



## OFFICIAL STATEMENT

Dated August 5, 2025

Ratings:  
S&P: "AAA"  
Fitch: "AAA"  
See "OTHER INFORMATION  
– Ratings"

### NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Bonds is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

### THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

**\$5,185,000**  
**CITY OF FARMERS BRANCH, TEXAS**  
**(Dallas County)**  
**GENERAL OBLIGATION BONDS, SERIES 2025**

**Dated Date: Date of Delivery**  
**Interest to accrue from Date of Delivery**

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

**PAYMENT TERMS . . .** Interest on the \$5,185,000 City of Farmers Branch, Texas, General Obligation Bonds, Series 2025 (the "Bonds"), will accrue from the date of initial delivery of the Bonds (the "Date of Delivery"), and will be payable February 15 and August 15 of each year, commencing February 15, 2026 until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System". The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE . . .** The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1331, Texas Government Code, as amended, and election held on May 4, 2024 and an ordinance adopted by the City Council of the City (the "Ordinance") and constitute direct obligations of the City of Farmers Branch, Texas (the "City"), payable from the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance (see "The BONDS - Authority for Issuance").

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used to provide funds for (i) designing, constructing, renovating, improving and equipping the City's water transmission and distribution infrastructure; and (ii) paying the costs associated with the issuance of the Bonds.

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**CUSIP PREFIX: 309495**

**MATURITY SCHEDULE & 9 DIGIT CUSIP**  
**See Schedule on Page 2**

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**LEGALITY . . .** The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

**DELIVERY . . .** It is expected that the Bonds will be available for delivery through DTC on September 4, 2025.

**MATURITY SCHEDULE****\$4,140,000 SERIAL BONDS**

| 15-Feb<br>Maturity | Principal<br>Amount | Interest<br>Rate | Initial<br>Price or<br>Yield | CUSIP<br>Suffix <sup>(1)</sup> |
|--------------------|---------------------|------------------|------------------------------|--------------------------------|
| 2029               | \$ 295,000          | 5.000%           | 2.600%                       | Y29                            |
| 2030               | 340,000             | 5.000%           | 2.730%                       | Y37                            |
| 2031               | 360,000             | 5.000%           | 2.890%                       | Y45                            |
| 2032               | 380,000             | 5.000%           | 3.000%                       | Y52                            |
| 2033               | 400,000             | 5.000%           | 3.140%                       | Y60                            |
| 2034               | 420,000             | 5.000%           | 3.240%                       | Y78                            |
| 2035               | 440,000             | 5.000%           | 3.340% <sup>(2)</sup>        | Y86                            |
| 2036               | 460,000             | 5.000%           | 3.500% <sup>(2)</sup>        | Y94                            |
| 2037               | 485,000             | 5.000%           | 3.650% <sup>(2)</sup>        | Z28                            |
| ***                | ***                 | ***              | ***                          | ***                            |
| 2040               | 560,000             | 4.000%           | 4.000%                       | Z51                            |

**(Interest to accrue from the Date of Delivery)****\$1,045,000 TERM BONDS****\$1,045,000 4.625% Term Bonds maturing February 15, 2039, priced to yield 3.900%<sup>(2)</sup>, CUSIP Suffix: Z44****(Interest to accrue from the Date of Delivery)**

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Municipal Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield shown is yield to first call date, February 15, 2034.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”).

**MANDATORY SINKING FUND REDEMPTION . . .** The Bonds maturing on February 15, 2039 (the “Term Bonds”) are subject to mandatory sinking fund redemption as described herein (see “THE BONDS – Mandatory Sinking Fund Redemption”).

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

*No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.*

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

*None of the City nor the Municipal Advisor or the Initial Purchaser make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.*

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

*IN CONNECTION WITH THE OFFERING OF THE BONDS THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED MAY BE DISCONTINUED AT ANY TIME.*

*THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.*

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

## OFFICIAL STATEMENT SUMMARY

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

|   |   |
|---|---|
| <b>THE CITY</b> .....                         | The City of Farmers Branch, Texas (the “City”), is a political subdivision and home rule municipal corporation of the State, located in Dallas County, Texas. The City covers approximately 12.1 square miles (see “INTRODUCTION - Description of the City”).   |
| <b>THE BONDS</b> .....                        | The \$5,185,000 General Obligation Bonds, Series 2025 (the “Bonds”) will mature on February 15 in each of the years set forth on page 2 herein. The Bonds are issued as serial bonds maturing in the years 2029 through 2037 and 2040 and as Term Bonds maturing February 15, 2039 (see “THE BONDS – Description of the Bonds”).  |
| <b>PAYMENT OF INTEREST</b> .....              | Interest on the Bonds accrues from the date of delivery to the Underwriter thereof (the “Date of Delivery”), and is payable February 15, 2026, and each February 15 and August 15 thereafter until maturity or prior redemption (see “THE BONDS - Description of the Bonds”).   |
| <b>AUTHORITY FOR ISSUANCE</b> .....           | The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Chapter 1331, Texas Government Code, as amended, and election held on May 4, 2024 and an ordinance adopted by the City Council (the “City Council”) of the City (the “Ordinance”) and constitute direct obligations of the City of Farmers Branch, Texas (the “City”), payable from the levy and collection of an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance (see “THE BONDS - Authority for Issuance”).  |
| <b>SECURITY FOR THE BONDS</b> .....           | The Bonds, when issued, are direct obligations of the City payable from a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance.   |
| <b>REDEMPTION</b> .....                       | The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). Additionally, the Term Bonds are subject to mandatory sinking fund redemption as more particularly described herein (see “THE BONDS – Mandatory Sinking Fund Redemption”).   |
| <b>TAX EXEMPTION</b> .....                    | In the opinion of Bond Counsel, under existing law, interest on the Bonds is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals. See “TAX MATTERS” herein, including information regarding potential alternative minimum tax consequences for corporations.  |
| <b>QUALIFIED TAX-EXEMPT OBLIGATIONS</b> ..... | The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions.  |
| <b>USE OF PROCEEDS</b> .....                  | Proceeds from the sale of the Bonds will be used to provide funds for (i) designing, constructing, renovating, improving and equipping the City’s water transmission and distribution infrastructure; and (ii) paying the costs associated with the issuance of the Bonds.  |
| <b>RATINGS</b> .....                          | The Bonds and the presently outstanding tax-supported debt of the City are rated “AAA” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “AAA” by Fitch Ratings, Inc. (“Fitch”), in each case without regard to credit enhancement (see “OTHER INFORMATION - Ratings”).  |
| <b>BOOK-ENTRY-ONLY SYSTEM</b> .....           | The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”). |

**PAYMENT RECORD** ..... The City has never defaulted on the payment of its tax-supported indebtedness.

### SELECTED FINANCIAL INFORMATION

| Fiscal<br>Year<br>Ended<br>30-Sep | Estimated<br>City<br>Population <sup>(1)</sup> | Taxable<br>Assessed<br>Valuation <sup>(2)</sup> | Per Capita<br>Taxable<br>Assessed<br>Valuation | General<br>Obligation<br>(G.O.)<br>Tax Debt <sup>(3)</sup> | Per<br>Capita<br>G. O. Tax<br>Debt <sup>(3)</sup> | Ratio G.O.<br>Tax Debt<br>to Taxable<br>Assessed<br>Valuation <sup>(3)</sup> | % of<br>Total Tax<br>Collections |
|-----------------------------------|--|---|--|--|---|--|----------------------------------|
| 2021                              | 35,991   | \$ 6,251,427,895                                | \$ 173,694                                     | \$ 53,370,000  | \$ 1,483  | 0.85%  | 99.72%                           |
| 2022                              | 38,143   | 6,951,338,755                                   | 182,244  | 72,225,000   | 1,894   | 1.04%  | 99.88%                           |
| 2023                              | 38,615   | 8,066,208,989                                   | 208,888  | 67,715,000   | 1,754   | 0.84%  | 101.51%                          |
| 2024                              | 39,070   | 9,280,116,565                                   | 237,525  | 75,440,000   | 1,931   | 0.81%  | 99.70%                           |
| 2025                              | 39,070   | 9,927,205,747                                   | 254,088  | 75,915,000 <sup>(4)</sup>                                  | 1,943 <sup>(4)</sup>                              | 0.76% <sup>(4)</sup>   | 98.15% <sup>(5)</sup>            |

(1) Based on North Central Texas Council of Governments original population estimates.

(2) As reported by the Dallas Central Appraisal District on the City's Annual State Property Tax Reports; subject to change during the ensuing year. The taxable assessed valuation for Fiscal Year 2026 is \$10,131,204,784.

(3) Includes self-supporting debt of the City (see Tables 1 and 10 for a description of the City's self-supporting debt).

(4) Includes the Bonds.

(5) Collections as of May 31, 2025.

### GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

|                               | Fiscal Year Ended September 30, |                      |                      |                      |                      |
|-------------------------------|---------------------------------|----------------------|----------------------|----------------------|----------------------|
|                               | 2024                            | 2023                 | 2022                 | 2021                 | 2020                 |
| Beginning Balance             | \$ 38,520,555                   | \$ 36,317,211        | \$ 30,026,337        | \$ 23,576,710        | \$ 23,693,091        |
| Total Revenue                 | 93,552,826                      | 87,956,642           | 78,038,828           | 70,676,222           | 64,111,607           |
| Total Expenditures            | 84,357,890                      | 83,283,337           | 68,753,435           | 65,877,168           | 67,754,166           |
| Total Other Financing Sources | (1,934,926)                     | (2,469,961)          | (2,994,519)          | 1,650,573            | 3,526,178            |
| Ending Balance                | <u>\$ 45,780,565</u>            | <u>\$ 38,520,555</u> | <u>\$ 36,317,211</u> | <u>\$ 30,026,337</u> | <u>\$ 23,576,710</u> |

For additional information regarding the City, please contact:

Ben Williamson  
City Manager  
City of Farmers Branch, Texas  
City Hall Plaza  
13000 William Dodson Parkway  
Farmers Branch, TX 75234  
(972) 919-2518

or

Marti Shew  
Managing Director  
Hilltop Securities Inc.  
717 N. Harwood, St.  
Suite 3400  
Dallas, Texas 75201  
(214) 953-4000

## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

| City Council  | Length of Service | Term Expires | Occupation                           |
|---|-------------------|--------------|--------------------------------------|
| Terry Lynne<br>Mayor                                  | 2 Years           | May 2026     | Sales, Business Owner                |
| Omar Roman<br>Mayor Pro Tem / Councilmember - Place 1 | 3 Years           | May 2028     | Wealth Advisor/Financial Planner     |
| Tina Bennett-Burton<br>Councilmember - Place 2        | 7 Months          | May 2026     | Business Owner - Chiropractic Doctor |
| David Reid<br>Councilmember - Place 3                 | 1 Year            | May 2027     | Real Estate Agent                    |
| Elizabeth Villafranca<br>Councilmember - Place 4      | Newly Elected     | May 2028     | Business Owner - Restaurateur        |
| Roger Neal<br>Councilmember - Place 5                 | 1 Year            | May 2027     | Consultant                           |

### SELECTED ADMINISTRATIVE STAFF

| Name             | Position                         | Years of Service |
|------------------|----------------------------------|------------------|
| Ben Williamson   | City Manager                     | 8 Years          |
| Jawaria Tareen   | Deputy City Manager              | 5 Years          |
| Martin Avila     | Director of Finance              | Newly hired      |
| Stacy Henderson  | City Secretary                   | 3 Years          |
| Vacant           | Director of Economic Development |                  |
| Daniel Latimer   | Fire Chief                       | 18 Years         |
| Robert Diaz      | Parks & Recreation Director      | 3 Years          |
| Kevin McCoy      | Police Chief                     | 2 Years          |
| Rey Silva-Reyes  | Public Works Director            | 1 Year           |
| Jeffrey Ross     | Human Resources Director         | 2 Years          |
| Joseph Brock     | Innovation & Technology Director | Newly Hired      |
| Danielle Summers | Director of Community Services   | 9 Years          |

### CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

|                         |   |
|-------------------------|---|
| Auditors .....          | Forvis Mazars, LLP<br>Dallas, Texas       |
| Bond Counsel .....      | Bracewell LLP<br>Dallas, Texas            |
| Municipal Advisor ..... | Hilltop Securities, Inc.<br>Dallas, Texas |

**OFFICIAL STATEMENT**  
**RELATING TO**  
**\$5,185,000**  
**CITY OF FARMERS BRANCH, TEXAS**  
**GENERAL OBLIGATION BONDS, SERIES 2025**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$5,185,000 City of Farmers Branch, Texas, General Obligation Bonds, Series 2025 (the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Municipal Advisor, Hilltop Securities Inc., Dallas, Texas.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "OTHER INFORMATION – Forward-Looking Statements Disclaimer").

