hotels, motels, and other public places while the entire room is being used for a private function provided it has a portable air purification system (defined herein).

B. Notwithstanding any other provision of this section, any owner, operator, manager, or other person who controls any establishment described in this section may designate the entire establishment as a non-smoking establishment.

Section 8.10.005 <u>Posting of Signs. Placing Of Receptacles</u>

A. Signs:

All signs shall be in letters not less than I inch high with a stroke Of not less than 1/8 inch on a contrasting background.

l. A place or conveyance regulated by Section 8.10.002; that is required to be totally nonsmoking shall have signs conspicuously posted at all public entrances which state: "NO Smoking — City Ordinance."

2. If a place or conveyance regulated by Section 8.10.002C, permits smoking, it shall post and maintain the sign required in 8.10.002C.

B. Receptacles:

A place, establishment or conveyance regulated by Sections 8.10.002B or 8.10.003 which is partially or totally non-smoking shall have facilities for the extinguishment of smoking materials located no farther than 30’ or closer than 15' feet of all public entrances and within all designated smoking areas. The owner, manager, or operator of a place, conveyance or establishment commits an offense if he fails to post signs and provide extinguishment facilities as required by this section.

Section 8.10.006 Exemptions

A. Any owner or manager of a business, facility, room, Structure, or other establishment existing on the effective date of this ordinance which is subject to Sections 8.10.002, 8.10.004, and 8.10.006 may apply for an exemption or modification to any portion of this article due to unusual circumstances or conditions. Such exemption may be granted by the City Council, only if the evidence presented by the applicant for exemption demonstrates that:

1. The applicant cannot comply with the provisions of this article for which an exemption is requested without incurring expenses for structural or other physical modifications, other than posting signs, to buildings and structures, or

2. Due to such unusual circumstances, the failure to comply with the provision for which the exemption is requested will not result in a danger to health or annoyance, inconvenience. or discomfort.

Section 8.10.007 Penalty for Violation

Any person, firm, corporation, agent, or employee thereof who violates any of the provisions of this article shall be guilty of a misdemeanor. and upon conviction thereof, shall be fined an amount not less than $50.00 nor more than provided, however, in the event the actor has previously been convicted under this section, the actor shall be fined an amount not less than $50.00 nor more than $500.00 for a second conviction hereunder, and shall be fined an amount not less than $100 nor more than $1000 for a third conviction hereunder and for each conviction thereafter. Each day that a violation is permitted to exist shall constitute a separate offense.

Section 8.10.008 Culpability

There shall be no requirement of a culpable mental state for a violation of this article.

…"

SECTION 2.

This ordinance shall be cumulative of all provisions Of ordinances and Of the Code of Ordinances of the City of McLendon-Chisholm, Texas, as amended, except where the provisions of this ordinance are in direct conflict with the provisions of such ordinances and such Code, in which event the conflicting provisions of such ordinances and such Code are hereby repealed.

SECTION 3.

It is hereby declared to be the intention of the City Council that the phrases, clauses, sentences, paragraphs, and sections of this ordinance are severable, and if any phrase, clause sentence, paragraph or section Of this ordinance shall be declared unconstitutional by the judgment or decree Of any court of competent jurisdiction. such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs, and sections of this ordinance, since the same would have been enacted by the City Council without the incorporation of this ordinance of any such unconstitutional phrase, clause, sentence, paragraph, or section.

SECTION 4.

Any person, firm, partnership, association, or corporation who shall Violate any Of the provisions Of this ordinance shall be guilty of a misdemeanor, and upon conviction thereof in the Municipal Court of the City of McLendon-Chisholm, Texas, such violation shall be liable for a fine in an amount not to exceed $1000 in accordance with Section I of this ordinance and each and every instance Of the violation Of this ordinance shall constitute a separate offense and shall be punishable by separate fines for each offense.

SECTION 5.

All rights and remedies of the City of McLendon-Chisholm are expressly saved as to any and all violations of the provisions of the Code Of Ordinances of the City of McLendon-Chisholm, as amended, or any other ordinances affecting smoking which have accrued at the time of the effective date of this ordinance; and, as to such accrued violations and all pending litigation, both civil and criminal, whether pending in court or not, under such ordinances, same shall not be affected by this ordinance but may be prosecuted until final disposition by the courts.

SECTION 6.

The City Secretary is hereby directed to publish in the official newspaper of the City, the caption, penalty clause, publication clause and effective date clause of this ordinance one (l) time within 10 days after its effective date.

PASSED AND APPROVED this __ day of ________ 2025.

APPROVED:

By: ______________________________

Bryan McNeal, Mayor

ATTEST:

By: ______________________________

Angela Jennings, City Secretary

CITY COUNCIL – CITY OF MCLENDON-CHISHOLM, TEXAS

DATE: February 27, 2025

Applicant: Colton Smith
Spiars Engineering and Surveying, Inc.
765 Custer Road
Plano, Texas 75075

Representative: Justin Craig

Property owner: Justin Craig
Tellus-Mann, LLC
5301 Headquarters Drive, Suite 120
Plano, Texas 75024

Location: The property is approximately 2,771 feet Northeast of FM 548 and Mann Road. The Rockwall CAD property identification number is: 11111.

CITY COUNCIL MEETING DATE: March 11, 2025

REQUEST:

The applicant is requesting approval of a final plat that provides for the development of a wastewater treatment plan on 3.804 acres of land located generally approximately 2,771 feet Northeast of FM 548 and Mann Road. This application is administratively complete and in conformity with the City of McLendon-Chisholm Code of Ordinances and subdivision regulations.

The owner/subdivider may, at his/her option, elect to combine his preliminary plan and final plat of a subdivision whenever the tract of land:
(A)
Is to be resubdivided without a change of street locations, or is so situated that the pattern of streets in said tract is predetermined by streets of immediately adjacent adjoining recorded subdivisions;
(B)
The proposed development will be of the same use and of comparable density as adjacent existing or contemplated development; and
(C)
Is a minimum of two and one-half acres in total area

Consent Agenda Justification:

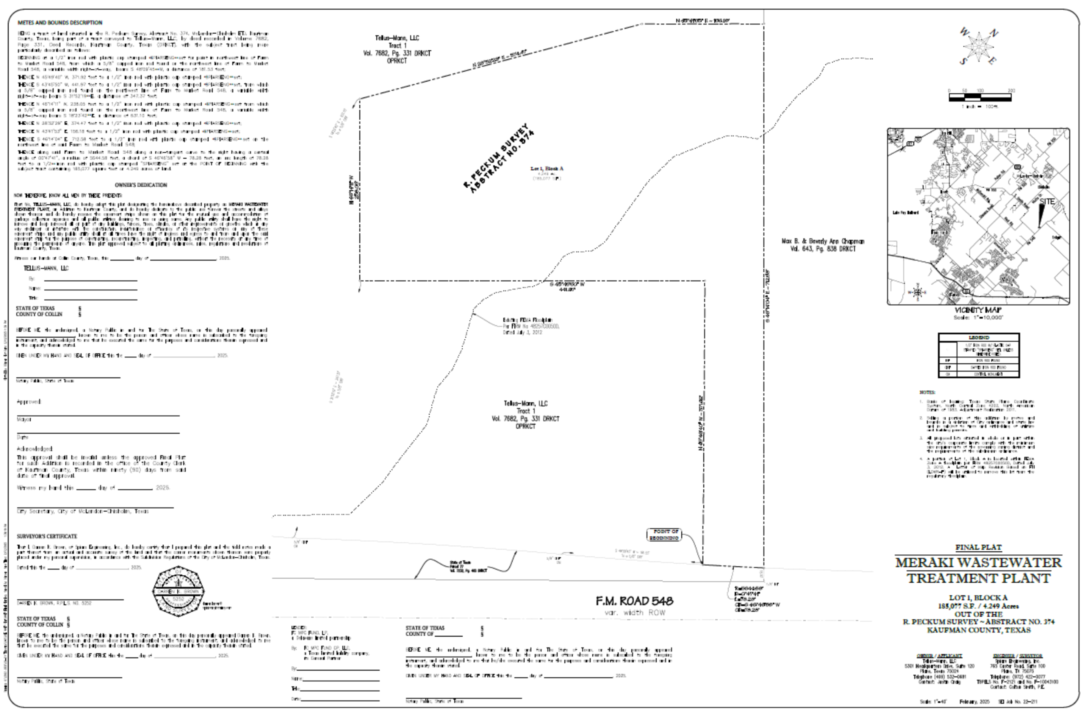
- This tract of land is located within the McLendon-Chisholm ETJ area and therefore plat approval is ministerial.

PLANNING AND ZONING COMMISSION RECOMMENDATION: Approval.

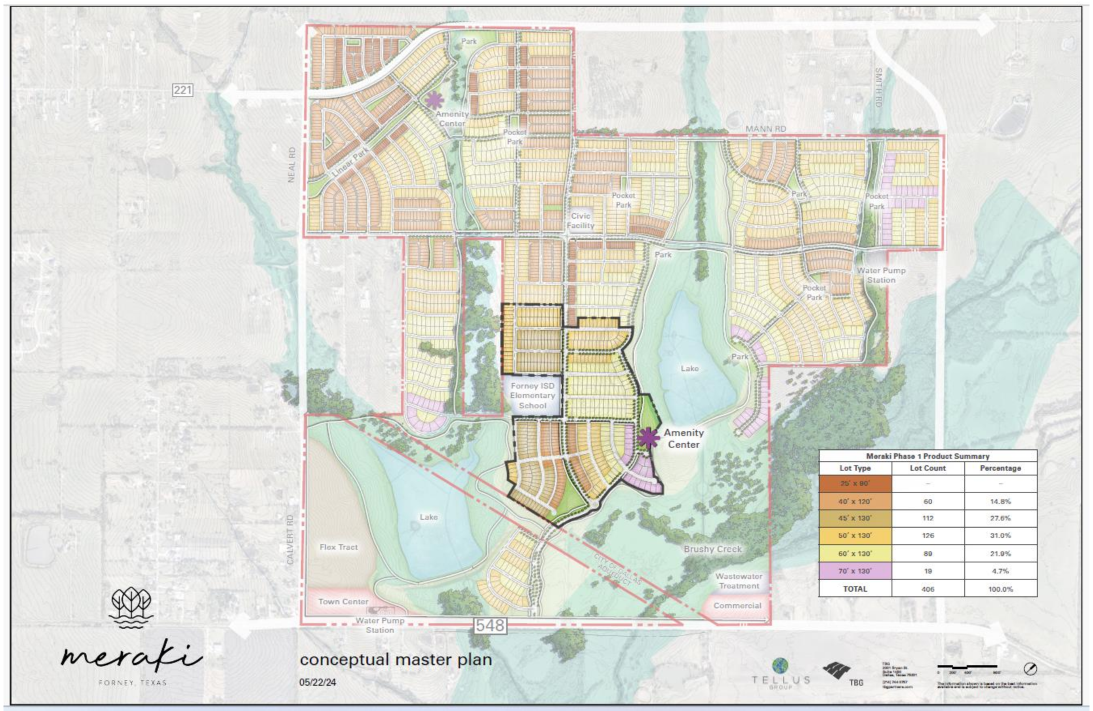
STAFF RECOMMENDATION: Approval. This property is located within the city of McLendon-Chisholm's Extraterritorial Jurisdiction and complies with our subdivision regulations.

NOTE: Full sized copies of the final plat are available for review at McLendon-Chisholm City Hall.

Requested Final Plat:



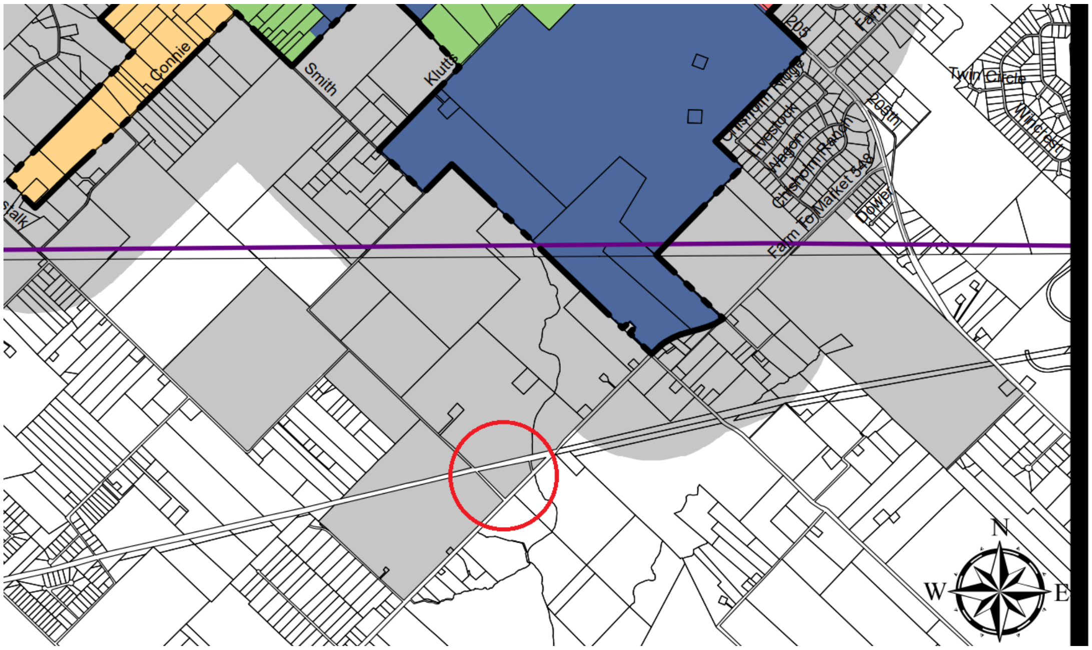
Concept Plan for Meraki Planned Development District:



BACKGROUND INFORMATION:

This final plat is part of a larger planned development, Meraki, within the city of McLendon-Chisholm's ETJ area formally known as Mann Ranch.