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and home rule municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1946, and first adopted its Home Rule Charter in 1956. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is three years with the terms of two members expiring every year. The City Manager is the Chief Executive Officer for the City. Some of the services that the City provides are: public safety (police and fire protection), streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2020 U.S. Census population for the City was 41,848, while the estimated 2025 population is 39,070. The City covers approximately 12.1 square miles.

**THE BONDS**

**DESCRIPTION OF THE BONDS . . .** The Bonds are dated as of the Date of Delivery, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the date of delivery of the Bonds to the Initial Purchaser thereof (the "Date of Delivery"), will be calculated on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.**

Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System" herein).

**AUTHORITY FOR ISSUANCE . . .** The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1331, Texas Government Code as amended, and election held on May 4, 2024 and an ordinance adopted by the City Council (the "City Council") of the City (the "Ordinance").

**SECURITY AND SOURCE OF PAYMENT . . .** The Bonds, when issued, are direct obligations of the City payable from a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance.

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

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar, or DTC while the Bonds are in Book-Entry-Only form), shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**MANDATORY SINKING FUND REDEMPTION . . .** The Bonds maturing on February 15, 2039 (the "Term Bonds") are subject to mandatory sinking fund redemption in the amounts and at the price of par plus accrued interest to the redemption date of February 15 in the following years:

| Term Bonds Maturing<br>February 15, 2039 |   |            |
|--|---|------------|
| Year                                     |   | Amount     |
| 2038                                     |   | \$ 510,000 |
| 2039                                     | * | 535,000    |

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\* Maturity.

The particular Term Bonds to be redeemed shall be chosen by the Paying Agent/Registrar at random by lot or other customary method of random selection; provided, however, the principal amount of the Term Bonds of the stated maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the City, by the principal amount of any Term Bonds of like stated maturity which, at least forty-five (45) days prior to the mandatory redemption date, (1) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. In the Ordinance, the City reserves the right to give notice of its election or direction to redeem Bonds pursuant to an optional redemption conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. SUBJECT TO THE RIGHT OF THE CITY TO GIVE A CONDITIONAL NOTICE OF REDEMPTION AS DESCRIBED IN THE IMMEDIATELY PRECEDING PARAGRAPH, NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

**BOOK-ENTRY-ONLY SYSTEM . . .** *This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they*



*will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Payment of principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or

registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

**USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT.** In reading this Official Statement, it should be understood that while the Bonds are in the Book-Entry-Only System references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Initial Purchaser.

**EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM.** In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the City, printed certificates will be issued to the registered owners of the Bonds, as the case may be, and the Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance, summarized under "Transfer, Exchange, and Registration" below.

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

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

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered Owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month.

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

**DEFEASANCE . . .** The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Bonds to pay principal and interest thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Paying Agent/Registrar or any other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue on such Bonds to maturity or prior redemption or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption of such Bonds; provided, that under current law, such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Bonds of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Ordinance.

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

**BONDHOLDERS' REMEDIES . . .** The Ordinance establishes as "events of default" (i) the failure to make payment of principal of or interest on any of the Bonds when due and payable; (ii) default in the performance of observance of any other covenant, agreement or obligation of the City, which default materially, adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of sixty days after notice of such default is given by any Owner to the City or (iii) an order of relief shall be issued by the Bankruptcy Court of the United States District Court having jurisdiction, granting the City any relief under any Applicable Law, or any other court having valid jurisdiction shall issue an order or decree under applicable federal or state law providing for the appointment of a receiver, liquidator, assignee, trustee, sequestrator, or other similar official for the City of any substantial part of its property, affairs or assets, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days. **Under State law, there is no right to the acceleration of maturity of the Bonds upon an event of default under the Ordinance.** Although a registered owner could presumably obtain a judgment against the City if a default occurred in any payment of the principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the City. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City, to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as they become due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. Moreover, there is no assurance that the remedy of mandamus will be available, as discussed in the next following paragraph.

On June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the covenants in the Bonds or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with *Wasson I* "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Ordinance provides that holders of the Bonds may exercise the remedy of mandamus to enforce the Bonds of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce remedies would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, principles of governmental immunity, and general principles of equity that permit the exercise of judicial discretion.

**AMENDMENTS TO ORDINANCE . . .** The City may, without the consent of or notice to the Owners, from time to time and at any time amend the Ordinance in any manner not detrimental to the interests of the Owners, for the purpose of curing of any ambiguity, inconsistency, manifest error, or formal defect or omission in the Ordinance. In addition, the City may, with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to or rescind any of the provisions of the Ordinance; provided, that, without the consent of the Owners of all Bonds then outstanding, no such amendment, addition, or rescission shall: (i) extend the time or times of payment of the principal of and interest on the Bonds, (ii) reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of and interest on the Bonds; (iii) give any preference to any Bonds over any other Bond, or (iv) reduce the aggregate principal amount of Bonds required to be held by Owners for consent to any such amendment, addition or rescission.

**SOURCES AND USES OF BOND PROCEEDS . . .** Proceeds from the sale of the Bonds are expected to be expended as follows:

**SOURCES OF FUNDS**

|                      |                               |
|----------------------|-------------------------------|
| Principal Amount     | \$ 5,185,000.00               |
| Cash Premium         | 415,702.95                    |
| <b>TOTAL SOURCES</b> | <u><u>\$ 5,600,702.95</u></u> |

**USES OF FUNDS**

|                         |                               |
|-------------------------|-------------------------------|
| Deposit to Project Fund | \$ 5,500,000.00               |
| Cost of Issuance        | 100,702.95                    |
| <b>TOTAL USES</b>       | <u><u>\$ 5,600,702.95</u></u> |

**TAX INFORMATION**

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

**VALUATION OF TAXABLE PROPERTY . . .** The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Dallas Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. See Table 1 for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See Table 1 for the reduction in taxable valuation attributable to valuation by Productivity Value.

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, unless extended by the State legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. For the 2025 tax year, the maximum property value was increased to \$5,160,000.

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

**STATE MANDATED HOMESTEAD EXEMPTIONS. . .** State law grants, with respect to each city in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty. See Table 1 for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

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

Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

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

**PERSONAL PROPERTY . . .** Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. House Bill 9 approved by the 89th Texas Legislature, increases exemption for tangible personal property used in the “production of income” from the current \$2,500 to \$125,000. This legislation is effective September 1, 2025, but is contingent on the passage of a Constitutional amendment at the November 2025 State-wide Constitutional election.

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

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See Table 1 for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

**OTHER EXEMPT PROPERTY . . .** Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property. Beginning in the 2026 tax year, all intangible personal property is exempt from State taxation.

**TAX INCREMENT REINVESTMENT ZONES . . .** A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See “TAX INFORMATION – Tax Increment Financing Zones #1 through #6 herein for descriptions of the TIRZ created in the City.

**TAX ABATEMENT AGREEMENTS . . .** Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See “TAX INFORMATION – Tax Abatement Policy” for a general description of the City’s tax abatement agreements and Table 1 for the reduction in taxable valuation, if any, attributable to tax abatement agreements.

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

**TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . .** The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas legislature amended Section 11.35 of the Tax Code to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code.

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

Owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 million for the 2025 calendar year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

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

“adjusted” means lost values are not included in the calculation of the prior year’s taxes and new values are not included in the current year’s taxable values.

“de minimis rate” means the maintenance and operations tax rate that will produce the prior year’s total maintenance and operations tax levy (adjusted) from the current year’s values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year’s taxable value, plus the debt service tax rate.

“foregone revenue amount” means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit’s current total value in the applicable preceding tax year.

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 foregone revenue amount, the 2023 foregone revenue amount, and 2025 foregone revenue amount divided by the current total value.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate."

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

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

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

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district's website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city's website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district's office.

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

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

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

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

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



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

**2025 REGULAR AND SPECIAL LEGISLATIVE SESSIONS . . .** The regular session of the 89<sup>th</sup> Texas Legislature (the “2025 Legislative Session”) convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called a special session to begin on July 21, 2025. The initial agenda for the special session includes the following items: (i) legislation to reduce the property tax burden on Texans and legislation to impose spending limits on entities authorized to impose property taxes, (ii) flood warning systems, (iii) flood emergency communications, (iv) relief funding for hill country floods, (v) natural disaster preparation and recovery, (vi) replacement of STAAR testing, (vii) protecting children from hemp-derived products, (viii) regulation of products derived from hemp, (ix) protecting unborn children, (x) banning taxpayer-funded lobbying, (xi) protecting victims of human trafficking, (xii) protecting police personnel records, (xiii) protecting women’s privacy in sex-segregated spaces, (xiv) constitutional amendment allowing the Texas Attorney General to prosecute state election crimes, (xv) congressional redistricting, (xvi) title theft and deed fraud, (xvii) impact fees for builders who include water conservation and efficiency measures, (xviii) the operation and administration of the judicial branch of state government. The City can make no representations or predictions regarding the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time. The Governor may add additional items to the call at any time.

During the 2025 Legislative Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures for issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 2025 Legislative Session and cannot make any representations regarding the full impact of the legislation approved during the 2025 Legislative Session at this time. Further, the City can make no representations or predictions regarding the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

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

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

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

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

**CITY APPLICATION OF PROPERTY TAX CODE . . .** The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$100,000; the disabled are also granted an exemption of \$100,000.

The City has granted an additional exemption of 20% of the market value of residence homesteads; the minimum exemption that may be granted being \$5,000.

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

The City does not tax non-business personal property and Dallas County collects taxes for the City.

The City does not permit split payments of taxes, and discounts for early payment of taxes are not allowed.

The City Council approved an exemption for Freeport Property which took effect on January 1, 2004.

The City does tax Goods-in-Transit.

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

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

The City has not established a freeze on the taxes on residence homesteads of persons 65 years of age or who are disabled, as may be done on a local option basis.

The City has adopted a tax abatement policy, as described below.

**TAX ABATEMENT POLICY . . .** The City of Farmers Branch enters into tax abatement agreements with local residents and businesses under Chapter 380 of the Texas Local Government Code. Under this chapter, the City may provide incentives consisting of loans and grants of city funds, use of city personnel, facilities and services with or without charge, for the promotion of economic development.