Current Zoning Map [shows approximate location of water pump station – circled in RED]



Additional background information:

This wastewater treatment facility will serve the master planned community, Meraki, formally known as Mann Ranch.

Property Legal Description:

Lot 1: Rockwall CAD property identification number: 11111

Lot 1: Ruth Peckum Survey, Abstract No. 374, 25.07 acres.

CITY OF McLENDON-CHISHOLM
PLAT APPLICATION

Application Date: 1/15/25

Items Submitted. Check all that Apply:

[ ] Preliminary Plat: $175 per lot + $10 per acre (acreage rounded to the nearest whole acre) + ALL Consultant Costs

[X] Final Plat: $150 per lot + $10 per acre (acreage rounded to the nearest whole acre) + ALL Consultant Costs

[ ] Replat/ Amended Plat: $150 per lot + $10 per acre (acreage rounded to the nearest whole acre) + ALL Consultant Costs

[ ] Digital Copy of Submitted Plat/Plan (required)

[ ] Site Plan

[ ] Concept Plan

[ ] Planned Development

[ ] Vacation of Plat

General Information:

Addition Name (if platted): Meraki Wastewater Treatment Plant (Proposed) Current Zoning: N/A-ETJ

No. of Acres: 3.804 No. of Lots: 1 Proposed Zoning: N/A-ETJ

General Location of Property: 2771 Feet Northeast of FM 548 and Mann Road

Proposed Use for Property: Wastewater Treatment Plant

Applicant Name: Colton Smith

Company: Spiars Engineering

Address: 765 Custer Road City, State, Zip: Plano, TX 75075

Phone(s): 4697661778 Email: colton.smith@spiarsengineering.com

Owner Name: Tellus-Mann, LLC

Address: 5301 Headquarters Dr, Suite 120 City, State, Zip: Plano, TX 75024

Legal Description of the Property: Ruth Peckum, 25.07 Acres

County Parcel ID: 11111

Other Information:

Development Fees

The City recognizes that professional guidance is necessary when undertaking any land use project including platting, zoning or Board of Adjustment applications. Therefore, the City will provide a one-hour or 2 one-half hour complimentary professional consultation with the City Planner and/or City Engineer. These complimentary consultation(s) will be arranged by City Staff. Limit of one complimentary consultation per property.

The applicant must pay the actual fee (very small & simple projects) or deposit the estimated fee with the City prior to consultant review of any application. Should the actual consultant cost exceed the estimate, the applicant will be invoiced for amounts owed. Unused deposit monies will be refunded to applicant within 60 days of project conclusion.

ALL Consulting Costs - Includes City Planning, City Engineer, City Attorney and any other outside consultant costs incurred by the City. All outstanding fees must be paid by the applicant prior to their application being placed on the agenda of the Planning & Zoning Commission, City Council or BOA. Consultants invoice the City monthly after work is completed, so it is possible for plat applicants to receive notice of outstanding fees after a plat has been considered. The City will invoice for any remaining consulting charges. Building permits be not be issued with fees outstanding.

I hereby certify that I am the owner, or duly authorized agent of the owner, for the purpose of this application. All information submitted herein is true and correct and the application fee of $___190____ to cover the cost of this application, and an initial deposit of $ 0___________ for consulting fees has been paid to the City of McLendon-Chisholm on this ______day of____________, 202_.

Further, I hereby certify that I understand and agree to the development and consulting fees and costs as stated above and agree to pay all outstanding fees and costs to the City prior to the application being placed on the agenda for consideration by the Planning & Zoning Commission and/or City Council.

Signature of Applicant: Justin Craig (Seal)

City Secretary: ____________________________________

Page 2 of 2

Plat Application Revised 01/28/2020

METES AND BOUNDS DESCRIPTION

BEING a tract of land situated in the R. Peckum Survey, Abstract No. 374, McLendon–Chisholm ETJ, Kaufman County, Texas, being part of a tract conveyed to Tellus–Mann, LLC, by deed recorded in Volume 7682, Page 331, Deed Records, Kaufman County, Texas (DRKCT), with the subject tract being more particularly described as follows:

BEGINNING at a 1/2" iron rod with plastic cap stamped "SPIARSENG" set for point in northwest line of Farm to Market Road 548, from which a 5/8" capped iron rod found on the northwest line of Farm to Market Road 548, a variable width right–of–way, bears S 48°09'45" W, a distance of 181.53 feet;

THENCE N 45°49'40" W, 371.92 feet to a 1/2" iron rod with plastic cap stamped "SPIARSENG" set;

THENCE S 43°45'50" W, 441.97 feet to a 1/2" iron rod with plastic cap stamped "SPIARSENG" set, from which a 5/8" capped iron rod found on the northwest line of Farm to Market Road 548, a variable width right–of–way bears S 31°52'19" E, a distance of 347.37 feet;

THENCE N 46°14'11" W, 238.05 feet to a 1/2" iron rod with plastic cap stamped "SPIARSENG" set from which a 5/8" capped iron rod found on the northwest line of Farm to Market Road 548, a variable width right–of–way bears S 18°23'42" E, a distance of 631.10 feet;

THENCE N 28°32'29" E, 374.47 feet to a 1/2" iron rod with plastic cap stamped "SPIARSENG" set;

THENCE N 43°41'53" E, 156.18 feet to a 1/2" iron rod with plastic cap stamped "SPIARSENG" set;

THENCE S 46°14'04" E, 712.58 feet to a 1/2" iron rod with plastic cap stamped "SPIARSENG" set on the northwest line of said Farm to Market Road 548;

THENCE along said Farm to Market Road 548 along a non–tangent curve to the right having a central angle of 00°47'41", a radius of 5644.58 feet, a chord of S 46°46'58" W – 78.28 feet, an arc length of 78.28 feet to a 1/2" iron rod with plastic cap stamped "SPIARSENG" set at the POINT OF BEGINNING with the subject tract containing 185,077 square feet or 4.249 acres of land.

OWNER'S DEDICATION

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS:

That We, **TELLUS–MANN, LLC**, do hereby adopt this plat designating the hereinabove described property as **MERAKI WASTEWATER TREATMENT PLANT,** an Addition to Kaufman County, and do hereby dedicate to the public use forever the streets and alleys shown thereon and do hereby reserve the easement strips shown on this plat for the mutual use and accommodation of garbage collection agencies and all public utilities desiring to use or using same. Any public utility shall have the right to remove and keep removed all or part of any buildings, fences, trees, shrubs, or other improvements or growths which in any way endanger or interfere with the construction, maintenance or efficiency of its respective systems on any of these easement strips and any public utility shall at all times have the right of ingress and egress to and from and upon the said easement strip for the purpose of constructing, reconstructing, inspecting, and patrolling, without the necessity at any time of procuring the permission of anyone. This plat approved subject to all platting ordinances, rules, regulations and resolutions of Kaufman County, Texas.

Witness our hands at Collin County, Texas, this ________ day of ______________________, 2025.

TELLUS–MANN, LLC

By: ______________________________

Name: ______________________________

Title: ______________________________

STATE OF TEXAS §
COUNTY OF COLLIN §

BEFORE ME, the undersigned, a Notary Public in and for The State of Texas, on this day personally appeared ______________________, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and considerations therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of ______________________, 2025.

____
Notary Public, State of Texas

Approved:

____
Mayor

____
Date

Acknowledged:

This approval shall be invalid unless the approved Final Plat for such Addition is recorded in the office of the County Clerk of Kaufman County, Texas within ninety (90) days from said date of final approval.

Witness my hand this ______ day of ___________, 2025.

____
City Secretary, City of McLendon–Chisholm, Texas

SURVEYOR'S CERTIFICATE

That I, Darren K. Brown, of Spiars Engineering, Inc., do hereby certify that I prepared this plat and the field notes made a part thereof from an actual and accurate survey of the land and that the corner monuments shown thereon were properly placed under my personal supervision, in accordance with the Subdivision Regulations of the City of McLendon–Chisholm, Texas.

Dated this the _____ day of ______________________, 2025.

____
DARREN K. BROWN, R.P.L.S. NO. 5252

STATE OF TEXAS
REGISTERED
DARREN K. BROWN
5252
PROFESSIONAL
LAND SURVEYOR

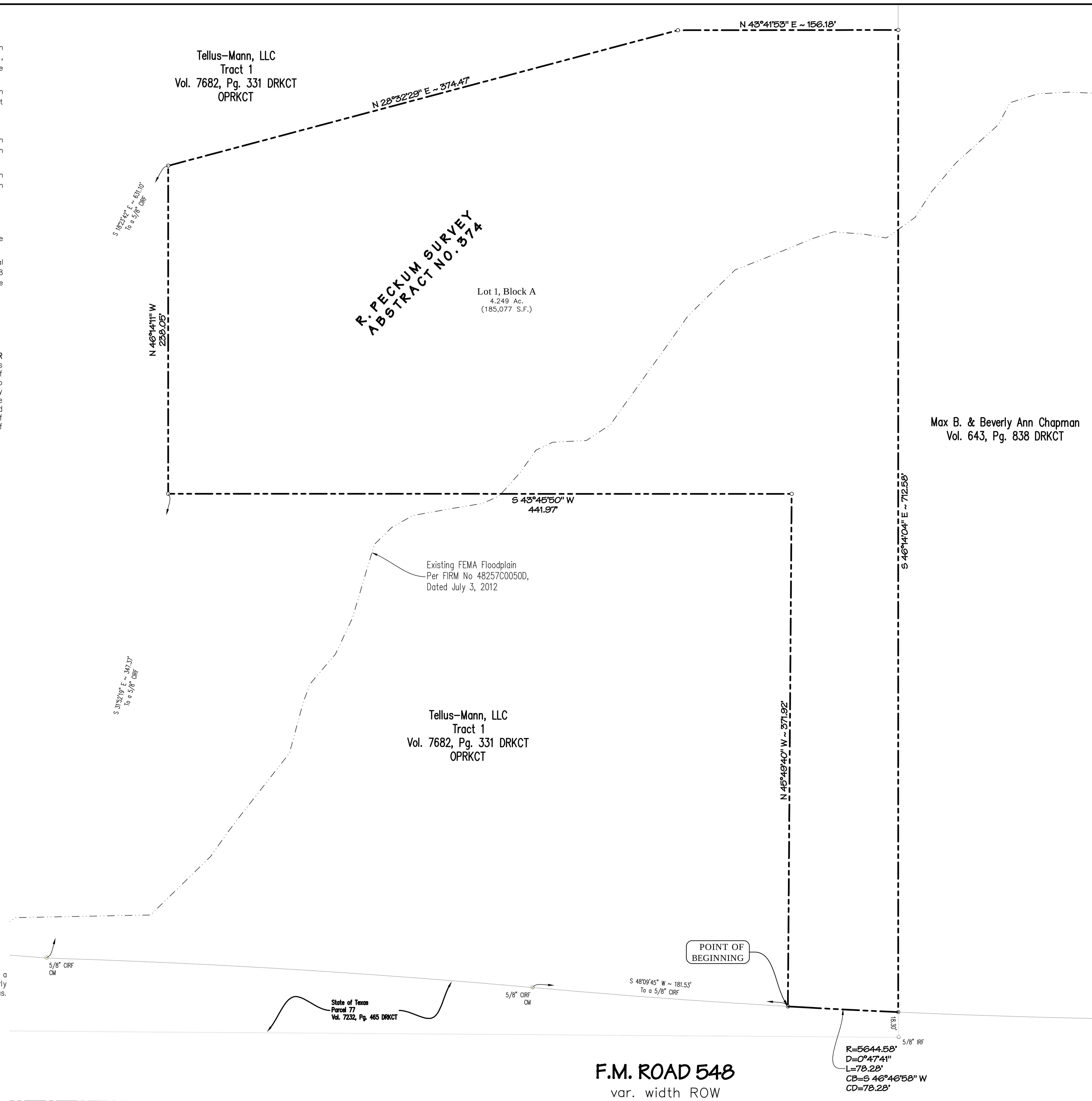
darren.brown@
spiarsengineering.com

STATE OF TEXAS §
COUNTY OF COLLIN §

BEFORE ME, the undersigned, a Notary Public in and for The State of Texas, on this day personally appeared Darren K. Brown, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and considerations therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of ______________________, 2025.

____
Notary Public, State of Texas



LENDER:
FC MPC FUND, LP,
a Delaware limited partnership

By: FC MPC FUND GP, LLC,
a Texas limited liability company,
its General Partner

By: ______________________________

Name: ______________________________

Title: ______________________________

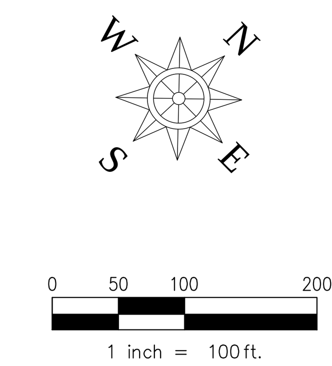
Date: ______________________________

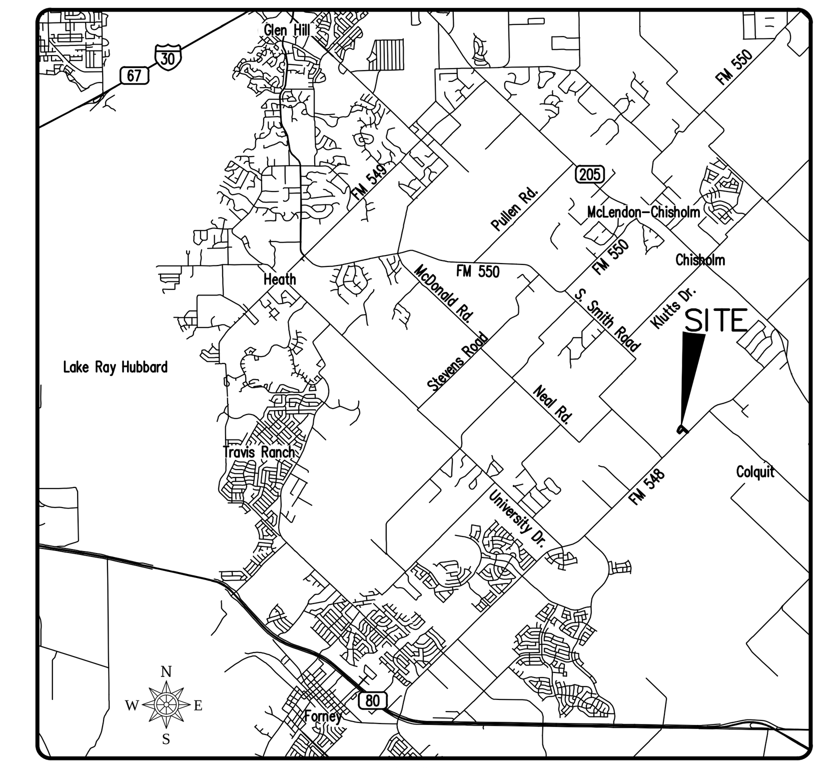
STATE OF TEXAS §
COUNTY OF __________ §

BEFORE ME, the undersigned, a Notary Public in and for The State of Texas, on this day personally appeared ______________________, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purposes and considerations therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the _____ day of ______________________, 2025.

____
Notary Public, State of Texas





VICINITY MAP
Scale: 1"=10,000'

LEGEND	
○	1/2" IRON ROD W/ PLASTIC CAP STAMPED "SPIARSENG" SET, UNLESS OTHERWISE NOTED.
IRF	IRON ROD FOUND
CIRF	CAPPED IRON ROD FOUND
CM	CONTROL MONUMENT

NOTES:

1. Basis of bearing: Texas State Plane Coordinate System, North Central Zone 4202, North American Datum of 1983. Adjustment Realization 2011.
2. Selling a portion of this addition by metes and bounds is a violation of City ordinance and state law and is subject to fines and withholding of utilities and building permits.
3. All proposed lots situated in whole or in part within the city's corporate limits comply with the minimum size requirements of the governing zoning district and the requirements of the subdivision ordinance.
4. A portion of Lot 1, Block A is located within FEMA Zone A floodplain per FIRM 48257C0050D, Dated July 3, 2012. A Letter of Map Revision Based on Fill (LOMR–F) will be utilized to remove this lot from the regulatory floodplain.

FINAL PLAT

MERAKI WASTEWATER TREATMENT PLANT

LOT 1, BLOCK A
185,077 S.F. / 4.249 Acres
OUT OF THE
R. PECKUM SURVEY ~ ABSTRACT NO. 374
KAUFMAN COUNTY, TEXAS

OWNER / APPLICANT
Tellus–Mann, LLC
5301 Headquarters Drive, Suite 120
Plano, Texas 75024
Telephone (469) 532–0681
Contact: Justin Craig

ENGINEER / SURVEYOR
Spiars Engineering, Inc.
765 Custer Road, Suite 100
Plano, TX 75075
Telephone: (972) 422–0077
TBPELS No. F–2121 and No. F–10043100
Contact: Colton Smith, P.E.

Scale: 1"=40' February, 2025 SEI Job No. 22–211

City of McLendon-Chisholm

Staff Report

Item 8.6 – Discussion and action regarding acceptance of FY 2024 City Audited Financial Statements.

DATE:

March 11, 2025

BACKGROUND OF ISSUE:

The City Council engaged MCPA, P.C. to perform the FY 2024 City Audit. Auditors gathered information to supplement the financial statements. All information requested by the auditors was provided by staff as requested. At this time, the audit is complete, and the audit findings are presented for acceptance by the City Council.

FINANCIAL IMPACT:

The City engaged MCPA, P.C. for a price not to exceed $13,250. The actual price was $13,250. This amount has been paid in full. No additional costs are expected at this time.

OPERATIONAL IMPACT:

N/A

RECOMMENDATION:

Staff recommends acceptance of the FY 2024 City Audited Financial Statements.

Suggested Motion: I move to accept the FY 2024 City Audited Financial Statements as presented.

Jeff White, Finance Director

CITY OF MCLENDON-CHISHOLM, TEXAS

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

MCPA, P.C.
Certified Public Accountants

CITY OF MCLENDON-CHISHOLM, TEXAS
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MCPA, PC

Certified Public Accountants

KYLE CAPERTON, CPA | ERIC PASCHALL, CPA | KYLE ALLIS, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
City of McLendon-Chisholm, Texas
Mclendon-Chisholm, Texas

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the City of McLendon-Chisholm, Texas ("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, business-type activities and each major fund of the City of McLendon-Chisholm, Texas, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 of McLendon-Chisholm, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

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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 of McLendon-Chisholm, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of McLendon-Chisholm, Texas' ability to continue as a going concern for a reasonable period of time.

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

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the required GASB 68 Pension Schedules on pages 5–10 and pages 35-39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MCPA ,PC

MCPA, P.C.
Certified Public Accountants
Forney, Texas
January 27, 2025

CITY OF MCLENDON-CHISHOLM, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024

Within this section of the City of McLendon-Chisholm, Texas' annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the City's primary government.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by $26,850,911 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by $26,568,737. This includes contributed assets received as part of the agreement with the developer of the Sonoma Verde planned community, MC 550 Investors, L.P. Total developer contributed assets to the city now total $19,798,320.

- Total net assets are comprised of the following:
  1) Capital assets, net of related debt, of $20,374,696.
  2) Restricted for various funds of $940,691 (including ARPA Grants).
  3) Unrestricted net assets of $5,535,524 represent the portion available to maintain the City's continuing obligations to citizens.

- The City's general fund reported total ending fund balance of $5,246,161 this year. This compares to the prior year ending fund balance of $4,478,935, showing an increase of $767,226 during the current year. Note this is primarily the result of continued growth and development within the City and funds received from the Sonoma Verde PID per the developer agreement.

- The City's liabilities are accounts payable, sewer tap rebates and long-term debt.

- The City has implemented GASB Statement No. 68 which requires the City to record its Net Pension Asset $12,886. The City also implemented GASB Statement No. 75 which requires the City to record its OPEB Liability ($21,502). Both of these also require related deferred outflows and inflows of resources per TMRS reporting guides.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the financial statements.

Government-Wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the citywide statement of financial position presenting information that includes all the City's assets and liabilities, with the difference reported as *net assets*. Over time, the increases or decreases of net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and fees and on occasion grants from state and federal sources. Governmental activities include general government, public safety, public services, and culture and recreation. Business-type activities include airports, water utilities, solid waste management, storm water drainage, golf courses, fairgrounds and stadium, ground transportation, and parking. Fiduciary activities such as employee pension plans are not included in government-wide statements since these assets are not available to fund City programs. During 2024, the City continued collecting sewer tap fees which are considered business-type funds. See further discussion in the notes to the financial statements.

The City's financial reporting includes the funds of the City (primary government). There are currently no component units.

The government-wide financial statements are presented on pages 12-13 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City taken as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. The City of McLendon-Chisholm, Texas has governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of expendable resources during the year and balances of expendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of the expendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between the two perspectives.

They City maintains several individual governmental funds organized according to their type (general fund, public safety, grant funds, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each of these funds as all of which are considered to be major funds.

The basic governmental fund financial statements are presented on pages 14-17 of this report.

Proprietary funds are used to report the same functions presented as business-type funds to account for its utility operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. See reporting on pages 18-20.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance theses current period activities. The budgetary schedule provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The statement shows multiple columns: 1) the original and final budget as amended by the Council (if any changes); 2) the actual resources, charges to appropriations, and ending balances in the General Fund and 3) the difference or variance between the final budget and the actual resources and charges.

The budgetary comparison statement can be found on page 40-41 of this report.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements on page 21 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As year-to year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

Comparative data is accumulated and presented to assist analysis. The City's net assets at fiscal year-end are $26,850,911. This is a $282,174 increase from last year's net assets of $26,568,737.

A large portion of the City's net assets (75.88%) reflects its investments in capital assets (e.g. contributed capital assets, land, furniture, equipment and leasehold improvements). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The city received Bond proceeds during 2015 in the amount of $2,150,000 for the primary purpose of constructing a new city hall which was completed in 2016. During 2018 the city voted to establish an escrow account for an early bond redemption. As of September 30, 2024, the funds in this escrow account were $237,104 and are expected to be applied against debt principal.

The remaining balance of unrestricted net assets of $5,535,524 may be used to meet the government's ongoing obligation to citizens and creditors.

CITY OF MCLENDON-CHISHOLM, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024

	Governmental Activities		Business-Type Activities		Total Government	
	2024	2023	2024	2023	2024	2023
Current assets	$ 6,505,369	$ 6,228,110	$ 1,862,541	$ 1,024,878	$ 8,367,910	$ 7,252,988
Capital and deferred outflows	14,809,602	14,945,017	7,032,204	7,197,897	21,841,806	22,142,914
Total assets and def. outflows	21,314,971	21,173,127	8,894,745	8,222,775	30,209,716	29,395,902
Long-term bonds outstanding	1,220,000	1,320,000	-	-	1,220,000	1,320,000
Other liabilities and def. inflows	1,474,691	1,361,237	664,114	145,928	2,138,805	1,507,165
Total liabilities and def. inflows	2,694,691	2,681,237	664,114	145,928	3,358,805	2,827,165
Net assets						
Invested in capital assets, net of debt	13,342,492	13,407,362	7,032,204	7,197,897	20,374,696	20,605,259
Restricted	940,691	1,460,063	-	-	940,691	1,460,063
Unrestricted (deficit)	4,337,097	3,624,465	1,198,427	878,950	5,535,524	4,503,415
Total net assets	$ 18,620,280	$18,491,890	$ 8,230,631	$ 8,076,847	$ 26,850,911	$ 26,568,737

	Governmental Activities		Business-type Activities		Total Government	
	2024	2023	2024	2023	2024	2023
Program revenues						
Charges for services	$ 2,525,210	$ 1,270,359	$ 1,011,626	$ 828,858	$ 3,536,836	$ 2,099,217
Ad Valorem Tax	927,184	872,573	-	-	927,184	872,573
Franchise & Sales Tax	988,279	1,200,604	-	-	988,279	1,200,604
Investment Income	278,583	268,302	68,443	41,105	347,026	309,407
Other Sources	48,052	-	-	-	48,052	-
Total revenues	4,767,308	3,611,838	1,080,069	869,963	5,847,377	4,481,801
Program expenses						
General government	2,558,835	2,079,825	-	-	2,558,835	2,079,825
Cultural & Recreation	2,287	6,571	-	-	2,287	6,571
Infrastructure	96,847	23,254	-	-	96,847	23,254
Public Safety	1,939,062	1,425,969	-	-	1,939,062	1,425,969
Debt Service	41,886	43,559	-	-	41,886	43,559
Utilities	-	-	926,286	776,906	926,286	776,906
Total expenses	4,638,917	3,579,178	926,286	776,906	5,565,203	4,356,084
Excess (deficiency) before transfers	128,391	32,660	153,783	93,057	282,174	125,717
Transfers	-	-	-	-	-	-
Increase (decrease) in net assets	128,391	32,660	153,783	93,057	282,174	125,717
Plus Developer Contribution	-	-	-	-	-	-
Total Change in Net Assets	$ 128,391	$ 32,660	$ 153,783	$ 93,057	$ 282,174	$ 125,717

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of expendable resources. Governmental funds reported ending fund balances of $6,186,851. Of this year-end total, $5,246,160 is unassigned indicating availability for continuing City service requirements while the remaining $940,691 is restricted to debt service, ARPA Grant regulations, and public safety.

Major Governmental Funds

General Fund – The City does levy property taxes. Other revenues that are received are from such miscellaneous sources as state sales tax sharing, franchise taxes, etc. The basic expenses of a governmental nature involve the maintaining of a city hall and the associated expenses of the city government.

Public Safety Fund – Established the track expenditures related to the MC Fire and Rescue department. Aside from a small contract with the county to provide fire services, a majority of these costs are covered by transfers from the general fund.

Capital Projects Fund – The City established this fund in 2021 to track the construction of the new fire station funded by a TxDOT grant. The project was completed in 2022 and future projects are not yet in the works.

ARPA Grant Fund – The City established this fund to track restricted grant funds. During 2021 and 2022, the City received round 1 and round 2 of the COVID relief funds known as APRA. See further discussion in the notes later in the report.

Debt Service Fund – The City established this fund to track property taxes and debt payments related to the City Hall bonds. See further discussion in the long-term debt notes later in this report.

Proprietary Fund - The City has a component utility unit: the sewer system of the Sonoma Verde Development. Although a part of the city, this operates primarily as a business selling the services provided to the public. The business-type activities operated at a net gain of $153,783 (after depreciation expense) in 2024.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general, debt service, public safety, ARPA and construction fund budgets for fiscal year 2024 were expected to be a slight deficit. However, the actual was a gain of $247,853 as they saved on expenditures and received over $650,000 of unbudgeted developer contributed funds.

CAPITAL ASSETS

The City's investment in capital assets for its governmental activities, net of depreciation and related debt, as of September 30, 2024 is $21,743,278. These include land, furniture, equipment, fire department assets, leasehold improvements and developer contributed assets in Sonoma Verde. During FY2024, the only major addition was the purchase of a new fire engine and related equipment.

At the end of the current fiscal year, the City had total bond debt outstanding of $1,320,000.

Additional information regarding the City of McLendon-Chisholm's capital assets can be found in Note IV on page 27.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET CONSIDERATIONS

The rapid growth of Rockwall County will continue to foster additional home starts in the area, thus increasing City income from permits, inspections and filings.

General Fund expenses for the 2024-2025 fiscal year are budgeted to increase compared to the 2023-2024 budget. The major difference for 2024-2025 will be increases in income and related expenses for property taxes, employee costs, professional fees, road repairs, capital projects and sales tax revenue. For more information see the announcement on the city website.