The City has three categories of economic development agreements:

- Residential Demolition/Rebuild Incentive Program – This program provides property tax abatements to encourage redevelopment of existing housing stock in the City. The program may include a demolition incentive grant up to \$30,000 and annual incentive grants (between three and seven years) equal to the difference between the City property taxes assessed and paid for the new improvements (new residential structure excluding the land) for a given tax year and the City property taxes for the residential structure prior to demolition (excluding the land) for the tax year in which the structure was demolished (the “Base Year”). The amounts and number of years the incentive will be paid vary depending on the value of the residential structure and the program in place at the effective date of the agreement. Abatements are obtained through application prior to beginning the improvements and commence when the City issues a certificate of occupancy or certificate of completion for the new residence. The property owner commits to demolition of the existing residence and the construction of a new residence within 24 months of the effective date of the agreement. If construction is not completed as agreed, the City has the option to terminate the agreement and seek reimbursement of the demolition cost reimbursement incentive. No other commitments were made by the City as part of those agreements. For the fiscal year ended September 30, 2024, the City abated property taxes totaling \$176,487 for 37 properties under this program.
- Economic Development Agreements - The purpose of these agreements is for the promotion of the expansion of existing businesses within the City and the recruitment of new business enterprises to the City. These agreements include repayment provisions should the recipient fail to fully meet its commitments. The names of businesses receiving sales tax rebates are not disclosed as they are made confidential by Texas Tax Code Section 151.027. For fiscal year ended September 30, 2024, the City abated property taxes totaling \$697,041 under the 4 agreements.
- Tax Increment Financing - The City has two active reinvestment zones (“TIF No. 2”, “TIRZ No.4” and “TIRZ No. 3”) for the purpose of tax increment financing of infrastructure. In accordance with State law pertaining to tax increment reinvestment zones, the costs of public infrastructure improvements in the zone are repaid by the contribution of future tax revenues by each taxing unit that levies taxes against the property. The City contributed 100% of the incremental tax revenues associated with the growth of the tax base in TIF No. 2 to a special fund to pay costs of infrastructure in the zones. There are \$145,328,683 of infrastructure improvements in the TIF No. 2 project plan, including streets, water and sewer projects. And the TIF No. 2 increment for tax year 2023 is \$36,332,170. TIF No. 2 was scheduled to expire December 31, 2020; however, the City extended its participation on November 17, 2020 from January 1, 2021 until December 31, 2031 at a participation rate of 25%.

For tax years 2017, 2018, and 2019, the City contributed 1% of the incremental tax revenues generated from the City’s ad valorem tax associated with the growth of the tax base in TIRZ No. 3 to a special revenue fund to reduce the public improvement district assessments within the zone. For years 2020 through and including 2052, the City will contribute 40% of the incremental tax revenue generated by the City’s ad valorem tax associated with the growth of the tax base in TIRZ No. 3 to a special revenue fund to reduce the public improvement district assessment associated with the zone. There are \$729,995,944 of infrastructure improvements in the TIRZ No. 3 project plan and the TIRZ No. 3 increment for tax year 2023 is \$291,998,377. The TIRZ No. 3 is scheduled to terminate in tax year 2052.

For tax year 2023, the City contributed 100% of the incremental tax revenues generated from the City’s ad valorem tax associated with the growth of the tax base in TITZ No. 4 to a capital project fund for improvements to the commercial corridor on the east and west of the Interstate Highway 35W and Valwood Park. For years 2021 through and including 20246, the City will contribute 100% of the incremental tax revenue generated by the City’s

ad valorem tax associated with the growth of the tax base in TIF No. 4 to a capital projects fund for improvements within the district. The TIF No. 4 increment for tax year 2023 is \$98,113,062. The TIF No. 4 is scheduled to terminate in tax year 2046.

The City Council, upon recommendation of the Council-appointed TIF Board for each district, can enter into economic grant agreements with developers to utilize TIF funds. Unlike contractual obligations, TIF grants are subject to availability of TIF funds, and any balance owed to a developer upon termination of the TIF district will no longer be considered an obligation of the City. The City made \$2,011,454 in property tax rebates from general TIF resources.

**PUBLIC IMPROVEMENT DISTRICT** . . . Under Subchapter A of Chapter 372, Texas Local Government Code, as amended (the “PID Act”), the City authorized the creation of the Mercer Crossing Public Improvement District (the “PID”) to impose annual assessments on property owners within the PID (the “Assessments”) to pay for certain public improvements (the “Public Improvements”). The PID is composed of approximately 397.6 acres that are being developed as a master-planned mixed-use development known as “Mercer Crossing.” The development is expected to include, among other things, single family homes, active adult senior condominiums, two hotels, office, retail, commercial, and an amphitheater. Pursuant to a master development agreement and a reimbursement agreement (together, the “Agreements”), the City has agreed to reimburse the Developer for a portion of the costs of the Public Improvements within the PID in a total amount not to exceed \$43,247,845, plus accrued interest, from Assessment revenues. Under the terms of the Agreements, the Assessments may be offset in each year by tax increment revenues generated within Tax Increment District Number 1, which includes the PID property. The only obligation of the City under Agreements is the collection and enforcement of the Assessments and the payment of annual Assessment revenues to the Mercer Crossing developer pursuant to the terms of the Agreements. The City has not issued debt to fund its obligations under the Agreements.

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**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

|   |                |                   |
|---|----------------|-------------------|
| 2025/26 Market Valuation Established by Dallas Central Appraisal District                 |                | \$ 12,124,242,660 |
| Less Exemptions/Reductions at 100% Market Value   |                |                   |
| Totally Exempt Parcels  | \$ 617,599,950 |                   |
| Homestead   | 506,557,558    |                   |
| Capped Value Loss   | 325,243,343    |                   |
| Over 65   | 236,296,128    |                   |
| Freeport  | 208,267,301    |                   |
| Agricultural  | 31,078,837     |                   |
| Disabled Persons  | 10,947,649     |                   |
| Veteran 100%  | 15,019,091     |                   |
| Disabled Veterans   | 949,000        |                   |
| Prorated Total Exempt   | 3,407,862      |                   |
| Properties Valued Under \$500   | 862,020        |                   |
| Pollution Control   | 36,807,737     |                   |
| Mineral Rights  | 1,400          | \$ 1,993,037,876  |
|   |                | \$ 10,131,204,784 |
| 2025/26 Net Taxable Assessed Valuation  |                |                   |
| City Funded Debt Payable From Ad Valorem Taxes (as of 6/15/25)                            |                |                   |
| Outstanding General Obligation Debt   | \$ 70,730,000  |                   |
| The Bonds   | 5,185,000      |                   |
| City Funded Debt Payable From Ad Valorem Taxes  |                | \$ 75,915,000     |
| Less: Self Supporting Debt  |                |                   |
| Taxable Series 2011 General Obligation Refunding Bonds <sup>(1)</sup>                     | \$ 590,000     |                   |
| Taxable Series 2022 Combination Tax and Revenue Certificates of Obligation <sup>(2)</sup> | 22,600,000     |                   |
| Net General Obligation Debt Payable from Ad Valorem Taxes                                 |                | \$ 52,725,000     |
| General Obligation Interest and Sinking Fund (as of 6/1/25)                               |                | \$ 1,288,920      |
| Ratio Gross General Obligation Tax Debt to Taxable Assessed Valuation                     |                | 0.749%            |
| Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation                       |                | 0.520%            |

2025 Estimated Population - 39,070

Per Capita Taxable Assessed Valuation - \$259,309

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$1,350

- (1) This debt consists of General Obligation Refunding Bonds, Taxable Series 2011, which are self-supporting based upon amounts received under the Ground Lease Agreement (the "Lease") entered into by the City and the Dallas Stars, L.P., with respect to the Dallas Stars Ice Skating facility located in the City. Payments under the Lease are not pledged to the payment of the bonds. If the City determines not to use payments under the Lease, or if such amounts are insufficient to pay debt service on the bonds, the City will be required to assess an ad valorem tax to pay such obligations.
- (2) Debt service is expected to be self-supported by facility revenues based on an agreement between the City and the Dallas Stars, L.P. These revenues are not pledged to the payment of the Bonds. If they City determines not to use facility revenues to pay the debt service the City will be required to assess an ad valorem tax to pay such obligations. See "Table 10 – Computation of Self-Supporting Debt'."

**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

|   | Taxable Appraised Value for Fiscal Year Ended September 30, |            |                         |            |                         |            |
|---|---|------------|-------------------------|------------|-------------------------|------------|
|   | 2026  |            | 2025                    |            | 2024                    |            |
|   | Amount  | % of Total | Amount                  | % of Total | Amount                  | % of Total |
| Real, Residential, Single-Family          | \$ 3,725,386,170  | 30.73%     | \$ 3,844,082,670        | 32.03%     | \$ 3,400,539,400        | 30.67%     |
| Real, Residential, Multi-Family           | 2,048,632,980   | 16.90%     | 2,067,321,710           | 17.23%     | 1,977,994,380           | 17.84%     |
| Real, Vacant Lots/Tracts                  | 225,722,090   | 1.86%      | 182,011,020             | 1.52%      | 178,235,680             | 1.61%      |
| Real, Acreage (Land Only)                 | 31,088,730  | 0.26%      | 27,271,130              | 0.23%      | -                       | 0.00%      |
| Real, Commercial                          | 4,474,125,910   | 36.90%     | 4,235,443,210           | 35.30%     | 3,743,777,730           | 33.77%     |
| Real, Industrial                          | 38,595,570  | 0.32%      | 34,189,750              | 0.28%      | 31,106,870              | 0.28%      |
| Real, Oil, Gas and Other Mineral Reserves | 1,400   | 0.00%      | 1,400                   | 0.00%      | 1,400                   | 0.00%      |
| Real and Tangible Personal, Utilities     | 117,402,300   | 0.97%      | 109,144,130             | 0.91%      | 109,249,730             | 0.99%      |
| Tangible Personal, Commercial             | 1,233,950,860   | 10.18%     | 1,250,834,790           | 10.42%     | 1,437,761,640           | 12.97%     |
| Tangible Personal, Industrial             | 204,875,780   | 1.69%      | 220,793,430             | 1.84%      | 207,985,080             | 1.88%      |
| Special Inventory                         | 24,460,870  | 0.20%      | 28,652,210              | 0.24%      | -                       | 0.00%      |
| Total Appraised Value Before Exemptions   | \$ 12,124,242,660   | 100.00%    | \$ 11,999,745,450       | 100.00%    | \$ 11,086,651,910       | 100.00%    |
| Less: Total Exemptions/Reductions         | 1,993,037,876   |            | 2,072,539,703           |            | 1,806,535,345           |            |
| Taxable Assessed Value                    | <u>\$ 10,131,204,784</u>                                    |            | <u>\$ 9,927,205,747</u> |            | <u>\$ 9,280,116,565</u> |            |

|   | Taxable Appraised Value for Fiscal Year Ended September 30, |            |                         |            |
|---|---|------------|-------------------------|------------|
|   | 2023  |            | 2022                    |            |
|   | Amount  | % of Total | Amount                  | % of Total |
| Real, Residential, Single-Family          | \$ 2,852,485,430  | 29.48%     | \$ 2,412,356,700        | 29.05%     |
| Real, Residential, Multi-Family           | 1,741,961,480   | 18.00%     | 1,441,680,070           | 17.36%     |
| Real, Vacant Lots/Tracts                  | 177,592,600   | 1.84%      | 192,020,310             | 2.31%      |
| Real, Acreage (Land Only)                 | -   | 0.00%      | -                       | 0.00%      |
| Real, Commercial                          | 3,341,712,310   | 34.53%     | 2,868,687,670           | 34.55%     |
| Real, Industrial                          | 23,002,020  | 0.24%      | 23,531,410              | 0.28%      |
| Real, Oil, Gas and Other Mineral Reserves | 1,400   | 0.00%      | 1,400                   | 0.00%      |
| Real and Tangible Personal, Utilities     | 95,975,470  | 0.99%      | 102,465,320             | 1.23%      |
| Tangible Personal, Commercial             | 1,262,178,500   | 13.04%     | 1,097,355,400           | 13.22%     |
| Tangible Personal, Industrial             | 181,644,990   | 1.88%      | 165,067,350             | 1.99%      |
| Special Inventory                         | -   | 0.00%      | -                       | 0.00%      |
| Total Appraised Value Before Exemptions   | \$ 9,676,554,200  | 100.00%    | \$ 8,303,165,630        | 100.00%    |
| Less: Total Exemptions/Reductions         | 1,610,345,211   |            | 1,351,826,875           |            |
| Taxable Assessed Value                    | <u>\$ 8,066,208,989</u>                                     |            | <u>\$ 6,951,338,755</u> |            |