Population growth in the City and County has been an important topic for City leaders and citizenry for several decades. The City has seen an increase in retail establishments and single-family homes. The City expects its population to continue to increase and is working to plan for the needs of the citizens and generating revenues to support those needs. This is a primary focus of the City. Additionally, the City sees its ability to balance the need for professional services (such as planning, engineering, legal and, financial) with population growth as a challenge in the future.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrates the City's commitment to public accountability. If you have questions regarding this report or would like to request additional information, you may submit a request to the City Secretary at 1371 West FM 550, McLendon-Chisholm, Texas 75032.

CITY OF MCLENDON-CHISHOLM, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2024

	PRIMARY GOVERNMENT		
	Government Activities	Business-Type Activities	Total
Assets			
Cash & Equivalents	5,633,756	1,796,128	$ 7,429,884
Miscellaneous Receivables and Prepaids	721,983	66,413	788,396
Sales Tax Receivable	149,630	-	149,630
Development Revenue Receivable	-	-	-
Total Current Assets	6,505,369	1,862,541	8,367,910
Capital Assets (Note IV)			
Furniture & Equipment - City	363,133	-	363,133
Equipment & Gear - Fire Dept	1,840,558	-	1,840,558
Leasehold Improvements	25,985	-	25,985
Building	2,170,689	-	2,170,689
Building - Fire Dept	3,885,590	-	3,885,590
Infrastructure	11,952,762	8,284,634	20,237,396
Land	322,511	-	322,511
Construction in Progress	47,628	-	47,628
Accumulated Depreciation	(5,897,782)	(1,252,430)	(7,150,212)
Total Capital Assets	14,711,074	7,032,204	21,743,278
Other Assets and Deferred Outflows			
Net Pension and OPEB Asset	12,886	-	12,886
Deferred Outflows - Pension and OPEB	85,642	-	85,642
Total Other Assets and Deferred Outflows	98,528	-	98,528
Total Assets and Deferred Outflows	21,314,971	8,894,745	30,209,716
Liabilities			
Account Payable	312,425	664,114	976,539
Sonoma Verde Repairs Reserve	264,096	-	264,096
Net Pension and OPEB Liability	21,502	-	21,502
Deferred Inflows - Pensions and OPEB	15,518	-	15,518
Accrued Bond Interest	6,093	-	6,093
Bond Premium, net amortization	48,582	-	48,582
Current - Notes Payable (Note V)	100,000	-	100,000
Deferred Grant Income (Note XII)	706,475	-	706,475
Long-term - Notes Payable (Note V)	1,220,000	-	1,220,000
Total Liabilities and Deferred Inflows	2,694,691	664,114	3,358,805
Net Assets			
Investment in Capital Assets, net of related debt	13,342,492	7,032,204	20,374,696
Restricted funds	940,691	-	940,691
Unrestricted	4,337,097	1,198,427	5,535,524
Total Net Assets	$ 18,620,280	$ 8,230,631	$ 26,850,911

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

CITY OF MCLENDON-CHISHOLM, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	PROGRAM REVENUE		
	Expenses	Charges for Services	Net Revenue (Expense)
Primary Government			
Government Activities			
Culture and Recreation	$ 2,287	$ -	$ (2,287)
General Government	2,558,835	2,302,897	(255,938)
Infrastructure	96,847	-	(96,847)
Public Safety	1,939,062	222,313	(1,716,749)
Debt Service	41,886	-	(41,886)
	4,638,917	2,525,210	(2,113,707)
Business Type:			
Utility	926,286	1,011,626	85,340
Total Business-Type Activities	926,286	1,011,626	85,340

	Governmental Activities	Business-Type Activities	Total
Change in Net Assets:			
Net (Expense) / Revenue	(2,113,707)	85,340	(2,028,367)
Ad Valorem Tax	927,184	-	927,184
Sales Tax	689,739	-	689,739
Franchise	298,540	-	298,540
Investment Income	278,583	68,443	347,026
Grant Income	48,052	-	48,052
Change in Net Assets	128,391	153,783	282,174
Net Assets: Beginning	18,491,890	8,076,847	26,568,737
Plus Developer Contribution:	-	-	-
Net Assets: Ending	$ 18,620,280	$ 8,230,631	$ 26,850,911

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

CITY OF MCLENDON-CHISHOLM, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	General Fund	Public Safety Fund	Capital Projects Fund	ARPA Fund	Debt Service Fund	Total Governmental Funds
Assets						
Cash & Equivalents	$ 4,616,777	$ -	$ -	$ 779,875	$ 237,104	$ 5,633,756
Due From Recievable	606,235	-	-	-	-	606,235
Sales Tax Receivable	149,630	-	-	-	-	149,630
Miscellaneous Receivables and Prepaids	115,748	-	-	-	-	115,748
Development Revenue Receivable	-	-	-	-	-	-
Total Current Assets	5,488,390	-	-	779,875	237,104	6,505,369
Total Assets	$ 5,488,390	$ -	$ -	$ 779,875	$ 237,104	$ 6,505,369
Liabilities						
Account Payable	$ 242,230	$ -	$ -	$ 70,195	$ -	$ 312,425
Accrued Liabilities	-	-	-	-	6,093	6,093
Total Current Liabilities	242,230	-	-	70,195	6,093	318,518
Fund Balance						
Restricted Funds	-	-	-	709,680	231,011	940,691
Unassigned	5,246,160	-	-	-	-	5,246,160
Total Fund Balances	5,246,160	-	-	709,680	231,011	6,186,851
Total Liabilities and Fund Balance	$ 5,488,390	$ -	$ -	$ 779,875	$ 237,104	$ 6,505,369

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

CITY OF MCLENDON-CHISHOLM, TEXAS
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2024

Total Fund Balance - Total Governmental Funds	$ 6,186,851
Amounts reported for government assets in the Statement of Net Assets are different because:	
Capital Assets of $20,608,856, net of Depreciation of $5,897,782 are not financial resources and, therefore are not reported in the funds. See note IV for additional detail	14,711,074
Net other post employment benefit obligation in governmental activities does not require current financial resources and therefore is not reported in the governmental funds balance sheet.	61,508
Bond Premiums, net are not due and payable and, therefore are not reported in the funds.	(48,582)
Long-term liabilities including bonds payable, notes payable, total OPEB, and net pension liability, are not due in the current period and therefore, are not reported in the funds.	(2,290,571)
Net Assets of Governmental Activities	$ 18,620,280

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

CITY OF MCLENDON-CHISHOLM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Public Safety Fund	Capital Projects Fund	ARPA Fund	Debt Service Fund	Total Governmental Funds
Revenues						
Ad Valorem Tax	$ 803,869	$ -	$ -	$ -	$ 123,315	$ 927,184
Sales Tax	689,739	-	-	-	-	689,739
Franchise	298,540	-	-	-	-	298,540
Investment Income	263,147	6,139	-	-	9,296	278,583
Service Revenue	1,537,097	222,313	-	-	-	1,759,409
Gain on Sale of Asset	-	140,727	-	-	-	140,727
Misc Revenue	657,819	-	-	-	-	657,819
Deferred Grant Proceeds	-	-	-	48,052	-	48,052
	4,250,211	369,179	-	48,052	132,611	4,800,053
Expenditures						
Culture and Recreation	2,287	-	-	-	-	2,287
General Government	1,709,714	-	-	108,315	1,617	1,819,646
Infrastructure	96,847	-	-	-	-	96,847
Public Safety	-	1,689,045	-	-	-	1,689,045
Capital Expenditures	58,537	693,178	-	47,628	-	799,342
Debt Service: Principal	-	-	-	-	95,000	95,000
Debt Service: Gross Interest	-	-	-	-	50,033	50,033
	1,867,385	2,382,223	-	155,943	146,650	4,552,200
Transfers between funds	(1,615,601)	1,615,601	-	-	-	-
Net Change in Fund Balance	767,226	(397,443)	-	(107,891)	(14,039)	247,853
Fund Balance: Beginning	4,478,935	397,443	-	817,571	245,049	5,938,998
Fund Balance: Ending	$ 5,246,161	$ -	$ -	$ 709,680	$ 231,011	$ 6,186,851

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

CITY OF MCLENDON-CHISHOLM, TEXAS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Net Change in Fund Balance - Total Governmental Funds	$ 247,853
Amounts reported for government activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeds depreciation in the current period:	(190,521)
Governmental funds report all payments to pension benefits as expenditures. However in the government-wide statement of activities the pension expense is actuarially determined. (Paid to TMRS - Actuary Expense)	24,399
The issuance of long-term debt (bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term consumes the current financial resources of government funds. Neither transaction however, has any effect on the net position. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued; wheras, these amounts are deferred and amortized in the Statement of Activities.	46,659
Change Net Assets of Governmental Activities	$ 128,391

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

CITY OF MCLENDON-CHISHOLM, TEXAS
STATEMENT OF NET ASSETS - PROPRIETARY FUND
SEPTEMBER 30, 2024

	Business-Type Activities (Utility Fund)
Assets	
Cash & Equivalents	$ 1,796,128
Miscellaneous Receivables and Prepaids	66,413
Total Current Assets	1,862,541
Infrastructure	8,284,634
(less) Accumulated Depreciation	(1,252,430)
Total Capital Assets	7,032,204
Total Assets	$ 8,894,745
Liabilities	
Sewer Tap Rebates	$ 57,600
Payables (Due to funds)	606,514
Total Liabilities	664,114
Net Assets	
Investment in Capital Assets, net of related debt	7,032,204
Unrestricted	1,198,427
Total Net Assets	8,230,631
Total Liabilities and Net Assets	$ 8,894,745

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

CITY OF MCLENDON-CHISHOLM, TEXAS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

		Business-Type Activities (Utility Operations Fund)
Revenues		
Sewer Connection Fees	$	213,000
Sewer Customer Service		798,626
Interest Income		68,443
Total Revenues		1,080,069
Expenses		
Sewer Connection Developer Fee		127,800
Septic Maintenance		610,714
Legal and Professional		22,079
Depreciation		165,693
Total Expenses		926,286
Change in Net Assets		153,783
Net Assets: Beginning		8,076,847
Net Assets: Ending	$	8,230,630

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

CITY OF MCLENDON-CHISHOLM, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

		Business-type Activities (Utility Operations Fund)
Cash flows from operating activities:		
Receipts from customers and users	$	1,080,069
Payments to suppliers		(308,819)
Payments to employees		-
Net cash provided by operating activities		771,250
Cash flows from noncapital financing activities:		
Transfers In (Out) from Other Funds		-
Net cash provided (used) by noncapital financing activities		-
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets paid by City		-
Net cash provided (used) by capital and related financing activities		-
Net increase (decrease) in cash and cash equivalents		771,250
Cash and cash equivalents at beginning of year		1,024,878
Cash and cash equivalents at end of year	$	1,796,128

Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$	153,783
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization		165,693
(Increase) decrease in accounts current receivables (due to / due from recon)		(187,180)
Increase (decrease) in accounts current liabilities (sewer tap fees)		32,440
Increase (decrease) in accounts current liabilities (Due to Payable)		606,514
Total adjustments		617,467
Net cash provided by operating activities	$	771,250

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

CITY OF MCLENDON-CHISHOLM, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the City of McLendon-Chisholm, Texas (City) are discussed in subsequent sections of this Note. The remaining notes are organized to provide explanations, including required disclosures of the City's financial activities for the fiscal year ended September 30, 2024.

B. Financial Reporting Entity

Incorporated in 1969, the City of McLendon-Chisholm, Texas is a General Law Municipality in which citizens elect the mayor at large and five council members at large. The accompanying financial statements present the City's primary government.

Based on the primary accountability for fiscal matter, authority to make decisions, appoint administrators and managers, and significantly influence operations, the City meets the definition of a "Financial Reporting Entity" as defined by GASB statement 14.

The accompanying financial statements present the City's primary government.

C. Basis of Presentation

<u>Government-Wide and Fund Financial Statements</u>

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the individual fund of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

<u>Government-Wide Financial Statements</u>

The government-wide financial statements include the statements of net assets and the statement of activities. These statements report financial information of the City as a whole. The government has a Proprietary Fund other than the General Fund and no component units. Therefore, the statements distinguish between governmental and business type activities, one being generally supported by taxes and City general revenues, while the other is generally financed with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities that capture the expenses and program revenues associated with a distinct functional activity. Program revenue includes charges for services, which report fees and other charges to users of the City's services (specifically permit fees). Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental funds and proprietary funds.

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in the other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general obligation long-term debt paid from taxes levied by the City.

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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City has one custodial fund, the Sonoma Verde Public Improvement District (PID), to account for bond proceeds, assessments, and related debt associated with the issuance of bonds issued by the City as an agent for the District.

D. Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting thus relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statement uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. However, expenditures related to claims and judgments are recorded only when payment is due and payable shortly after year end as required by GASB Interpretations No. 6.

Program revenues as reported in the Statement of Activities include 1) charges to customers for goods, services, or privileges provided and 2) capital grants. Other revenues received by the City that are internally dedicated by their purpose are reported as general revenues rather than program revenues. In this respect, all tax revenues are included in general revenues.

Sales tax and franchise tax revenues recorded in the General Fund are recognized under the susceptible to accrual concept. License and permits, charges for services, and miscellaneous revenues are recorded as revenues when received in cash, as the related receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements are used as guidance.

Allocation of indirect expenses: The City currently has no indirect expenses.

Estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect certain reported amounts. Accordingly, actual results could differ from those estimates.

The General Fund and the Debt Service fund are the only two operating funds of the City.

E. *Financial Statement Amounts*

<u>Cash and Equivalents</u> – 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.

<u>Receivables</u> – Ad valorem taxes are levied by October 1 on the assessed value listed with and established by Rockwall Central Appraisal District. The Rockwall County Tax Assessor/Collector bills and collects the City's taxes. Taxes are due upon receipt of the bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Other receivables include sales taxes collected within 60 days of year end and other miscellaneous balances due to the city.

<u>Investments</u> – Accounting pronouncement GASB Statement 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, applied to investments in external investing pools, investments purchased with maturities greater than one year, mutual funds, and certain investment agreements. Generally, governmental entities are required to report the "fair market" changes for these investments at year-end and record these gains and losses on their income statement. Investments with maturities less than one year at the time of purchase are stated at cost or amortized cost. The fair value of the City's position in these investment pools is the same as the value of the pool shares.

<u>Capital Assets</u> – The City's capital assets with useful lives of more than one year are stated at historical cost if purchased or constructed and comprehensively reported in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value at the date of donation. The City generally capitalizes purchases of $1,000 or more as outlays occur. Other costs incurred for repairs and maintenance are expensed. Capital assets are being depreciated using the straight-line method over periods between 5 and 15 years.

Impairment of Long-lived Assets – the City reviews potential impairments of long-lived assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. An impairment loss is recognized if the sum of the expected, undiscounted future cash flows is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the excess of the net book value of the assets over the estimated fair value. As of September 30, 2024, no impairment of long-lived assets is necessary.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net position. Bond premium or discount as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the related bond premiums or discount. Bond issuance costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premium received on debt issuances is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Deferred outflows related to pensions, which arise only under an accrual basis of accounting, is reported only in the government-wide and proprietary statements of net position. This amount is deferred and amortized over the actuarial determined recognition period.

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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under an accrual basis of accounting that qualifies for reporting in this category. This amount is deferred and amortized over the actuarial determined recognition period.

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

Fund Equity – GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – includes the portion of net resources that cannot be spent because of their forms (i.e., inventory, long-term debt, or prepaid items) or because they must remain intact such as the principle of an endowment.
- *Restricted fund balance* – includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e., externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* – includes the portion of net resources on which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a resolution of the City Council. The resolution must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- *Assigned fund balance* – includes the portion of net resources for which an intended use has been established by the City Council or the City official authorized to do so by the City Council. Assignment of fund balance is much less formal than commitments and do not require formal action for their imposition or removal.
- *Unassigned fund balance* – includes the amounts in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as needed.

NOTE II. COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provisions

- In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None Reported	Not applicable

Deficit Fund Balance or Fund Net Position of Individual Funds

- Following are funds having deficit fund balances or net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount
None	None

Budgets and Budgetary Accounting

- The Texas Uniform Budget Law requires each mayor or city manager to prepare a budget each year to cover all the expenditures of the municipality for the succeeding year. The budget should be prepared at least 30 days prior to the setting of a tax levy by the city. Not less than 15 days prior to the levying of taxes a public hearing should be held, after being duly advertised. After this the Council should adopt the budget. The City complied with state requirements.

NOTE III. DEPOSITS AND INVESTMENTS

Deposits - State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year-end, the City's bank accounts are at a federally insured institution and the balances amounted to $7,429,884, all of which is covered by federal depository insurance and pledged securities.

Investments – Public funds of the City of McLendon-Chisholm, Texas may be invested in the following: (1) obligations of the United States Government or its agencies and instrumentalities, (2) fully insured or collateralized certificates of deposit from any bank domiciled in the State of Texas, (3) repurchase agreements not to exceed 180 days to stated maturity, (4) AAA-rated, no-load, SEC registered money market funds, and (5) AAA-rated, constant dollar Texas Local Government.

Deposits and Investments are comprised of the following:

	VALUE	PERCENTAGE
Alliance Bank*	$ 2,866,117	38.58%
Logic	4,292,221	57.77%
Bond Early Redemption Escrow	237,104	3.19%
Central Bank	13,168	0.18%
TexPool	21,274	0.29%
Total	$ 7,429,884	100.00%

*****_Pledged Securities through Alliance Bank: market valued at $3,623,277 as of September 30, 2024._

NOTE IV. CAPITAL ASSETS

The following tables provide a summary of changes in capital assets:

Capital Assets Activity - Governmental

	09/30/23	Increases	Decreases	09/30/24
Capital Assets				
Land	$ 322,511	$ -	$ -	$ 322,511
Buildings	2,170,689	-	-	2,170,689
Furniture & Equipment	327,820	58,536	(23,223)	363,133
Fire & Rescue Equipment	1,242,380	693,178	(95,000)	1,840,558
Fire & Rescue Building	3,885,590	-	-	3,885,590
Improvements	25,985	-	-	25,985
Infrastructure	11,952,762	-	-	11,952,762
CIP	-	47,628	-	47,628
Total Depreciable:	19,927,737	799,342	(118,223)	20,608,856
Less Accumulated Depreciation	(5,048,646)	(913,262)	64,126	(5,897,782)
Total Capital Assets	$ 14,879,091	$ (113,920)	$ (54,097)	$ 14,711,074

Capital Assets Activity - Business Type

	09/30/23	Increases	Decreases	09/30/24
Capital Assets				
Infrastructure	$ 8,284,634	$ -	$ -	$ 8,284,634
Total Depreciable:	8,284,634	-	-	8,284,634
Less Accumulated Depreciation	(1,086,737)	(165,693)	-	(1,252,430)
Total Fixed Assets	$ 7,197,897	$ (165,693)	$ -	$ 7,032,204

During FY2024, the City acquired a Freightliner Tanker, LifePack Defibrillators and Audio/Video equipment for the City Hall. The City sold a 2014 Ferrarta Tanker/Pumper and also disposed of old furniture at the City Hall.

During the year, there were no completed infrastructure assets from MC 550 Investors, L.P. who are developing the Sonoma Verde planned community. In the upcoming years, the City expects to receive Improvement Area 3 and 4 additions after approval from the City engineer. Sonoma PID (not the City) is expected to reimburse the developer for these costs while the City continues to pay each lot's sewer tap rebates.

NOTE V. LONG-TERM OBLIGATIONS

Government-Type Activities

New City Hall Bond - The City of McLendon-Chisholm, Texas Combination Tax and Limited Surplus Revenue Certificate of Obligation, Series 2015 were issued January 27, 2015, in the amount of $2,090,000 and bears interest at the rate of 2% - 4%. Principal payments began in February 2016. Expected payoff 2035.

Principal and interest payments projected for the following five years:

	Principal	Interest
2025	$ 100,000	$ 48,350
2026	100,000	45,475
2027	105,000	41,887
2028	110,000	38,125
2029 and subsequent years	905,000	132,300
TOTAL	$ 1,320,000	$ 306,138

It is noted that the Sonoma Public Improvement District issued $7,600,000 in Certificate of Obligation Bonds in April of 2015 in the City of McLendon-Chisholm's name for Phase I improvements. These Phase 1 improvements were also funded by a long-term developer reimbursement note for $3,100,000. Additionally, in 2019, the PID issued $6,225,000 in Certificate of Obligation Bonds in the City's name for Phase II Improvements. These Phase II improvements were also funded by a long-term developer reimbursement note for $1,290,079. Additionally, in 2021, the PID issued $5,935,000 in Certificate of Obligation Bonds in the City's name for Phase III Improvements. Additionally, in 2022, the PID issued $13,460,000 in Certificate of Obligation Bonds in the City's name for Phase IV Improvements. All PID debt is expected to be paid with additional property assessment fees in the Sonoma Verde planned development with expected payoff by 2049. The City has no obligation to pay the PID Bonds from any other sources.

NOTE VI. DEBT SERVICE FUND

According to generally accepted accounting principles, when taxes are assessed to service the interest and principle payments of a debt obligation, a debt service fund should be established and used for this purpose. The current year's financial statements reflect the Debt Service Fund and the accounting of appropriate activities through it.

NOTE VII. EMPLOYEE PENSION PLAN

A. Plan Description

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

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

B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

Deposit Rate:	7%
City's Full Retirement Rate:	2023/7.33%; 2024/7.93%
Matching Ratio (City to Employee):	2 to 1
Years Required for Vesting:	5 years
Service Retirement Eligibilities:	5 yrs/age 60; 20 yrs/any age

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	9
Active employees	18
	29

C. Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.33% and 7.93% in calendar years 2023 and 2024, respectively. The city's contributions to TMRS for the year ended September 30, 2024 were $107,672 and were equal to the required contributions.

D. Net Pension Liability

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

Actuarial assumptions:

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

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

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality

Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Real Return	12.0%	8.1%
Real Estate	12.0%	5.8%
Absolute Return	5.0%	6.9%
Private Equity	10.0%	11.8%
Total	100.0%	

Discount Rate

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2022	$ 391,558	$ 402,310	$ (10,752)
Changes for the year:			
Service cost	145,210	-	145,210
Interest	31,005	-	31,005
Change of benefit terms	-	-	-
Difference between expected and actual experience	14,798	-	14,798
Changes of assumptions	(8,629)	-	(8,629)
Contributions - employer	-	70,396	(70,396)
Contributions - employee	-	67,227	(67,227)
Net investment income	-	47,193	(47,193)
Benefit payments, including refunds of employee contributions	(9,660)	(9,660)	-
Administrative expense	-	(296)	296
Other changes	-	2	(2)
Net changes	$ 172,724	$ 174,858	$ (2,134)
Balance at 12/31/2023	$ 564,282	$ 577,168	$ (12,886)

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 68,114	$ (12,886)	$ (78,945)

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 of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2024, the city recognized pension expense of $83,273.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 12,332
Changes in actuarial assumptions	-	7,177
Difference between projected and actual investment earnings	6,000	-
Contributions subsequent to the measurement date	84,063	-
Total	$ 90,063	$ 19,509

$84,063 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2024	$ (1,671)
2025	(1,310)
2026	1,676
2027	(8,058)
2028	(3,657)
Thereafter	(489)
Total	$ (13,509)

F. Other Post Employment Benefit (SDBF)

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. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). This is a single employer defined benefit plan.

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.

Employees covered by benefit terms.
At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms established by City Ordinance:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	1
Active employees	18
	21

Changes in OPEB

		Total OPEB Liability
Balance at 12/31/2022	$	16,871
Changes for the year:		
Service cost		4,610
Interest on Total OPEB		763
Change of benefit terms		-
Difference between expected and actual experience		(1,730)
Changes of assumptions or other inputs		1,660
Benefit payments, including refunds of employee contributions		(672)
Net changes	$	4,631
Balance at 12/31/2023	$	21,502

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary Increases	3.60% 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 accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis with scale MP-2021.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 3 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the floor.

**The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.*
***Note: The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2022.*

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 1.84%, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Decrease (2.77%)	Discount Rate (3.77%)	1% Increase (4.77%)
Total OPEB liability	$ 25,072	$ 21,502	$ 18,650

OPEB Expense	Total OPEB Expense
Service Cost	$ 4,610
Interest on Total OPEB	763
Change of benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources	
Differences between expected and actual expense	196
Changes in assumptions or other inputs	(264)
Total OPEB Expense	$ 5,305

Deferred (Inflows) / Outflows of Resources	Deferred (INFLOWS) of resources	Deferred OUTFLOWS of resources
Differences between expected and actual experience	$ -	$ 1,503
Changes in assumptions and other inputs	(2,008)	-
Net Total	(2,008)	1,503
Contributions made subsequent to measurement date	-	211

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding city-provided contributions made subsequent to the measurement date):

Year ended Dec 31:	NET deferred out/(in)
2024	$ (68)
2025	(68)
2026	(68)
2027	(68)
2028	(68)
Thereafter	(164)
Total	$ (505)

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB): Plan / Calendar Year	Total SBD Contribution Rate	Retiree portion SBD Contribution Rate
2024	0.36%	0.05%
2023	0.31%	0.07%
2022	0.15%	0.06%
2021	0.12%	0.06%
2020	0.08%	0.02%
2019	0.79%	0.01%

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.
*Note 2: In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation: Total covered payroll * Retiree Portion of SDB Contribution (Rate)*

NOTE VIII. RISK MANAGEMENT COVERAGE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above coverage. The City continues to carry commercial coinsurance for other risk of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three years.

NOTE IX. LITIGATION

Currently management is unaware of significant pending litigation against the City.

NOTE X. COMMITTMENTS

Developer

- On May 27, 2014, the city entered an agreement with the developer of Sonoma Verde to establish a utility fund to track sewer tap fees $3,000 per connection. The developer funded the account with $15,000 and the city reimburses the developer 60% of each fee collected. Per the agreement, funds are restricted to utility-related operation and maintenance.

Public Safety

- Fire: Previously this was provided by the McLendon-Chisholm Volunteer Fire Department through a contract with the City. In October of 2018, the City merged the VFD into the City to form the McLendon-Chisholm Fire & Rescue department to provide fire-fighting and other related emergency services to residents of the city.
- Police: Provided by Rockwall County Sheriff's Department.
- Emergency: Rockwall County EMS provides ambulance service to Rockwall County residents, which includes the residents of the City of McLendon-Chisholm.

Infrastructure

The City has four city streets that it maintains. Since the City does not have a road maintenance department, it contracts with Rockwall County to maintain these roads. The State of Texas maintains the State Highway and Farm to Market Roads. Private roads are maintained by the residents of those roads. Repairs are open to outside bids.

Utilities

- Sewer for all citizens outside of the Sonoma Verde Development is not provided by the City. Septic systems are individually owned by residents.
- Water is provided by RCH Water Supply Corporation and High Point WSC.
- Electric service is provided by Oncor and Farmers Electric.
- Gas service is not provided by the City. Residents may privately own propane tanks.
- Trash collection is now provided by the City. However, the city contracted with CWD for trash pickup for the city residents and businesses.