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

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

| Fiscal Year Ended 30-Sep | Estimated Population <sup>(1)</sup> | Taxable Assessed Valuation <sup>(2)</sup> | Taxable Assessed Valuation Per Capita | General Obligation (G.O.) Tax Debt <sup>(3)</sup> | Ratio of G.O. Tax Debt to Taxable Assessed Valuation <sup>(3)</sup> | G.O. Tax Debt Per Capita <sup>(3)</sup> |
|--------------------------|-------------------------------------|---|---------------------------------------|---|---|---|
| 2021                     | 35,991                              | \$ 6,251,427,895                          | \$ 173,694                            | \$ 53,370,000                                     | 0.85%   | \$ 1,483                                |
| 2022                     | 38,143                              | 6,951,338,755                             | 182,244                               | 72,225,000  | 1.04%   | 1,894                                   |
| 2023                     | 38,165                              | 8,066,208,989                             | 211,351                               | 67,715,000  | 0.84%   | 1,774                                   |
| 2024                     | 39,070                              | 9,280,116,565                             | 237,525                               | 75,440,000  | 0.81%   | 1,931                                   |
| 2025                     | 39,070                              | 9,927,205,747                             | 254,088                               | 75,915,000 <sup>(4)</sup>                         | 0.76% <sup>(4)</sup>  | 1,943 <sup>(4)</sup>                    |

(1) Based on North Central Texas Council of Governments original population estimates.

(2) As reported by the Dallas Central Appraisal District on the City's Annual State Property Tax Reports; subject to change during the ensuing year. The taxable assessed valuation for Fiscal Year 2026 is \$10,131,204,784.

(3) Includes self-supporting debt of the City (see Tables 1 and 10 for a description of the City's self-supporting debt).

(4) Includes the Bonds.

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

| Fiscal Year Ended 30-Sep | Tax Rate | General Fund | Interest and Sinking Fund | Tax Levy     | % Current Collections | % Total Collections   |
|--------------------------|----------|--------------|---------------------------|--------------|-----------------------|-----------------------|
| 2021                     | \$0.5890 | \$0.5062     | \$0.0828                  | \$40,146,002 | 100.02%               | 99.72%                |
| 2022                     | 0.5890   | 0.5272       | 0.0618                    | 42,422,590   | 100.49%               | 99.88%                |
| 2023                     | 0.5890   | 0.5308       | 0.0582                    | 47,509,971   | 105.13%               | 101.51%               |
| 2024                     | 0.5690   | 0.5204       | 0.0486                    | 52,803,863   | 99.70%                | 99.70%                |
| 2025                     | 0.5435   | 0.4893       | 0.0542                    | 53,954,363   | 98.15% <sup>(1)</sup> | 98.15% <sup>(1)</sup> |

(1) Collections as of May 31, 2025.

**TABLE 5 - TEN LARGEST TAXPAYERS**

| Name of Taxpayer        | Nature of Property            | FYE 2024/25 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|-------------------------|-------------------------------|--|---------------------------------------|
| WRIA 2017 2 LP          | Real Estate Development       | \$ 199,500,000                         | 2.01%                                 |
| JDFW Boardwalk LLC      | Real Estate Development       | 198,450,000                            | 2.00%                                 |
| Luxia Gallery House LLC | Real Estate Development       | 173,000,000                            | 1.74%                                 |
| Royal TX Partners LLC   | Real Estate - Office/Showroom | 136,000,000                            | 1.37%                                 |
| UDR Canal I LLC         | Real Estate Development       | 128,000,000                            | 1.29%                                 |
| Mercer Acquisition LLC  | Real Estate Development       | 113,500,000                            | 1.14%                                 |
| VAF2 Mack Lakeside LLC  | Real Estate Development       | 106,000,000                            | 1.07%                                 |
| Lakeview at Parkside    | Apartment Complex             | 102,000,000                            | 1.03%                                 |
| International Plaza I   | Office Tower - Class A        | 101,000,000                            | 1.02%                                 |
| 5005 LBJ Tower LLC      | Real Estate Development       | 99,926,650                             | 1.01%                                 |
|                         |                               | <u>\$ 1,357,376,650</u>                | <u>13.67%</u>                         |

**TAX VALUE CONCENTRATION . . .** As shown in the table above, the total combined top ten taxpayers in the City currently account for approximately 14% of the City's tax base. Any adverse development related to the top ten taxpayers and their ability to continue to conduct business at its location within the City's boundaries may result in significantly less local tax revenue, thereby severely affecting the City's finances and its ability to repay its outstanding indebtedness.

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

**TABLE 6 - TAX ADEQUACY<sup>(1)</sup>**

|   |    |           |
|---|----|-----------|
| 2025 Net Principal and Interest Requirements                      | \$ | 5,262,881 |
| \$0.0536 Tax Rate at 99% Collection Produces                      | \$ | 5,265,694 |
| Average Annual Net Principal and Interest Requirements, 2025-2047 | \$ | 3,113,703 |
| \$0.0318 Tax Rate at 99% Collection Produces                      | \$ | 3,119,297 |
| Maximum Annual Net Principal and Interest Requirements, 2029      | \$ | 6,064,300 |
| \$0.0619 Tax Rate at 99% Collection Produces                      | \$ | 6,068,085 |

(1) Includes the Bonds; excludes self-supporting debt. See "Table 10 – Computation of Self-Supporting Debt" for a discussion of the City's self-supporting debt.

**TABLE 7 - ESTIMATED OVERLAPPING DEBT<sup>(1)</sup>**

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

| Taxing Jurisdiction  | 2024/25<br>Taxable<br>Assessed<br>Value | 2024/25<br>Tax<br>Rate | G.O. Tax<br>Debt<br>as of 6/15/25 | Estimated<br>%<br>Applicable | City's<br>Overlapping<br>G.O.<br>Tax Debt<br>as of 6/15/25 |
|--|---|------------------------|-----------------------------------|------------------------------|--|
| Direct:  |   |                        |                                   |                              |  |
| City of Farmers Branch   | \$ 9,927,205,747                        | \$ 0.5435              | \$ 52,725,000 <sup>(1)</sup>      | 100.00%                      | \$ 52,725,000  |
| Overlapping:   |   |                        |                                   |                              |  |
| Carrollton-Farmers Branch ISD  | 33,165,350,905                          | \$ 0.9840              | 605,645,000                       | 18.97%                       | 114,890,857  |
| Dallas County  | 412,792,494,091                         | 0.2160                 | 198,645,000                       | 2.26%                        | 4,489,377  |
| Dallas County Comm College District  | 423,071,753,336                         | 0.1060                 | 247,115,000                       | 2.26%                        | 5,584,799  |
| Dallas County Hospital District  | 414,014,886,764                         | 0.2120                 | 527,660,000                       | 2.26%                        | 11,925,116   |
| Dallas Independent School District   | 194,055,575,689                         | 0.9970                 | 4,638,075,000                     | 1.64%                        | 76,064,430   |
| Valwood Improvement Authority  | 4,435,751,574                           | 0.0600                 | -                                 | 49.28%                       | -  |
| Total  |   |                        | <u>\$ 6,269,865,000</u>           |                              | <u>\$ 265,679,579</u>                                      |
| Total Direct and Overlapping G. O. Tax Debt                                  |   |                        |                                   |                              | \$ 265,679,579   |
| Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation |   |                        |                                   |                              | 2.68%  |
| Per Capita Direct and Overlapping G. O. Tax Debt                             |   |                        |                                   |                              | \$ 6,800   |

(1) Excludes self-supporting debt. Includes the Bonds.