NOTE XI. PID CUSTODIAL FUND

The City has one custodial fund, the Sonoma Verde Public Improvement District (PID), to account for bond proceeds, assessments, and related debt associated with the issuance of bonds by the City as an agent for the District. The PID was created for the acquisition, construction, and development of public improvements to include roads, drainage, water distribution, sanitary sewer system and other costs associated with the development and financing of these improvements. All special assessments are collected by the Rockwall CAD with funds held in various Wilmington Trust accounts. As of September 30, 2024, the PID reported an unaudited balance of $6,455,972 cash on hand at Wilmington Trust and total outstanding long-term debt of $32,745,000. The City does not have any direct or contingent liability or moral obligation for the payment of this debt. The table below shows the breakdown between Phase 1 and Phase 2 and Phase 3 and Phase 4 PID assets and debt:

	Phase 1	**Phase 2 (IA#2)**	**Phase 3 (IA#3)**	**Phase 4 (IA#4)**	**Total**
Cash	$ 330,752	$ 823,474	$ 1,133,229	$ 4,168,518	$ 6,455,972
Debt	$ 8,235,000	$ 5,700,000	$ 5,575,000	$ 13,235,000	$ 32,745,000

NOTE XII. FEDERAL, STATE AND LOCAL GRANT REVENUE

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

Under the American Rescue Plan Act (ARPA) of 2021, the Coronavirus Local Fiscal Recovery Fund (CLFRF) provides emergency funding for eligible local governments. The U.S. Treasury manages the distribution of these funds to Texas counties and cities with populations above 50,000. Cities, villages, towns, and townships serving populations of less than 50,000 are classified as non-entitlement units of local government (NEUs) and will receive funding distributed by TDEM.

The City of McLendon-Chisholm was awarded a total of $856,100.45. Half of this balance was released to the City in August 2021 ($428,050.23) and the remaining portion was received in September 2022. These funds earned $48,051 in interest income during FY2024 and the City spent $107,890. As such, these remaining funds ($706,474) were included in the financials as a deferred grant revenue liability and should be released to income in future years when the funds are spent.

NOTE XIII. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2024 up through January 27, 2025, the date the financial statements were available to be issued. During this period, there were no subsequent events requiring disclosure.

Required Supplementary Information

CITY OF MCLENDON-CHISHOLM, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NON-GAAP BUDGETARY BASIS

	Budget Revised General	Budget Revised Public Safety	Budget Revised Capital Projects	Budget Revised ARPA	Budget Revised Debt Service	Budget Revised Total	Actual General	Actual Public Safety	Actual Capital Projects	Actual ARPA	Actual Debt Service	Actual Total	Total Variance
Revenues													
Ad Valorem Tax	$ 800,000	$ -	$ -	$ -	$ 122,750	$ 922,750	$ 803,869	$ -	$ -	$ -	$ 123,315	$ 927,184	$ 4,434
Sales Tax	535,000	-	-	-	-	535,000	689,739	-	-	-	-	689,739	154,739
Franchise	280,000	-	-	-	-	280,000	298,540	-	-	-	-	298,540	18,540
Investment Income	245,000	7,150	-	12,000	7,875	272,025	263,147	6,139	-	-	9,296	278,583	6,558
Service Revenue	2,273,900	357,463	-	-	-	2,631,363	1,537,097	222,313	-	-	-	1,759,409	(871,954)
Gain on Sale of Asset	-	-	-	-	-	-	-	140,727	-	-	-	140,727	140,727 **
Misc Revenue	-	-	-	-	-	-	657,819	-	-	-	-	657,819	657,819 *
	4,133,900	364,613	-	12,000	130,625	4,641,138	4,250,211	369,179	-	-	132,611	4,752,001	110,863
Expenditures													
Culture and Recreation	5,000	-	-	-	-	5,000	2,287	-	-	-	-	2,287	(2,713)
General Government	2,004,660	-	-	12,500	1,850	2,019,010	1,709,714	-	-	108,315	1,617	1,819,646	(199,364)
Infrastructure	38,000	-	-	-	-	38,000	96,847	-	-	-	-	96,847	58,847
Public Safety	-	1,668,975	-	-	-	1,668,975	-	1,689,045	-	-	-	1,689,045	20,070
Capital Expenditures	171,000	675,000	-	-	-	846,000	58,537	693,178	-	47,628	-	799,342	(46,658) **
Bond Principal	-	-	-	-	95,000	95,000	-	-	-	-	95,000	95,000	-
Bond Interest	-	-	-	-	50,500	50,500	-	-	-	-	50,033	50,033	(467)
	2,218,660	2,343,975	-	12,500	147,350	4,722,485	1,867,385	2,382,223	-	155,943	146,650	4,552,200	(170,285)
Deferred Grant Revenue	-	-	-	19,250	-	19,250	-	-	-	48,052	-	48,052	28,802
Transfers between funds	(1,979,362)	1,979,362	-	-	-	-	(1,615,601)	1,615,601	-	-	-	-	-
Net Change in Fund Balance	(64,122)	-	-	18,750	(16,725)	(62,097)	767,226	(397,443)	-	(107,891)	(14,039)	247,853	309,950
Fund Balance: Beginning	3,690,795	344,875	-	860,152	236,057	5,131,879	4,478,935	397,443	-	817,571	245,049	5,938,998	
Fund Balance: Ending	$3,626,673	$ 344,875	$ -	$878,902	$ 219,332	$5,069,782	$5,246,161	$ -	$ -	$709,680	$ 231,011	$6,186,851	

** General Fund includes income from Land Solutions (Phase 3 and 4 of Sonoma Verde) to get 'earmarked' funds in the developer agreement.*
*** Capital asset additions in 2024 mainly the new fire tanker and equipment. Also sold old fire truck.*

See independent auditor's report.

CITY OF MCLENDON-CHISHOLM, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

NON-GAAP BUDGETARY BASIS

	Budget Original	Budget Amendments	Budget Final	Actual	Variance	
Revenues		**				
Sewer Connection Fees & Service	$ 1,113,500	$ -	$ 1,113,500	$ 1,080,069	$ (33,431)	*
	1,113,500	-	1,113,500	1,080,069	(33,431)	
Expenses						
Sewer Connection Developer Fee	135,000	-	135,000	127,800	(7,200)	*
Septic Maintenance	618,600	-	618,600	610,714	(7,886)	
Office and Admin	17,205	-	17,205	22,079	4,874	
Depreciation	-	-	-	165,693	165,693	
	770,805	-	770,805	926,286	155,481	
Transfers In (Out)	-	-	-	-	-	
Net Change in Fund Balance	342,695	-	342,695	153,783	(188,912)	
Fund Balance: Beginning	8,216,652	-	8,216,652	8,076,847		
Plus Developer Contribution:	-	-	-	-		
Fund Balance: Ending	$ 8,559,347	$ -	$ 8,559,347	$ 8,230,631		

** Slow down in new homes led to reduced Sewer Tap Fees and related Rebates related to Sonoma Verde developmer*
*** There were no budget amendments for FY2024.*

See independent auditor's report.

CITY OF MCLENDON-CHISHOLM, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS*

	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Total Pension Liability									
Service Cost	$ 8,673	$ 11,982	$ 13,095	$ 19,267	$ 31,030	$ 69,707	$ 87,199	$ 103,351	$ 145,210
Interest (on the Total Pension Liability)	3,726	4,394	5,520	6,905	8,599	12,713	15,776	22,003	31,005
Changes of benefit terms	-	-	-	-	-	9,798	-	-	-
Difference between expected and actual experience	(4,993)	(64)	(167)	(1,303)	3,072	(34,122)	(7,131)	(3,262)	14,798
Change of assumptions	2,804	-	-	-	(1,219)	-	-	-	(8,629)
Benefit payments, including refunds of employee contributions	-	-	(383)	(1,648)	(9,660)	(9,660)	(13,678)	(9,660)	(9,660)
Net Change in Total Pension Liability	10,210	16,312	18,065	23,221	31,822	48,436	82,166	112,432	172,724
Total Pension Liability - Beginning	48,894	59,104	75,416	93,481	116,702	148,524	196,960	279,126	391,558
Total Pension Liability - Ending (a)	$ 59,104	$ 75,416	$ 93,481	$ 116,702	$ 148,524	$ 196,960	$ 279,126	$ 391,558	$ 564,282
Plan Fiduciary Net Position									
Contributions - Employer	$ 9,266	$ 11,521	$ 14,385	$ 52,439	$ 38,136	$ 7,431	$ 42,349	$ 52,067	$ 70,396
Contributions - Employee	5,932	6,847	7,457	11,835	22,356	24,441	41,664	49,859	67,227
Net Investment Income	7	1,298	5,397	(1,978)	19,692	15,055	30,730	(24,683)	47,193
Benefit payments, including refunds of employee contributions	-	-	(383)	(1,648)	(9,660)	(9,660)	(13,678)	(9,660)	(9,660)
Administrative Expense	(4)	(15)	(29)	(38)	(110)	(97)	(141)	(211)	(296)
Other	-	(1)	(1)	(2)	(4)	(3)	1	252	(2)
Net Change in Plan Fiduciary Net Position	15,201	19,650	26,826	60,608	70,410	37,167	100,925	67,624	174,858
Plan Fiduciary Net Position - Beginning	3,899	19,100	38,750	65,576	126,184	196,594	233,761	334,686	402,310
Plan Fiduciary Net Position - Ending (b)	$ 19,100	$ 38,750	$ 65,576	$ 126,184	$ 196,594	$ 233,761	$ 334,686	$ 402,310	$ 577,168
Net Pension Liability - Ending (a) - (b)	$ 40,004	$ 36,666	$ 27,905	$ (9,482)	$ (48,070)	$ (36,801)	$ (55,560)	$ (10,752)	$ (12,886)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	32.32%	51.38%	70.15%	108.12%	132.37%	118.68%	119.90%	102.75%	102.28%
Covered Employee Payroll	$ 118,650	$ 136,938	$ 149,143	$ 236,696	$ 447,115	$ 488,827	$ 600,541	$ 712,277	$ 960,384
Net Pension Liability as a Percentage of Covered Employee Payroll	33.72%	26.78%	18.71%	-4.01%	-10.75%	-7.53%	-9.25%	-1.51%	-1.34%

* Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

CITY OF MCLENDON-CHISHOLM, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

The Schedule of Changes in the City's Net Pension Liability and Related Ratios shows the changes in Total Pension Liability less the changes in Fiduciary Net Position, resulting in the net pension liability calculation for the city. Note that this is a 10-year schedule, to be created by the city prospectively, over the next 10-year period. This schedule is provided in the GRS Reporting Package (for the current period).

The Schedule of Employer Contributions shows the city's required annual contributions from the actuarial valuation, compared with the actual contributions remitted. This schedule is based on the city's respective fiscal year-end, and should be created by the city, and built over the next 10-year period. The city should also provide the Notes to Schedule of Contributions, including the methods and assumptions used to determine the contribution rates and information about benefit changes during the year, if any. Information to complete the Notes to Schedule of Contributions is provided in the GRS Reporting Package.

LAST 10 FISCAL YEARS WILL ULTIMATELY BE DISPLAYED

Fiscal year ending September 30,	2015	2016	2017	2018	2019
Actuarially Determined Contribution	$ 10,809	$ 11,647	$ 14,268	$ 15,347	$ 22,060
Contributions in relation to the actuarially determined contribution	$ (10,809)	$ (11,647)	$ (14,268)	$ (15,347)	$ (22,060)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 114,086	$ 132,555	$ 136,938	$ 149,143	$ 236,696
Contributions as a percentage of covered employee payroll	9.47%	8.78%	10.42%	10.29%	9.32%

Fiscal year ending September 30,	2020	2021	2022	2023	2024
Actuarially Determined Contribution	$ 16,170	$ 32,264	$ 51,805	$ 65,692	$ 107,672
Contributions in relation to the actuarially determined contribution	$ (16,170)	$ (32,264)	$ (51,805)	$ (65,692)	$ (107,672)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 447,115	$ 488,827	$ 721,244	$ 712,277	$ 960,384
Contributions as a percentage of covered employee payroll	3.62%	6.6%	7.18%	9.22%	11.21%

CITY OF MCLENDON-CHISHOLM, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
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 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Other Information	There were no benefit changes during the year.

CITY OF MCLENDON-CHISHOLM, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS

LAST 10 FISCAL YEARS*

	12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Total OPEB Liability								
Service Cost	$ -	$ 761	$ 1,325	$ 626	$ 929	$ 2,582	$ 4,060	$ 4,610
Interest on total OPEB	-	236	266	313	300	295	325	763
Changes of benefit terms	-	-	-	-	-	-	-	-
Benefit payments / refunds of employee contributions	-	-	-	(45)	(98)	(360)	(427)	(672)
Recognition of deferred outflows/inflows	-	-	-	-	-	-	-	-
Differences between expected and actual	-	509	(270)	79	355	(710)	4,190	(1,730)
Changes in assumptions or other inputs	-	-	(533)	1,358	1,682	402	(7,136)	1,660
Net Changes	-	1,506	788	2,331	3,168	2,209	1,012	4,631
Total OPEB Liability - Beginning	-	5,857	7,363	8,151	10,482	13,650	15,859	16,871
Total OPEB Liability - Ending	$ 5,857	$ 7,363	$ 8,151	$ 10,482	$ 13,650	$ 15,859	$ 16,871	$ 21,502
Covered Employee Payroll	$ 136,938	$ 149,143	$ 236,696	$ 447,115	$ 488,827	$ 600,541	$ 712,277	$ 960,384
Total OPEB Liability as a Percentage of Covered Employee Payroll	4.28%	4.94%	3.44%	2.34%	2.79%	2.64%	2.37%	2.24%

NOTE: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits

* Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

MCPA, PC

Certified Public Accountants

KYLE CAPERTON, CPA | ERIC PASCHALL, CPA | KYLE ALLIS, CPA

January 27, 2025

To the Honorable Mayor and Members of the City Council
City of McLendon-Chisholm, Texas

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the City of McLendon-Chisholm, Texas, for the year ended September 30, 2024, and have issued our report thereon dated January 27, 2025. Professional standards require that we advise you of the following matters relating to our audit.