## DEBT INFORMATION

**TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

| Fiscal<br>Year<br>Ended | Outstanding Debt <sup>(1)</sup> |                      |                       | The Bonds <sup>(2)</sup> |                     |                     | Total<br>Outstanding<br>Debt | Less: Self-<br>Supporting<br>Debt <sup>(3)</sup> | Net<br>Debt Service<br>Requirements | % of<br>Principal<br>Retired |
|-------------------------|---------------------------------|----------------------|-----------------------|--------------------------|---------------------|---------------------|------------------------------|--|-------------------------------------|------------------------------|
| 9/30                    | Principal                       | Interest             | Total                 | Principal                | Interest            | Total               |                              |  |                                     |                              |
| 2025                    | \$ 4,710,000                    | \$ 2,791,254         | \$ 7,501,254          | \$ -                     | \$ -                | \$ -                | \$ 7,501,254                 | \$ 2,238,374                                     | \$ 5,262,881                        |                              |
| 2026                    | 4,945,000                       | 2,690,168            | 7,635,168             | -                        | 236,551             | 236,551             | 7,871,719                    | 2,243,218  | 5,628,501                           |                              |
| 2027                    | 4,530,000                       | 2,504,339            | 7,034,339             | -                        | 249,731             | 249,731             | 7,284,070                    | 1,643,089  | 5,640,981                           |                              |
| 2028                    | 4,850,000                       | 2,320,246            | 7,170,246             | -                        | 249,731             | 249,731             | 7,419,977                    | 1,638,586  | 5,781,391                           |                              |
| 2029                    | 5,045,000                       | 2,124,524            | 7,169,524             | 295,000                  | 242,356             | 537,356             | 7,706,881                    | 1,642,581  | 6,064,300                           | 30.23%                       |
| 2030                    | 4,355,000                       | 1,942,254            | 6,297,254             | 340,000                  | 226,481             | 566,481             | 6,863,735                    | 1,639,998  | 5,223,738                           |                              |
| 2031                    | 4,145,000                       | 1,784,702            | 5,929,702             | 360,000                  | 208,981             | 568,981             | 6,498,683                    | 1,640,748  | 4,857,934                           |                              |
| 2032                    | 4,310,000                       | 1,628,565            | 5,938,565             | 380,000                  | 190,481             | 570,481             | 6,509,046                    | 1,639,434  | 4,869,613                           |                              |
| 2033                    | 4,465,000                       | 1,471,117            | 5,936,117             | 400,000                  | 170,981             | 570,981             | 6,507,098                    | 1,640,798  | 4,866,300                           |                              |
| 2034                    | 4,180,000                       | 1,320,071            | 5,500,071             | 420,000                  | 150,481             | 570,481             | 6,070,552                    | 1,639,746  | 4,430,806                           | 59.20%                       |
| 2035                    | 3,560,000                       | 1,182,332            | 4,742,332             | 440,000                  | 128,981             | 568,981             | 5,311,313                    | 1,641,126  | 3,670,188                           |                              |
| 2036                    | 3,690,000                       | 1,050,634            | 4,740,634             | 460,000                  | 106,481             | 566,481             | 5,307,115                    | 1,639,749  | 3,667,366                           |                              |
| 2037                    | 3,665,000                       | 911,767              | 4,576,767             | 485,000                  | 82,856              | 567,856             | 5,144,623                    | 1,640,758  | 3,503,866                           |                              |
| 2038                    | 3,805,000                       | 769,753              | 4,574,753             | 510,000                  | 58,938              | 568,938             | 5,143,690                    | 1,638,603  | 3,505,088                           |                              |
| 2039                    | 2,345,000                       | 648,493              | 2,993,493             | 535,000                  | 34,772              | 569,772             | 3,563,265                    | 1,643,249  | 1,920,016                           | 83.38%                       |
| 2040                    | 1,505,000                       | 566,218              | 2,071,218             | 560,000                  | 11,200              | 571,200             | 2,642,418                    | 1,640,418  | 1,002,000                           |                              |
| 2041                    | 1,575,000                       | 496,212              | 2,071,212             | -                        | -                   | -                   | 2,071,212                    | 1,640,112  | 431,100                             |                              |
| 2042                    | 1,650,000                       | 422,893              | 2,072,893             | -                        | -                   | -                   | 2,072,893                    | 1,642,093  | 430,800                             |                              |
| 2043                    | 1,725,000                       | 345,351              | 2,070,351             | -                        | -                   | -                   | 2,070,351                    | 1,640,451  | 429,900                             |                              |
| 2044                    | 1,805,000                       | 263,431              | 2,068,431             | -                        | -                   | -                   | 2,068,431                    | 1,640,031  | 428,400                             | 94.32%                       |
| 2045                    | 1,455,000                       | 186,345              | 1,641,345             | -                        | -                   | -                   | 1,641,345                    | 1,641,345  | -                                   |                              |
| 2046                    | 1,525,000                       | 114,274              | 1,639,274             | -                        | -                   | -                   | 1,639,274                    | 1,639,274  | -                                   |                              |
| 2047                    | 1,600,000                       | 38,696               | 1,638,696             | -                        | -                   | -                   | 1,638,696                    | 1,638,696  | -                                   | 100.00%                      |
|                         | <u>\$ 75,440,000</u>            | <u>\$ 27,573,638</u> | <u>\$ 103,013,638</u> | <u>\$ 5,185,000</u>      | <u>\$ 2,349,004</u> | <u>\$ 7,534,004</u> | <u>\$ 110,547,642</u>        | <u>\$ 38,932,476</u>                             | <u>\$ 71,615,166</u>                |                              |

(1) "Outstanding Debt" does not include lease/purchase obligations.

(2) Average life of the Bonds - 9.569 years.

(3) See "Table 10 – Computation of Self-Supporting Debt" for a discussion of the City's self-supporting debt



**TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION<sup>(1)</sup>**

|   |                |                            |
|---|----------------|----------------------------|
| Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9-30-25 |                | \$ 5,262,881               |
| Interest and Sinking Fund, 9-30-24                                      | \$ (1,443,263) |                            |
| Budgeted Interest and Sinking Fund Tax Levy                             | 4,863,000      |                            |
| Budgeted Prior Year Tax   | 20,000         |                            |
| Budgeted Other Revenues   | <u>861,626</u> | <u>4,301,363</u>           |
| Estimated Balance, 9-30-24  |                | <u><u>\$ (961,518)</u></u> |

- (1) Excludes the self-supporting debt. Final debt pricing for the anticipated debt in 2024-25 was received after the budget was submitted for approval and will require a temporary draw upon fund balance. Initially, it was anticipated that the debt would be structured with a lesser upfront payment. The City has fund balance to cover the adjustment and will amend the budget at a later time.

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

|  |                  |
|--|------------------|
| Budgeted Fiscal Year 2025 Dallas Stars Multi-Sport Revenues <sup>(1)</sup>         | \$ 7,730,402     |
| Less: Requirements for the Taxable Series 2011 Bonds and Taxable 2022 Certificates | <u>2,238,374</u> |
| Balance Available for Other Purposes   | \$ 5,492,028     |

- (1) The General Obligation Refunding Bonds, Taxable Series 2011 refunded the Combination Tax and Revenue Certificates of Obligation, Taxable Series 2004 which were self-supporting general obligation debt based upon amounts received under the terms of a Ground Lease Agreement (the “Lease”) between the City and the lessee, the Dallas Stars L.P. (the “Dallas Stars”), which Lease relates to the community-style recreational ice-skating and conference facility financed in part with the proceeds of the Series 2004 Taxable Certificates. The obligation of the Dallas Stars to make lease payments to the City to support the payment of the bonds is dependent on the satisfaction of certain ongoing requirements in the Lease. The City currently transfers Lease payments to the debt service fund to pay debt service on the bonds and anticipates it will continue to do so. If the City discontinues such transfers, the City will be required to assess an ad valorem tax for the payment of the Taxable Series 2011 Bonds. In fiscal year 2022, the City entered into an agreement with DSE Multisport, LP (DSE), under which DSE will operate, maintain, and retain fees from a multisport complex for 25 years, with one 5-year renewal option succeeding the term of 25 years. The City currently transfers payments from DSE to the debt service fund to pay debt service on the Taxable 2022 Certificates and anticipates it will continue to do so. If the City discontinues such transfers, the City will be required to assess an ad valorem tax for the payment of the Taxable Series 2022 Certificates. The City receives advanced rental installments until construction of the complex is complete and DSE has moved into the premises. The City continues to report the rink as a capital asset with a value of \$5,832,551.

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

| Purpose              | Date<br>Authorized | Amount<br>Authorized | Amount<br>Previously<br>Issued | Amount<br>Being<br>Issued <sup>(1)</sup> | Unissued<br>Balance |
|----------------------|--------------------|----------------------|--------------------------------|--|---------------------|
| Water Infrastructure | 5/4/2024           | \$ 5,500,000         | \$ -                           | \$ 5,500,000                             | \$ -                |
|                      |                    | <u>\$ 5,500,000</u>  | <u>\$ -</u>                    | <u>\$ 5,500,000</u>                      | <u>\$ -</u>         |

- (1) Includes premium in the amount of \$315,000 allocated to voted authorization.

**ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . .** The City does not anticipate the issuance of additional ad valorem tax debt in the next 12 months.

**TABLE 12 - OTHER OBLIGATIONS**

The City has no unfunded debt outstanding as of June 1, 2025.

**PENSION PLAN . . .** The City participates as one of over 900 plans in the nontraditional, joint contributory, hybrid defined benefit pension 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 (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six- member, governor appointed, Board of Trustees, however TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available annual comprehensive financial report that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent 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.

**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 | 433   |
| Inactive employees entitled to but not yet receiving benefits    | 410   |
| Active employees   | 422   |
| Total  | 1,265 |

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

Employees for the City of Farmers Branch were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Farmers Branch were 19.15% and 20.19% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were \$9,378,099 and were \$1,571,561 more than the required contributions.

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

Actuarial assumptions:

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

|                           |  |
|---------------------------|--|
| Inflation                 | 2.50% per year   |
| Overall payroll growth    | 2.65% per year   |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 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 for 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 Public Equity             | 35.0%             | 6.70%   |
| Core Fixed Income                | 6.0%              | 4.70%   |
| Non-Core Fixed Income            | 20.0%             | 8.00%   |
| Other Public and Private Markets | 12.0%             | 8.00%   |
| Real Estate                      | 12.0%             | 7.60%   |
| Hedge Funds                      | 5.0%              | 6.40%   |
| Private Equity                   | 10.0%             | 11.60%  |
| Total                            | 100.0%            |   |

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

Changes in the Net Pension Liability:

|   | Increase (Decrease)     |                             |                       |
|---|-------------------------|-----------------------------|-----------------------|
|   | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|   | (a)                     | (b)                         | (a)-(b)               |
| Balance at 10/1/2023  | \$ 317,571,555          | \$ 270,495,837              | \$ 47,075,718         |
| Changes for the year:   |                         |                             |                       |
| Service cost  | 6,591,462               | -                           | 6,591,462             |
| Interest  | 21,069,719              | -                           | 21,069,719            |
| Change in assumptions   | (2,339,029)             | -                           | (2,339,029)           |
| Difference between expected and actual experience             | 3,558,757               | -                           | 3,558,757             |
| Contributions - employer                                      | -                       | 8,534,416                   | (8,534,416)           |
| Contributions - employee                                      | -                       | 2,561,923                   | (2,561,923)           |
| Net investment income   | -                       | 31,266,806                  | (31,266,806)          |
| Benefit payments, including refunds of employee contributions | (17,446,591)            | (17,446,591)                | -                     |
| Administrative expense  | -                       | (199,167)                   | 199,167               |
| Other changes   | -                       | (1,392)                     | 1,392                 |
| Net changes   | 11,434,318              | 24,715,995                  | (13,281,677)          |
| Balance at 9/30/2024  | \$ 329,005,873          | \$ 295,211,832              | \$ 33,794,041         |

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 | \$ 76,732,429                        | \$ 33,794,041         | \$ (1,688,663)                       |

***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](http://www.tmrs.com).

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended September 30, 2024, the City recognized pension expense of \$7,676,838.

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

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Contributions subsequent to the measurement date            | \$ 7,664,607                      | \$ -                             |
| Change in assumptions                                       | -                                 | 1,644,955                        |
| Difference between projected and actual investment earnings | 7,286,810                         | -                                |
| Differences between expected and actual economic experience | 4,688,623                         | -                                |
| Total   | <u>\$ 19,640,040</u>              | <u>\$ 1,644,955</u>              |

The amount of \$7,664,607 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows (inflows) of resources related to pension will be recognized in pension expense as follows:

|             |                      |
|-------------|----------------------|
| Year ended: |                      |
| 2025        | \$ 4,073,621         |
| 2026        | 3,065,095            |
| 2027        | 5,793,429            |
| 2028        | (2,601,667)          |
| Total       | <u>\$ 10,330,478</u> |

**OTHER POSTEMPLOYMENT BENEFITS**

Plan Description - The City administers a single-employer defined benefit OPEB plan, the "Retiree Health Plan". The plan provides OPEB through the City's group health insurance plan, which covers both active and retired members (see funding policy below). Contributions are established through City policy as approved by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Retiree Health Plan does not issue a publicly available financial report.

The eligibility requirements are:

- Must be a current, full-time employee hired prior to January 1, 2007;
- Must have worked for the City for at least ten years, which do not need to be concurrent;
- Must meet the eligibility requirements of the Texas Municipal Retirement System (TMRS) and retire from the City; and,
- Must be on the City's health plan at the time of retirement, and for dependents to be carried on the health plan, they must be on the plan at that time.

Benefits Provided - The City contributes \$625 per month toward the cost of a health reimbursement account (HRA) administered through HAS Bank, plus an annual lump sum funding of \$500 to the HRA, and the full premium for life insurance coverage of \$12,000. The City's contribution for future health insurance premiums is capped at a maximum of \$625 per month. As an alternative, to the HRA, retirees may be provided an age-adjusted high deductible health insurance plan with no contribution from the City.

Plan members receiving benefits contribute the full group premium for dental or vision plans selected. They also pay the full premium for age-adjusted life insurance coverage if they choose coverage after they turn 65.

Retirees are required to enroll in Medicare, if they are eligible, at age 65. For those who are not eligible for Medicare, the City will pay the monthly premium for Medicare Part A for any retirees who reach age 65 and must provide documentation from Social Security on Medicare ineligibility.

Employees Covered by Benefit Terms – At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

|                              |                   |
|------------------------------|-------------------|
| Retirees and beneficiaries   | 66                |
| Inactive, nonretired members | 0                 |
| Active employees             | <u>99</u>         |
| Total                        | <u><u>165</u></u> |

The City's retiree healthcare benefit is only provided to employees who were hired prior to January 1, 2007 and are not eligible for Medicare.

#### **Total OPEB Liability**

The City's total OPEB liability of \$3,972,260 was measured as of December 31, 2023, and was determined by an actuarial valuation as of December 31, 2022.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods including in the measurement, unless otherwise specified:

#### **Actuarial Assumptions and Methods**

|                                 |   |
|---------------------------------|---|
| <b>Valuation Date:</b>          | December 31, 2022   |
| <b>Methods and Assumptions:</b> |   |
| Actuarial cost method           | Individual Entry-Age Normal   |
| Discount rate                   | 3.77% as of December 31, 2023   |
| Inflation rate                  | 2.50%   |
| Salary increases                | 3.60% to 11.85%, including inflation  |
| Demographic assumptions         | Based on the experience study covering the four year period ending December 31, 2022 as conducted for the TMRS.   |
| Mortality                       | For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 tables to account for future mortality improvements |
| Health care trend rates:        | N/A. The City's subsidy is a fixed dollar contribution to a retiree health care account.  |
| Participation rates             | Medical: 85% of retirees who are eligible for a subsidy.<br>Life insurance: 100% of eligible retirees   |
| <b>Other Information:</b>       |   |
| Notes                           | The discount rate changed from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023. Additionally, the demographic and salary increase assumptions were updated to reflect the 2023 TMRS experience study   |

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## Changes in the Total OPEB Liability

|   | Total OPEB<br>Liability |
|---|-------------------------|
| Balance at 10/1/2023  | \$ 4,062,924            |
| Changes for the year:   |                         |
| Service cost  | 110,736                 |
| Interest on total OPEB liability  | 156,152                 |
| Difference between expected and actual experience of the total OPEB liability | 58,138                  |
| Changes of assumptions  | 109,686                 |
| Benefit payments  | (525,376)               |
| Net changes   | (90,664)                |
| Balance at 9/30/2024  | \$ 3,972,260            |

There were no changes in benefit terms during the year.

Changes of assumptions reflect a change in the discount rate from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023. The discount rate was based on the tax-exempt municipal bond rate based on an index of 20- year general obligation bonds with an average AA credit rating as of the measurement date.

Sensitivity of the Total OPEB Liability to the Discount Rate Assumption – Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan’s total OPEB liability, calculated using a discount rate of 4.05%, as well as what the plan’s total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

|                      | 1% Decrease<br>2.77% | Discount rate<br>3.77% | 1% Increase<br>4.77% |
|----------------------|----------------------|------------------------|----------------------|
| Total OPEB Liability | \$ 4,105,286         | \$ 3,972,260           | \$ 3,833,013         |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption – Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the City’s total liability, calculated using the assumed trend rates as well as what the plan’s total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

|                      | Healthcare Cost |              |              |
|----------------------|-----------------|--------------|--------------|
|                      | 1% Decrease     | Trend Rate   | 1% Increase  |
| Total OPEB Liability | \$ 3,972,260    | \$ 3,972,260 | \$ 3,972,260 |

Note: The City’s retiree medical benefit is a set dollar amount that is not impacted by future medical trends.

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

For the year ended September 30, 2024, the City of recognized OPEB expense of \$312,6594. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Benefits paid subsequent to the measurement date   | \$ 394,032                        | \$ -                             |
| Changes in assumptions                             | 133,343                           | 158,392                          |
| Differences between expected and actual experience | 129,318                           | 18,046                           |
| Total  | \$ 656,693                        | \$ 176,438                       |

The amount of \$294,032 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:

|      |                  |
|------|------------------|
| 2025 | \$ 29,310        |
| 2026 | 7,763            |
| 2027 | 39,558           |
| 2028 | 9,592            |
|      | <u>\$ 86,223</u> |

**FINANCIAL INFORMATION**

**TABLE 13 – CHANGES IN NET POSITION**

|  | Governmental<br>Activities<br>2024 | Governmental<br>Activities<br>2023 | Governmental<br>Activities<br>2022 | Governmental<br>Activities<br>2021 | Governmental<br>Activities<br>2020 |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>REVENUES:</b>                                     |                                    |                                    |                                    |                                    |                                    |
| Program Revenues:                                    |                                    |                                    |                                    |                                    |                                    |
| Charges for services                                 | \$ 19,240,981                      | \$ 27,271,284                      | \$ 15,283,649                      | \$ 16,709,860                      | \$ 13,114,957                      |
| Operating grants and contributions                   | 815,576                            | 2,356,770                          | 930,087                            | 1,565,257                          | 2,177,925                          |
| Capital grants and contributions                     | 1,349,652                          | 1,733,548                          | 457,008                            | 4,164,801                          | 5,920,245                          |
| General Revenues:                                    |                                    |                                    |                                    |                                    |                                    |
| Taxes  |                                    |                                    |                                    |                                    |                                    |
| Property taxes, levied for general purposes          | 45,710,705                         | 42,362,924                         | 36,920,934                         | 34,131,625                         | 30,636,546                         |
| Property taxes, levied for debt service              | 4,451,622                          | 4,799,484                          | 4,414,339                          | 4,973,900                          | 4,443,207                          |
| Sales and use taxes                                  | 24,406,225                         | 25,344,604                         | 24,413,463                         | 18,737,374                         | 17,164,707                         |
| Hotel/motel taxes                                    | 3,515,051                          | 3,341,512                          | 2,913,839                          | 1,683,018                          | 1,794,067                          |
| Franchise taxes                                      | 3,791,350                          | 3,870,277                          | 3,856,016                          | 3,885,156                          | 3,873,220                          |
| Tax increment financing                              | 2,011,454                          | 1,501,804                          | 860,064                            | 1,557,120                          | 4,513,776                          |
| Investment income                                    | 7,459,624                          | 5,280,165                          | (353,710)                          | 1,031,746                          | 2,393,143                          |
| Grants not restricted to a specific purpose          | 5,078,575                          | 1,745,580                          | 2,546,527                          | -                                  | 9,979,973                          |
| Gain on sale/retirement and miscellaneous            | 434,537                            | 1,442,422                          | 149,346                            | 41,584                             | 2,280,136                          |
| Total Revenues                                       | <u>\$ 118,265,352</u>              | <u>\$ 121,050,374</u>              | <u>\$ 92,391,562</u>               | <u>\$ 88,481,441</u>               | <u>\$ 98,291,902</u>               |
| <b>EXPENSES:</b>                                     |                                    |                                    |                                    |                                    |                                    |
| General government                                   | 21,150,357                         | 27,032,249                         | 20,254,045                         | 17,255,980                         | 21,181,076                         |
| Public safety  | 38,959,551                         | 36,077,852                         | 24,240,573                         | 26,422,950                         | 29,902,691                         |
| Public works   | 15,389,261                         | 24,718,438                         | 14,182,657                         | 14,984,662                         | 12,899,719                         |
| Culture and recreation                               | 18,277,084                         | 16,848,177                         | 16,005,075                         | 13,626,946                         | 14,243,692                         |
| Principal retirement                                 | -                                  | -                                  | 417,521                            | -                                  | -                                  |
| Interest on long-term debt                           | 1,540,892                          | 2,873,370                          | 2,064,562                          | 1,527,200                          | 1,823,611                          |
| Unallocated depreciation                             | 178,508                            | 487,635                            | 466,577                            | 145,929                            | 185,799                            |
| Total Expenditures                                   | <u>\$ 95,495,653</u>               | <u>\$ 108,037,721</u>              | <u>\$ 77,631,010</u>               | <u>\$ 73,963,667</u>               | <u>\$ 80,236,588</u>               |
| Increase (decrease) in net position before transfers | \$ 22,769,699                      | \$ 13,012,653                      | \$ 14,760,552                      | \$ 14,517,774                      | \$ 18,055,314                      |
| Transfers  | 5,143,651                          | 5,117,095                          | 4,739,339                          | 3,899,519                          | 11,947,117                         |
| Increase (decrease) in net position                  | \$ 27,913,350                      | \$ 18,129,748                      | \$ 19,499,891                      | \$ 18,417,293                      | \$ 30,002,431                      |
| Beginning net position                               | 194,415,343                        | 176,285,595                        | 156,785,704                        | 138,368,411                        | 108,365,980                        |
| Restatement of beginning net position                | -                                  | -                                  | -                                  | -                                  | -                                  |
| Net position-beginning, as restated                  | 194,415,343                        | 176,285,595                        | 156,785,704                        | 138,368,411                        | 108,365,980                        |
| Ending net position                                  | <u>\$ 222,328,693</u>              | <u>\$ 194,415,343</u>              | <u>\$ 176,285,595</u>              | <u>\$ 156,785,704</u>              | <u>\$ 138,368,411</u>              |