OUR RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENT AUDIT

As communicated in our engagement letter dated September 11, 2024, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

PLANNED SCOPE AND TIMING OF THE AUDIT

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

COMPLIANCE WITH ALL ETHICS REQUIREMENTS REGARDING INDEPENDENCE

The engagement team has complied with all relevant ethical requirements regarding independence.

PO Box 158 | 301 E Broad St | Forney, TX 75126
www.mcpa-tx.com

SIGNIFICANT AUDIT FINDINGS

Qualitative Aspects of the City's Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of McLendon-Chisholm, Texas are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive estimate affecting the City of McLendon-Chisholm, Texas's financial statements was:

> Management's estimate of the depreciation of the City's fixed assets is based upon management's estimate of the specific assets useful life and the cost of the assets is depreciated accordingly. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgement and are particularly sensitive because of their significance to financial statement users. There was no long-term debt or any other sensitive disclosures to note.

> The disclosure of Long-term Obligations in Note V to the financial statements as these represent significant future debt payments in the form of interest and principal.

The financial statement disclosures are neutral, consistent, and clear.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no unusual transactions noted.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 27, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City of McLendon-Chisholm, Texas's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of McLendon-Chisholm, Texas's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

- *Under the American Rescue Plan Act (ARPA) of 2021, the Coronavirus Local Fiscal Recovery Fund (CLFRF) provides emergency funding for eligible local governments. The City has $706,475 remaining in ARPA funds that requires recipients to obligate the funds by Dec. 31, 2024, and spend them by Dec. 31, 2026.*

OTHER MATTERS

We applied certain limited procedures to the MD&A, Budget and Actual schedules by fund type, as well as the GASB 68 and GASB 75 Pension/OPEB Liability schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

RESTRICTION ON USE

This information is intended solely for the information and use of the Honorable Mayor and City Council and management of the City of McLendon-Chisholm, Texas and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

MCPA, PC

MCPA, P.C.

City of McLendon-Chisholm

Staff Report

Date:	March 11, 2025
Agenda Item:	Action and Consideration to Purchase an Enterprise Resource Planning System (ERP) for the City.
Financial Impact:	Upfront costs for set up and design and ongoing costs for Hosted Maintenance and Support.
Background:	The City currently uses QuickBooks Online for its accounting and payroll. An ERP would eliminate the cost of QuickBooks and could add additional modules for Utility Billing, Planning, Permitting, Code Compliance, and more.
Presenter:	Jeff White, Finance Director

City of McLendon-Chisholm

Staff Report

Date: March 11, 2025

Agenda Item: CAD Board of Directors Resolution

Financial Impact: None.

Background: An opening has come up on the Rockwall County Central Appraisal District board. Each city is allowed to nominate a resident by resolution to be considered for this seat. We would like to present Anthony ("Tony" Crawford as our candidate

Presenter: Bev Stibbens, City Administrator

Resolution No.
Approved:

RESOLUTION NO. 2025-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS, PROVIDING FOR SUBMISSION OF A NOMINEE TO THE ROCKWALL CENTRAL APPRAISAL DISTRICT (RCAD) BOARD RELATED TO FILLING THE CURRENT VACANCY ON SAID BOARD, PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City of McLendon-Chisholm was recently informed that a Representative has resigned from the Board of Directors of the Rockwall Central Appraisal District (RCAD); and

WHEREAS, each taxing entity was invited to submit by resolution the name of Its nominee as a replacement; and

WHEREAS, the RCAD Board of Directors is then expected to elect one of the Nominees to fill the vacancy.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS THAT:

SECTION 1. The McLendon-Chisholm City Council, hereby nominates and instructs the City Administrator to send for submission to RCAD the following individual:

Anthony (Tony) Crawford

SECTION 2. This resolution shall become effective from and after its adoption And it is so resolved.

DULY PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS THIS THE 11 DAY OF MARCH, 2025.

APPROVED:

ATTEST:

Bryan McNeal, Mayor

Angela Jennings, City Secretary

Anthony (Tony) Crawford

- 64 years Old
- Raised in Wichita Falls, Texas by Earl and Virginia Crawford
- Joined the Dallas Police Department in 1982
- Retired in 2017 (35 Yrs) at the rank Lieutenant
- Married Pat nee Stanley in 1983 (41 Yrs)
- Daughter Meredith and Son N Law Wade and Granddaughter Darcy.
- Daughter graduated Rockwall High School in 2008
- Have lived in Rockwall County since 1993 (32 yrs)
- Have lived in McLendon Chisholm since 2021 (4 yrs)
- Involved in McLendon Chisholm city affairs for three of those years by attending City Council meetings, P&Z meetings and serving on the Water Committee and City Charter Commission.

City of McLendon-Chisholm

Staff Report

Date: March 11, 2025

Agenda Item: Blackland Water Supply Franchise fee ordinance

Financial Impact:

Background: This ordinance was approved on 8/22/23. No action is needed.

Presenter: Bev Stibbens, City Administrator

ORDINANCE NO. ______

AN ORDINANCE GRANTING TO BLACKLAND WATER SUPPLY CORP., THE RIGHT, PRIVILEGE AND NON-EXCLUSIVE FRANCHISE TO CONSTRUCT, INSTALL, EXTEND, REMOVE, REPLACE, ABANDON, OPERATE AND MAINTAIN ITS FACILITIES WITHIN THE PUBLIC RIGHTS-OF-WAY OF THE CITY OF MCLENDON-CHISHOLM, TEXAS THE TRANSPORTATION, DELIVERY, SALE AND DISTRIBUTION OF POTABLE WATER; CONTAINING OTHER PROVISIONS RELATING TO THE FOREGOING SUBJECT; PROVIDING FOR SEVERABILITY; INCLUDING PROCEDURAL PROVISIONS; AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS:

SECTION 1. **GRANT OF AUTHORITY**. Subject to the terms. conditions and provisions of this ordinance, 182.025 (a) and (b) of the Texas Tax Code, the right, privilege and non-exclusive franchise is hereby granted to Blackland Water Supply, Inc., to construct, install, extend, remove, replace, abandon, operate and maintain its facilities within the Public Rights-of-Way of the City of McLendon-Chisholm, Texas for the transportation, delivery, sale and distribution of potable water within the corporate limits of the City of McLendon-Chisholm, as the same are now and as the same may from time to time be extended. This ordinance may be referred to hereinafter as "this ordinance" or "this "Franchise."

SECTION 2. **DEFINITIONS**.

2.1 "City" shall mean the City of McLendon-Chisholm, Texas, a type A general law municipal corporation.

2.2 "Blackland" shall mean Blackland Water Supply Corporation, a water supply corporation ("WSC") established pursuant to applicable provisions of the Texas Water Code. Blackland does not mean any other assignee, business organization, entity or person, any of which shall have no right, privilege or franchise granted hereunder.

2.3 "Emergency Operations" means operations or repairs of facilities to prevent imminent harm to the health, safety, or welfare of persons or property.

2.4 "Facilities" shall mean pipes, pipelines, water mains, laterals, feeders, regulators, meters, fixtures, connections and attachments and other associated equipment and appurtenances, used in or incident to providing transportation, distribution, supply and sales of potable water to serve retail customers of Blackland.

2.5 “Gross Receipts” shall mean all amounts classified as water service revenues collected by Blackland from Blackland’s Members for the provision of Water Utility Service received by Blackland’s Members at a location within the City. The term “Gross Receipts” shall exclude: revenue billed but not received; reimbursements for damage to the Water Utility System; reimbursements for relocation cost of moving the Water Utility System; contributions in aid of construction; advances in aid of construction; line extension charges in the form of one-time payments or monthly facilities charges; taxes; revenues from materials or equipment sales; principal and interest payments on amounts loaned by the Company; membership fees; deposits; revenues and receipts received from electric utilities for the use of Blackland transmission lines, Water Utility System, and wholesale distribution sales; rental or fees paid by third parties for joint use attachments to or other use of the Water Utility System; other miscellaneous non-operating revenues and receipts not directly related to the provision of Water Service (i.e. interest income on Blackland bank accounts); or any receipts required to be remitted by the Blackland to third parties.

2.6 “Public Rights-of-Way” shall mean the areas in, under, upon, over, across, and along any and all of the present and future streets or streams now or hereafter owned or controlled by City.

2.7 “Routine Maintenance” shall mean, non-emergency repairs, not taking longer than 6 hours on City designated major thoroughfares and in public school zones between 9 a.m. and 3 p.m., and not taking longer than 10 hours on other Public Rights-of-Way between 8 a.m. and 6 p.m. where the paved surface of the rights-of-way, including the sidewalk and curbs, is not broken and there is no trenching in the unpaved surfaces of the Public Rights-of-Way beyond 24 inches.

2.8 “Street” shall mean the surface and the space above and below any public street, road, highway, alley, bridge, sidewalk, or other public place or way.

2.9 “Transport Customer” means any person or entity for whom Blackland transports water through the distribution system of Blackland within the corporate limits of the City for consumption within the corporate limits of the City.

SECTION 3. **TERM OF FRANCHISE**. This Non-Exclusive Franchise shall become effective on the Effective Date described in Section 22 and shall be in full force and effect for a term of two (2) years.

SECTION 4. **CONSTRUCTION AND MAINTENANCE OF WATER DISTRIBUTION SYSTEM.**

4.1 All Facilities installed by Blackland in a Public Right-of-Way shall be of sound material and good quality and shall be laid so that they will cause the least interference with traffic over the Public Rights-of-Way, the artificial drainage of the City or its underground or overhead fixtures and public utilities, or with navigation in or the natural drainage of any stream.

All Facilities shall be installed, maintained, and repaired in accordance with applicable Federal, State and City laws, codes and regulations and in accordance with accepted industry standards in effect at the time Blackland performs construction, maintenance, and repair activities.

4.2 Blackland shall conduct its maintenance, repair, construction and similar activity in a manner that will cause the least interference with the use of public or private property.

4.3 Within the Public Rights-of-Way, the location, relocation, and route of the Facilities by Blackland shall be subject to the reasonable and proper regulation, direction and control of the City or the City official to whom such duties have been delegated.

4.4 At least annually, Blackland will provide current maps detailing the location of Blackland's Facilities in the corporate limits of the City. In addition, when the City is undertaking any installation or maintenance of public improvements that may involve excavation, upon written request from the City, Blackland will promptly provide detailed maps of Blackland's Facilities, if any, within the limits of the City's undertaking.

4.5 Unless otherwise stated herein, Blackland shall comply with all applicable laws and provisions of ordinances of the City regarding construction within or on a Public Right-of Way.

SECTION 5. PERMITS.

5.1 Permit Applications. Except as indicated below, Blackland and its contractors shall file an application for a permit indicating the dates, location, and nature of all work to be performed on its Facilities within the Public Rights-of-Way. Unless otherwise stated herein, the City shall approve or deny the permit application within ten (10) days of Blackland's submission of its application or be deemed granted. Blackland and contractors performing work for Blackland shall not be required to pay any fee to perform work on Blackland's Facilities, or park within the Streets and other Public Rights-of-Way, other than the fees set forth in Section 8 of this Franchise ordinance.

5.2 Major Construction. Blackland shall not engage in the removal, retirement, abandonment, replacement, extension or installation of Facilities involving open trenching, excavating, boring, cutting, and the like in, under, upon, over, across, or along paved Streets, alleys, public way or place or any Public Rights-of-Way without first filing an application for a permit at least thirty (30) days prior to the start date of construction. Such permit shall include the scope and duration of the work, necessary maps, site and civil drawings, and traffic control plans, if applicable. The City shall approve or deny the permit application within thirty (30) days of Blackland's submission of its application or be deemed granted.

5.3 Emergency Operations. In the event Blackland determines there is a need to initiate Emergency Operations, Blackland may act without any prior notice or permit, but shall provide notice on the first working day following Blackland's completion of Emergency Operations. Such notice shall include the required permit information provided herein that corresponds to the type of work performed during the emergency. The notification of police or fire departments when initiating such Emergency Operations shall be at Blackland's sole discretion and judgment.

5.4 Routine Maintenance. No permit shall be required to perform any Routine Maintenance.

5.5 City Requested Relocations. Blackland and contractors performing work for Blackland shall not be required to obtain any permits for relocations of Facilities requested by the City, provided that the relocated Facilities are placed in the location designated by the City and the relocation is otherwise in accordance with the City's request to relocate.

SECTION 6. STREETS TO BE RESTORED TO GOOD CONDITION.

6.1 Following completion of work in the Public Rights-of-Way, Blackland shall repair the affected Public Rights-of-Way as soon as possible and shall comply with all City ordinances governing time periods and standards relating to excavating in the Public Rights-of-Way. No Street, alley, highway or public place shall be encumbered for a longer period than shall be necessary to execute the work.

6.2 Blackland shall ensure the quality of the restoration workmanship for one (1) year following the completion of the restoration. During the one-year maintenance period, Blackland shall remedy any area repaired by Blackland when directed to do so by City in the event of a pavement failure.

6.3 During Blackland's installation of its Facilities in a Public Right-of-Way. the City may, at its cost, place its facilities in the trenches in the Right of Way occupied by Blackland's Facilities, provided the City pays any incremental increase in cost incurred by Blackland for trenching necessary to accommodate such City facilities. Such activity must be technically, commercially, and economically feasible and not in violation of state or federal regulations or industry safety standards.

6.4 The City expressly reserves the right to change grades, construct, widen or relocate Streets and other public facilities as provided in Section 14.

6.5 Blackland, in constructing, maintaining or repairing its Facilities, shall not interfere with any public utility facilities in any public property except with the consent and direction of the City Manager or his designee. The right of Blackland to use any area of public property shall in no way affect the right of the City or its agents to maintain, construct, repair, or operate any pavement, curbs, gutters, wires, cables, water or sewer pipes, or electric distribution facilities owned by the City and located within or near the public property.