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

|   | Fiscal Years Ended September 30,    |                       |                       |                      |                       |
|---|-------------------------------------|-----------------------|-----------------------|----------------------|-----------------------|
|   | 2024                                | 2023                  | 2022                  | 2021                 | 2020                  |
| <u>Revenues:</u>                            |                                     |                       |                       |                      |                       |
| Property, Sales and Franchise Taxes         | \$ 73,781,761                       | \$ 71,389,979         | \$ 64,703,376         | \$ 56,693,276        | \$ 51,521,257         |
| Licenses and Permits                        | 2,252,812                           | 2,137,679             | 2,700,392             | 3,810,089            | 2,883,283             |
| Charges for Services                        | 11,924,395                          | 10,618,829            | 9,698,983             | 8,416,478            | 7,056,305             |
| Fine and Forfeitures                        | 2,061,087                           | 1,147,804             | 1,159,482             | 1,447,925            | 1,560,596             |
| Investment Income                           | 3,455,945                           | 2,426,916             | (302,292)             | 272,084              | 1,026,467             |
| Miscellaneous                               | 76,826                              | 235,435               | 78,887                | 36,370               | 63,699                |
| Total Revenues                              | <u>\$ 93,552,826</u>                | <u>\$ 87,956,642</u>  | <u>\$ 78,038,828</u>  | <u>\$ 70,676,222</u> | <u>\$ 64,111,607</u>  |
| <u>Expenditures:</u>                        |                                     |                       |                       |                      |                       |
| Current:                                    |                                     |                       |                       |                      |                       |
| General Government                          | \$ 18,967,250                       | \$ 23,855,846         | \$ 15,209,950         | \$ 14,509,967        | \$ 18,300,051         |
| Public Safety                               | 36,291,073                          | 32,755,001            | 28,891,395            | 27,236,275           | 28,555,541            |
| Public Works                                | 10,673,908                          | 9,863,308             | 9,564,782             | 10,067,222           | 9,623,549             |
| Culture and Recreation                      | 13,880,029                          | 13,016,008            | 12,543,218            | 14,063,704           | 11,275,025            |
| Principal Retirement                        | 389,947                             | 302,872               | 69,556                | -                    | -                     |
| Interest and Fiscal Agent Charges           | 21,997                              | -                     | 28,465                | -                    | -                     |
| Capital Outlay                              | 4,133,686                           | 3,490,302             | 2,446,069             | -                    | -                     |
| Total Expenditures                          | <u>\$ 84,357,890</u>                | <u>\$ 83,283,337</u>  | <u>\$ 68,753,435</u>  | <u>\$ 65,877,168</u> | <u>\$ 67,754,166</u>  |
| Deficiency of Revenues                      |                                     |                       |                       |                      |                       |
| Under Expenditures                          | <u>\$ 9,194,936</u>                 | <u>\$ 4,673,305</u>   | <u>\$ 9,285,393</u>   | <u>\$ 4,799,054</u>  | <u>\$ (3,642,559)</u> |
| <u>Other Financing Sources (Uses):</u>      |                                     |                       |                       |                      |                       |
| Transfers In                                | \$ 5,593,900                        | \$ 5,929,100          | \$ 5,307,900          | \$ 5,013,400         | \$ 4,787,700          |
| Transfers Out                               | (8,107,463)                         | (9,996,000)           | (8,469,700)           | (3,620,881)          | (3,875,700)           |
| Sale of Capital Assets/Insurance Recoveries | 333,177                             | 956,852               | 167,281               | 258,054              | 2,614,178             |
| Issuance of SBITAs                          | 245,460                             | 640,087               | -                     | -                    | -                     |
| Total Other Financing Sources (Uses)        | <u>\$ (1,934,926)</u>               | <u>\$ (2,469,961)</u> | <u>\$ (2,994,519)</u> | <u>\$ 1,650,573</u>  | <u>\$ 3,526,178</u>   |
| Net Change in Fund Balance                  | \$ 7,260,010                        | \$ 2,203,344          | \$ 6,290,874          | \$ 6,449,627         | \$ (116,381)          |
| Fund Balances, Beginning of Year            | <u>\$ 38,520,555</u>                | <u>\$ 36,317,211</u>  | <u>\$ 30,026,337</u>  | <u>\$ 23,576,710</u> | <u>\$ 23,693,091</u>  |
| Fund Balances, End of Year                  | <u>\$ 45,780,565 <sup>(1)</sup></u> | <u>\$ 38,520,555</u>  | <u>\$ 36,317,211</u>  | <u>\$ 30,026,337</u> | <u>\$ 23,576,710</u>  |

(1) A portion of the fund balance will be utilized to pay a portion of the City's outstanding debt in the approximate amount of \$961,518.

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**TABLE 14 - MUNICIPAL SALES TAX HISTORY <sup>(1)</sup>**

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City (which, combined with sales taxes levied by other governmental entities, total 8.25%); the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

| Fiscal<br>Year<br>Ended | Total<br>Collected        | % of<br>Ad Valorem<br>Tax Levy | Equivalent<br>of<br>Ad Valorem<br>Tax Rate | Per<br>Capita |
|-------------------------|---------------------------|--------------------------------|--|---------------|
| 2021                    | \$ 18,737,374             | 46.67%                         | \$ 0.2997                                  | \$ 520.61     |
| 2022                    | 24,413,463                | 57.55%                         | 0.3512                                     | 640.05        |
| 2023                    | 25,344,604                | 53.35%                         | 0.3142                                     | 656.34        |
| 2024                    | 24,406,225                | 46.22%                         | 0.2630                                     | 624.68        |
| 2025                    | 16,265,839 <sup>(1)</sup> | 30.15%                         | 0.1639                                     | 416.33        |

(1) Collections as of May 2025, which represents a 45 day lag.

#### **FINANCIAL POLICIES**

*Basis of Presentation* . . . While separate government-wide financial statements (based on the City as a whole) and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

The fund financial statements provide information about the City's funds, including its blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The *grants fund* is used to account for all grant revenue and expenditures.

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 long-term debt paid primarily from taxes levied by the City.

The *Dallas Stars multi-sport fund* is used to account for the acquisition and construction of the City's Dallas Stars Multi-Sport Complex.

The *non-bond capital projects fund* is used to account for the acquisition and construction of major capital facilities.

The City reports the following major proprietary funds:

The *water and sewer fund* is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The *stormwater utility fund* is used to account for the City's drainage management program.

The City reports the following internal service funds:

The *internal service funds* are used to account for facilities and fleet management services and the City's workers' compensation and medical self-insurance programs for the departments of the City on a cost reimbursement basis.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. Exceptions to this general rule are payments in lieu of taxes (PILOT) where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City’s water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

*Measurement Focus and Basis of Accounting* . . . The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures, including those on lease liabilities, and expenditures related to pension, other post-employment benefits, compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. The issuance of long-term debt and financing through leases is reported as an other financing source.

Property, franchise, sales and hotel occupancy taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 1 year of year-end). All other revenue items are considered to be measurable and available only when the government receives cash.

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.

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB for the OPEB Retiree Health Plan, OPEB expenses have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

*Fund Balance/Operating Position Concepts* . . . In the General Fund, the City will strive to maintain an unassigned fund balance to be used for unanticipated emergencies within a target range of approximately 15% (low end) and 20% (high-end) of the actual GAAP basis expenditures and other financing sources and uses. In 2023-24, the City Council added a preferred range for the General Fund of 25%/ A net current assets balance of \$2.0-\$2.5 million is targeted for the Water & Sewer Fund, which is equivalent to approximately 45-days worth of working capital (for the low-end). “Net current assets” is an amount derived by subtracting current liabilities from current assets. This amount is the best approximation in an enterprise type fund of spendable resources, which are available for appropriation. These monies will be used to avoid cash-flow interruptions, generate interest income, reduce the need for

short-term borrowing, and assist in maintaining an investment-grade rating. Each fund may borrow internally from other funds to provide for cash flow requirements. These loans will be on a short-term basis. Funds of the City will not be operated on a deficit basis.

Debt Service . . . The City's goal for debt service is to limit general obligation annual debt service requirements to 20 percent of general governmental expenditures.

Use of Bond Proceeds, Grants, etc . . . Long-term debt shall not be used for operating purposes. The life of bonds shall not exceed the useful life of the projects.

Budgetary Procedures . . . The City Council follow these procedures in establishing the budgets reflected in the general-purpose financial statements:

1. By August 1 of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
2. Public hearings are conducted, at which time all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.
4. After adoption by City Council, a budget may be amended by ordinance any time during the fiscal year to account for unusual or unforeseen conditions that may have occurred subsequent to the original budget adoption. The budget ordinance gives specific authority to the City Manager to: a) transfer appropriations from one account classification to another account classification within the same department; b) transfer appropriations from designated appropriations from one department or activity to another department or activity within the same fund; c) transfer unencumbered appropriations within a department; and d) to make transfers from the General Fund and all other Funds of unexpended appropriations and excess revenues for the previous fiscal year.
5. Annual operating budgets are prepared on a budgetary basis of accounting for all governmental funds, whereby year-end encumbrances are recognized as expenditures in the current year.
6. Budgetary data for the Capital Projects Funds are not presented in the City's combined financial statements, as such funds are budgeted over the life of the respective project and not on an annual basis.
7. Budgeted amounts are as amended by the City Council. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.

## **INVESTMENTS**

The City may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the City or obligations under a lease, installment sale, or other agreement of the City) in investments authorized by State law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

## **AUTHORIZED INVESTMENTS**

Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the City Council or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or

an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service, if the City Council authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

The City may also contract with an investment management firm registered (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.), or (y) with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by ordinance, order or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

## INVESTMENT POLICIES

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

## ADDITIONAL PROVISIONS

Under State law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the treasurer, chief financial officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

## TABLE 15 - CURRENT INVESTMENTS

As of April 30, 2025, the City's investable funds were invested in the following categories:

| Description                     | % of<br>Portfolio | Purchase<br>Price     | Market<br>Value       |
|---------------------------------|-------------------|-----------------------|-----------------------|
| Federal Home Loan Bank          | 13.90%            | \$ 20,232,902         | \$ 20,261,637         |
| Certificates of Deposit (CDARS) | 28.44%            | 41,469,212            | 41,469,212            |
| TexPool                         | 21.02%            | 30,653,595            | 30,653,595            |
| Municipal Obligations           | 36.63%            | 51,804,837            | 53,411,685            |
|                                 | <u>100.00%</u>    | <u>\$ 144,160,545</u> | <u>\$ 145,796,128</u> |

## **TAX MATTERS**

**The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.**

### **Tax Exemption**

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Bonds is (i) excludable from gross income for federal income tax purposes under section 103 of the Code and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the City and such other parties, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinance or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest on the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

### **Additional Federal Income Tax Considerations**

#### **Collateral Tax Consequences**

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for

the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

#### **Tax Accounting Treatment of Original Issue Premium**

If the issue price of a maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

#### **Tax Accounting Treatment of Original Issue Discount**

If the issue price of a maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “Original Issue Discount Bonds”), the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “TAX MATTERS – Tax Exemption” and “TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Initial Purchasers have purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

### **Tax Legislative Changes**

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

### **Qualified Tax-Exempt Obligations for Financial Institutions**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a “bank,” as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The Issuer expects that the Bonds will be designated, or deemed designated, as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as “qualified tax-exempt obligations.” Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be “qualified tax-exempt obligations.”

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 (the “Annual Operating Report”). The City will update and provide the Annual Operating Report within six months after the end of each fiscal year ending in and after 2025. The City will additionally provide audited financial statements of the City (the “Financial Statements”) and such Financial Statements will be provided when and if available, but in any event within 12 months after the end of each fiscal year ending in or after 2025. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such Financial Statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by SEC Rule 15c2-12 (the “Rule”).

The City’s current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-referenced Tables must be provided by March 31 in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.



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

For these purposes, (A) any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the City, and (B) the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinance defines "Financial Obligation" as (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

**AVAILABILITY OF INFORMATION . . .** All information and documentation filings required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided by the MSRB, without charge to the general public, at [www.emma.msrb.org](http://www.emma.msrb.org).

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

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

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. However, for a period of time, certain filings related to the City's outstanding debt and the City's reporting obligations in connection with debt issued by the Trinity River Authority were not linked correctly in the EMMA database. The aforementioned filings are now correctly linked in the EMMA database. In addition, certain of the City's operating data for various Trinity River Authority obligations was not filed for the fiscal year ended 2021. On July 12, 2022, the City made a corrective filing incorporating such information.

## **OTHER INFORMATION**

### **RATINGS**

The Bonds and the presently outstanding tax-supported debt of the City are rated "AAA" by S&P and "AAA" by Fitch, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any or all of such rating companies, if in the judgment of any or all companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, by any rating company, may have an adverse effect on the market price of the Bonds.