SECTION 7. QUALITY OF SERVICE. The service furnished hereunder to the City and its inhabitants shall be in accordance with the quality-of-service rules of the Railroad Commission of Texas and all other applicable local, state and federal regulations. Blackland shall furnish the grade of service to its customers as provided by its rate schedules and shall maintain its system in reasonable operating condition during the continuance of this Franchise. An exception to this requirement is automatically in effect, but only for so long as is necessary, when caused by a shortage in materials, supplies and equipment beyond the control of Blackland as a result of fires, strikes, riots, storms, floods and other casualties, governmental regulations, limitations and restrictions as to the use and availability of materials, supplies and equipment and as to the use of the services, and unforeseeable and unusual demands for service. In any of such events, Blackland shall do all things reasonably within its power to restore normal service as quickly as practicable.

SECTION 8. PAYMENT TO THE CITY.

8.1 In consideration of the rights and privileges herein granted, the administration of the Franchise by the City, the temporary interference with the use of Public Rights-of-Way and cost and obligations undertaken by the City in relation thereto and in lieu of any license, charge, fee, street or alley rental or other character of charge for use and occupancy of the streets, alleys, and public places of the City, and in lieu of any inspection fee, Blackland agrees to pay to the City Franchise fees in the amount and manner described herein.

8.2 Blackland agrees to pay to the City quarterly during the continuance of this Non-Exclusive Franchise a sum of money equal to two percent (2%) of Blackland's gross receipts for the preceding calendar quarter received by Blackland from the sale of water within the corporate limits of the City. The non-exclusive franchise fees hereunder shall be calculated for the calendar quarters ending May 31, June 30, September 30, and December 31 and shall be payable on or before the fifteenth day of May, August, November, and February following the quarter for which payment is made, beginning with the first such date following the Effective Date of this Franchise and each August 15th, November 15th, February 15th, and May 15th thereafter; provided, however, the first such payment shall be prorated as necessary to reflect only those gross receipts received and transportation volumes delivered by Blackland after the Effective Date of this Franchise. In no event shall Blackland be required to remit to the City Franchise fee amounts that for any reason whatsoever are not fully recoverable from its customers. Upon receipt of the above amount of money, the City Clerk shall deliver to Blackland a receipt for such amount. If any payment due date required herein falls on a weekend or bank holiday, payment shall be made on or before the close of business of the first working day after the payment due date.

SECTION 9. ANNEXATIONS BY CITY. This Franchise shall extend to and include any and all territory that is annexed by the City during the term of this Franchise. Within sixty (60) days from the receipt of notice from the City of any such annexation, Blackland shall assure that any and all customers within such annexed territory are included and shown on its accounting system as being within the corporate limits of the City of McLendon-Chisholm. After such sixty (60) day period the payment provisions specified in Section 8 of this Franchise shall apply to gross receipts and transport fees received by Blackland from customers located within such annexed territory. Blackland shall true-up its map of City boundaries to the City's map on an annual basis.

SECTION 10. NON-EXCLUSIVE FRANCHISE. Nothing contained in this Franchise shall ever be construed as conferring upon Blackland any exclusive rights or privileges of any nature whatsoever.

SECTION 11. COMPLIANCE AND REMEDIES.

11.1 Right to Terminate. In addition to any rights set out elsewhere in this Ordinance, City reserves the right to terminate the Franchise and all rights and privileges pertaining thereto, in the event that Blackland violates any material provision of the Franchise.

11.2 In the event Blackland by act or omission violates any material term, condition or provision of this Franchise, the City shall notify Blackland in writing of such violation. Should Blackland fail or refuse to correct any such violation within thirty (30) days from the date of City's notice, the City shall, upon written notification to Blackland, have the right to terminate this agreement. Any such termination and cancellation shall be by ordinance adopted by City Council; provided, however, before any such ordinance is adopted, Blackland must be given at least sixty (60) days' advance written notice. Such notice shall set forth the causes and reasons for the proposed termination and cancellation, shall advise Blackland that it will be provided an opportunity to be heard by City Council regarding such proposed action before any such action is taken and shall set forth the time, date and place of the hearing.

11.2 Other than its failure, refusal or inability to pay its debts and obligations, including, specifically, the payments to the City required by this Franchise, Blackland shall not be declared in default or be subject to any sanction under any provision of this Franchise in those cases in which performance of such provision is prevented by reasons beyond its control.

11.3 The rights and remedies of the City and Blackland set forth herein shall be in addition to, and not in limitation of, any other rights and remedies provided at law or in equity. The City's or Blackland’s exercise of any particular remedy shall not constitute a waiver of their rights to exercise any other remedy.

SECTION 12. RESERVATION OF POWERS. Except as otherwise provided in this Non-Exclusive Franchise, the City by the granting of this Franchise does not surrender or to any extent lose, waive, impair or lessen the lawful powers, claims and rights, now or hereafter vested in the City under the Constitution and statutes of the State of Texas and under the Ordinances of the City of McLendon-Chisholm or other applicable law, to regulate public utilities within the City and to regulate the use of the Streets by Blackland; and Blackland, by its acceptance of this Franchise agrees that, except as otherwise provided in this Franchise, all lawful powers and rights, whether regulatory or otherwise, as are or as may be from time to time vested in or reserved to the City, shall be in full force and effect and subject to the exercise thereof by the City at any time and from time to time.

SECTION 13. INDEMNITY. TO THE EXTENT PERMITTED BY LAW, BLACKLAND, ITS SUCCESSORS AND ASSIGNS, SHALL PROTECT AND HOLD THE CITY AND ITS OFFICERS, AGENTS, AND EMPLOYEES (COLLECTIVELY REFERRED TO IN THIS SECTION AS "THE CITY") HARMLESS AGAINST ANY AND ALL CLAIMS OR DEMANDS FOR DAMAGES TO ANY PERSON OR PROPERTY BY REASON OF THE CONSTRUCTION AND MAINTENANCE OF BLACKLAND'S WATER DISTRIBUTION SYSTEM, OR IN ANY WAY GROWING OUT OF THE RIGHTS GRANTED BY THIS FRANCHISE, EITHER DIRECTLY OR INDIRECTLY, OR BY REASON OF ANY ACT, NEGLIGENCE OR NONFEASANCE OF BLACKLAND OR THE CONTRACTORS, AGENTS OR EMPLOYEES OF BLACKLAND OR ITS SUCCESSORS AND ASSIGNS, AND SHALL REFUND TO THE CITY ALL SUMS WHICH THE CITY MAY BE ADJUDGED TO PAY ON ANY SUCH CLAIM, OR WHICH MAY ARISE OR GROW OUT OF THE EXERCISE OF THE RIGHTS AND PRIVILEGES HEREBY GRANTED OR BY THE ABUSE THEREOF, AND BLACKLAND OR ITS SUCCESSORS AND ASSIGNS SHALL INDEMNIFY AND HOLD THE CITY HARMLESS FROM AND ON ACCOUNT OF ALL DAMAGES, COSTS, EXPENSES, ACTIONS, AND CAUSES OF ACTION THAT MAY ACCRUE TO OR BE BROUGHT BY, A PERSON, PERSONS, BLACKLAND OR COMPANIES AT ANY TIME HEREAFTER BY REASON OF THE EXERCISE OF THE RIGHTS AND PRIVILEGES HEREBY GRANTED, OR OF THE ABUSE THEREOF.

SECTION 14. RELOCATION OF FACILITIES. Blackland shall, upon written request of the City, relocate its Facilities within Public Rights-of-Way at Blackland's own expense, exclusive of Facilities installed for service directly to the City, whenever such shall be reasonably necessary on account of the widening, change of grade, or relocation by the City of Streets or Public Rights-of-Way, or construction or relocation by the City of City utility infrastructure or drainage facilities. The City shall bear the costs of all relocations of Facilities installed for service directly to the City and of any relocation of other Facilities requested by the City for reasons other than the widening, change of grade, or relocation by the City of Streets or Public Rights-of-Way, or construction or relocation by the City of City utility lines or drainage facilities.

SECTION 15. GOVERNMENTAL FUNCTION. All of the regulations and activities required by this Franchise are hereby declared to be governmental and for the health, safety and welfare of the general public.

SECTION 16. RECORDS AND REPORTS.

16.1 Books of Account. Blackland shall keep complete and accurate books of accounts and records of its business and operations under and in connection with this Franchise. All such books of accounts and records shall be kept at Blackland’s principal office in Rockwall, Texas.

16.2 Access by City. The City may conduct an audit or other inquiry or may pursue a cause of action in relation to the payment of the Franchise fee. Each party shall bear its own costs of any such audit or inquiry. Upon receipt of a written request from the City, all books and records related to Blackland's operations under this Franchise shall be made available for inspection and copying no later than thirty (30) days from receipt of such request.

16.3 Interest on Underpayments and Overpayments.

16.3.1 Amounts due to City for late payments shall include interest, compounded daily equal to the return on equity plus three percent (3%) granted to Blackland in its most recent proceeding fixing rates applicable to customers within the corporate limits of the City, provided such interest will not exceed the maximum interest rate allowed under applicable law.

16.3.2 If the City identifies, as a result of a franchise fee compliance review, amounts owed by Blackland from prior periods or prior underpayments, then Blackland shall pay simple interest on such amounts equal to the return on equity granted to Blackland in its most recent proceeding fixing rates applicable to customers within the corporate limits of the City. Said interest shall be payable on such sums from the date the initial payment was due until it is paid and shall not be billed to customers.

16.3.3 Amounts due from Blackland for past overpayments shall include simple interest equal to the return on equity granted to Blackland in its most recent proceeding fixing rates applicable to customers within the corporate limits of the City; provided, however, if there is a change in the approved return on equity during the time period subject to the City's audit or inquiry, then for each time period during which there was an overpayment, the approved return on equity in effect during such time period shall be used in calculating interest under this subparagraph (c). Interest payable on such sums shall be credited to customers.

SECTION 17. EASEMENT. In consideration for the compensation set forth in Section 8, City agrees that if City sells, conveys, or surrenders possession of any portion of the Public Right-of-Way that is being used by Blackland pursuant to this Franchise, City, except where relocation is required under Section 14, to the extent of its right to do so, shall first grant Blackland an easement for such use and the sale, conveyance, or surrender of possession of the Public Right of-Way shall be subject to the right and continued use of Blackland.

SECTION 18. WRITTEN ACCEPTANCE. Blackland shall, within thirty (30) days following the final passage and approval of this Franchise, file with the City Secretary of the City of McLendon-Chisholm a written statement signed in its name and behalf in substantially the following form:

"To the Honorable Mayor: and City Council of the City of McLendon-Chisholm:

Blackland Water Supply, Inc., hereby accepts the attached non-exclusive Franchise ordinance and agrees to be bound by all of its terms and provisions."

Blackland Water Supply Corporation

By: ______________________________________
Scott Muckensturm, General Manager

Dated this _________ day of ______________ 2025.

SECTION 19. SEVERABILITY. If any provision, section, subsection, sentence, clause or phrase of this Franchise is for any reason held to be unconstitutional, void, or invalid or for any reason unenforceable, the validity of the remaining portions of this Franchise shall not be affected thereby, it being the intent the City of McLendon-Chisholm in adopting this Franchise that no portion hereof or provision hereof shall become inoperative or fail by reason of any unconstitutionality or invalidity of any other portion, provision or regulation and, to this end, all provisions of this ordinance are declared to be severable.

SECTION 20. NOTICES. Every notice, order, petition, documents or other direction or communication to be served upon the City or Blackland shall be deemed sufficiently given if sent by registered or certified mail, return receipt requested.

Every such communication to Blackland shall be sent to:

Blackland Water Supply Corporation
Attn: Scott Muckensturm
P.O. Box 810
Fate, Texas 75132

With a Copy to:

Abernathy, Roeder, Boyd & Hullett, P.C.
Attn: Chris Zillmer
1700 Redbud Blvd., Suite 300
McKinney, Texas 75069

Every such communication to the City or the City Council shall be sent to:

City of McLendon-Chisholm, Texas
Attn: Mayor Bryan McNeal

1371 West FM 550
McLendon-Chisholm, Texas 78666

With a Copy to:

City of McLendon-Chisholm, Texas
Attn: City Administrator
1371 West FM 550
McLendon-Chisholm, Texas 75032

SECTION 21. PUBLICATION, PASSAGE AND EFFECTIVE DATE. This Franchise shall take effect and be in force thirty (30) days after final passage and timely receipt of Blackland’s acceptance under Section 18 ("Effective Date").

SECTION 22. PRIOR AGREEMENTS. This Franchise supersedes any agreements, oral or written, between the City and Blackland.

SECTION 23. APPLICABLE LAW AND VENUE. This Franchise shall be construed and interpreted under the laws of the state of Texas. Venue for any legal proceedings arising under this Franchise shall lie in the state courts located in Rockwall County, Texas having appropriate jurisdiction.

SECTION 24. COMPLIANCE WITH ORDINANCES. This Non-Exclusive Franchise, the rights granted hereby and the operations and activities performed by Blackland pursuant hereto shall be subject to applicable provisions of the City’s Code of Ordinances. Except to the extent otherwise expressly provided herein, the Franchise and rights granted hereby and the operations and activities performed by Blackland pursuant hereto, shall be subject to all valid ordinances and regulations of the City insofar as such ordinances and regulations: (a) do not shorten the term hereof or terminate, abrogate, or materially and adversely affect the Franchise and right granted to Blackland hereby; (b) do not conflict with or are not inconsistent with the terms and provisions contained in this ordinance; or (c) prevent or interfere with Blackland's federal and state regulatory obligations. All such conflicting or inconsistent ordinances are hereby repealed to the extent of such conflict or inconsistency.

DULY PASSED by the City Council of the City of McLendon-Chisholm, Texas, on the **__** day of **____**2025.

ATTEST: APPROVED:

_____________________________ _________________________
Angela Jennings City Secretary Bryan McNeal, Mayor