### **LITIGATION**

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

### **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

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

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

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

### **LEGAL MATTERS**

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, Bracewell LLP, Dallas, Texas, to like effect and to the effect that, under existing law, the interest on the Bonds will be excludable from gross income for federal income tax purposes and the Bonds are not private activity bonds, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to retrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Certain legal matters will be passed upon for the City by Bracewell LLP. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

#### **AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION**

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

#### **INITIAL PURCHASER**

After requesting competitive bids for the Bonds, the City accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of \$415,702.95. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

#### **MUNICIPAL ADVISOR**

Hilltop Securities Inc. is employed as Municipal Advisor to the City in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities Inc. waives the right to submit a bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. Hilltop Securities Inc., in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

#### **CERTIFICATION OF THE OFFICIAL STATEMENT**

At the time of payment for and delivery of the Bonds, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

#### **MISCELLANEOUS**

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

The Ordinance authorizing the issuance of the Bonds approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Initial Purchaser in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

TERRY LYNNE

Mayor

City of Farmers Branch, Texas

ATTEST:

STACY HENDERSON

City Secretary

## **APPENDIX A**

### GENERAL INFORMATION REGARDING THE CITY

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## THE CITY

The City of Farmers Branch (the “City”) is conveniently located on Dallas’ northern border, in the heart of an 11-county area that has emerged as a premier commercial, financial and trading center. This favorable business climate is driven by the City’s location, as it is bordered by two major interstate highways and the Dallas North Tollway and President George Bush Turnpike, and is minutes from the Dallas/Fort Worth International Airport, Dallas Love Field, and downtown Dallas. In addition, the service provided by the Dallas Area Rapid Transit’s (DART) Light Rail Green Line further enhances the City’s reputation as a premier transportation hub for North Texas. The City’s broadly diversified economic base supports home furnishings, financial, high-tech, insurance, and telecommunications industries and includes many of the nation’s foremost businesses. Some of the reasons that these enterprises chose the City as a local or regional business center include: the City’s strategic Southwest location, convenience to local and worldwide transportation, low municipal tax rate, abundant labor, educational and cultural resources, and overall quality of life.

Three creeks traverse the City and there are more than 30 parks filled with picnic areas, bridges, playgrounds, walking areas and natural surroundings, as well as numerous walking trails and a 104-acre nature preserve. Farmers Branch has preserved history in its 27-acre Historical Park that takes visitors on a “walk back through time” to the days of the early settlers in the 1800s. The Historical Park is also the site for many of the City’s special events and may be reserved for weddings, parties, family reunions or other special gatherings. In 2024, the City added a new addition to the Historical Park, Venue 1842, which is the perfect marriage of vintage charm and modern elegance and an ideal location for weddings, corporate retreats, and family gatherings. Venue 1842 is an 8,100 square foot event view and has the capacity for up to 200 seated guests.

## EDUCATION

Education for the school age children in Farmers Branch is provided by two different school districts dependent upon where the family resides. The City is served by the Carrollton-Farmers Branch and Dallas Independent School Districts. The majority of the City’s residents are part of the Carrollton-Farmers Branch Independent School District, which encompasses a 53.42 square mile area and provides a quality educational system that believes in the importance of a strong community-school relationship. This belief combined with a strong financial base makes the Carrollton-Farmers Branch Independent School District a star attraction in the Dallas-Fort Worth Metroplex. Some of the best K-12 private schools in the Dallas area are in or close to Farmers Branch. The Carrollton-Farmers Branch Independent School District created the R.L. Turner High School Academies for Biomedical Professions and Media Arts & Technology to serve growing demand for these professions.

Nine major Texas universities and colleges are located within easy driving distance of Farmers Branch. They include Dallas College Brookhaven Campus, the University of Dallas, Texas Christian University, Texas Woman’s University, Southern Methodist University, the University of North Texas, the University of Texas at Arlington, the University of Texas Southwest Medical Center, and the University of Texas at Dallas.

## MAJOR EMPLOYERS

| Employer                                      | Product/Service                              | Number of Employees |
|---|--|---------------------|
| Federal Government - Internal Revenue Service | Government                                   | 1,200               |
| Feizy   | Home Furnishings                             | 1,170               |
| Anserteam LLC                                 | Staffing Company                             | 1,001               |
| Telvista                                      | Telecommunications                           | 1,000               |
| TD Industries                                 | Mechanical Construction                      | 900                 |
| Haggar Clothing Company                       | Clothing Manufacturer                        | 750                 |
| IBM Corporation                               | Office Products                              | 700                 |
| Moni Smart Security                           | Security Systems Alarm Monitoring            | 700                 |
| Encore Enterprises, Inc.                      | Real Estate and Property Management Services | 650                 |
| Glazer's Wholesale Drug Company               | Spirit and Wine Wholesale Distribution       | 650                 |

## EMPLOYMENT

Unemployment figures in Farmers Branch are as follows:

|                      | Annual Averages     |        |        |        |        |
|----------------------|---------------------|--------|--------|--------|--------|
|                      | 2025 <sup>(1)</sup> | 2024   | 2023   | 2022   | 2021   |
| Civilian Labor Force | 24,105              | 23,820 | 23,323 | 22,541 | 22,036 |
| Total Employed       | 23,184              | 22,915 | 22,413 | 21,742 | 20,931 |
| Total Unemployed     | 921                 | 905    | 910    | 799    | 1,105  |
| Unemployment Rate    | 3.8%                | 3.8%   | 3.9%   | 3.5%   | 5.0%   |

(1) As of May 2025.

Source: Texas Workforce Commission.



**APPENDIX B**

EXCERPTS FROM THE  
CITY OF FARMERS BRANCH, TEXAS  
ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Farmers Branch, Texas Comprehensive Annual Financial Report for the Year Ended September 30, 2024, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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## **Independent Auditor's Report**

Honorable Mayor and Members of the City Council  
City of Farmers Branch, Texas

### ***Opinions***

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

### ***Basis for Opinions***

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

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

### ***Other Information***

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

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

***Forvis Mazars, LLP***

**Dallas, Texas  
April 23, 2025**

# CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2024  
(Unaudited)

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

## FINANCIAL HIGHLIGHTS

- The City's total combined net position as presented on the Government-wide Statement of Net Position was \$328,278,883, which represents an increase of \$36,578,460 from the prior year. This was primarily due to increased revenue related to property taxes, investment earnings, and grant revenue in connection with the City's continued participation in the American Rescue Plan Act (ARPA) grant. This increase in net position, was also a result of cost saving efforts related to the City's expenditures.
- The City's governmental funds reported combined ending fund balances of \$94,743,659, a decrease of \$7,714,480 in comparison with the prior year. The decrease was the result of capital outlay, primarily related to the Stars Multi-Sport Complex.
- The unassigned fund balance for the general fund was \$22,211,703 or 26.95 percent of total general fund expenditures plus other financing sources (uses). This represents a decrease of \$1,201,721 from the prior fiscal year.
- At the end of the current fiscal year, unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the general fund was \$41,952,130 or 49.73 percent of total general fund expenditures.
- The City's long-term liabilities decreased \$17,133,184 during the current fiscal year primarily due to the City's net pension liability and compensated absences decreasing from prior year. The accounting standards for pensions will reflect more volatility in the amount of the liability from year-to-year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information required to be presented by the Governmental Accounting Standards Board and other supplementary information in addition to the basic financial statements themselves.

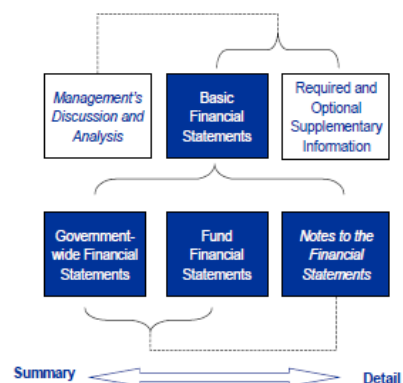
**Government-wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water and sewer and stormwater utilities.

### Required Components of City of Farmers Branch's Annual Financial Report



## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2024  
(Unaudited)

The government-wide financial statements can be found in Exhibit A of this report.

**Fund Financial Statements** - A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental funds and proprietary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains 27 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, grants fund, debt service fund, Dallas Stars Multi-Sport fund, and Non-Bond capital projects fund, which are the five major funds for the reporting year. Data from the other 22 funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found in Exhibit B of this report.

**Proprietary Funds** - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sanitary sewer utility and stormwater long-term construction projects. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its facilities and fleet management, workers' compensation, and health claims funds. Because these services predominantly benefit governmental rather than business-type functions, they have been primarily included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The water and sewer fund is considered a major fund of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found in Exhibit C of this report.

**Notes to Basic Financial Statements** - The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found in Exhibit D of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits (OPEB) to its employees. Required supplementary information can be found in Exhibit E of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the required supplementary information on pensions and OPEB. Combining and individual statements and schedules can be found in Exhibit F through Exhibit H of this report.

## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2024  
(Unaudited)

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position, the amount that assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, was \$328,278,883 at the close of the most recent fiscal year.

|  | CONDENSED NET POSITION  |                |                          |               |                          |                |
|--|-------------------------|----------------|--------------------------|---------------|--------------------------|----------------|
|  | Governmental Activities |                | Business-Type Activities |               | Total Primary Government |                |
|  | 2024                    | 2023           | 2024                     | 2023          | 2024                     | 2023           |
| Current and other assets               | \$ 133,435,974          | \$ 137,387,407 | \$ 31,286,257            | \$ 28,205,551 | \$ 164,722,231           | \$ 165,592,958 |
| Capital, lease and subscription assets | 219,921,720             | 191,404,639    | 79,097,780               | 72,246,253    | 299,019,500              | 263,650,892    |
| Total assets                           | 353,357,694             | 328,792,046    | 110,384,037              | 100,451,804   | 463,741,731              | 429,243,850    |
|  |                         |                |                          |               |                          |                |
| Total deferred outflows of resources   | 19,318,676              | 28,958,480     | 993,968                  | 1,474,363     | 20,312,644               | 30,432,843     |
|  |                         |                |                          |               |                          |                |
| Noncurrent liabilities                 | 118,524,411             | 135,032,624    | 2,257,332                | 2,882,303     | 120,781,743              | 137,914,927    |
| Other liabilities                      | 21,543,412              | 19,371,705     | 3,076,304                | 1,720,816     | 24,619,716               | 21,092,521     |
| Total liabilities                      | 140,067,823             | 154,404,329    | 5,333,636                | 4,603,119     | 145,401,459              | 159,007,448    |
|  |                         |                |                          |               |                          |                |
| Total deferred inflows of resources    | 10,279,854              | 8,930,854      | 94,179                   | 37,968        | 10,374,033               | 8,968,822      |
|  |                         |                |                          |               |                          |                |
| Net position:                          |                         |                |                          |               |                          |                |
| Net investment in capital assets       | 166,817,200             | 150,702,636    | 76,765,889               | 71,461,488    | 243,583,089              | 222,164,124    |
| Restricted                             | 11,412,361              | 13,178,193     | -                        | -             | 11,412,361               | 13,178,193     |
| Unrestricted                           | 44,099,132              | 30,534,514     | 29,184,301               | 25,823,592    | 73,283,433               | 56,358,106     |
| Total net position                     | \$ 222,328,693          | \$ 194,415,343 | \$ 105,950,190           | \$ 97,285,080 | \$ 328,278,883           | \$ 291,700,423 |

The largest portion of the City's combined net position in the amount of \$243,583,089 reflects its investments in capital, lease and subscription assets (e.g., land, buildings, equipment, intangible assets, improvements, construction in progress, infrastructure, lease assets, and subscription assets (SBITAs)), less any debt used to acquire those assets that are still outstanding. The City uses these capital and lease assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital and lease assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital and lease assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position in the amount of \$11,412,361 represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's combined unrestricted net position is a surplus of \$73,283,433 due to improving market conditions and increased taxes revenue. Unrestricted net position of \$44,099,132 exists in the governmental activities net position.

The unrestricted net position of the business-type activities is a positive balance of \$29,184,301. The City generally can only use this net position to finance continuing water and sewer operations.

**Analysis of the City's Operations** – During the current fiscal year, the net position for governmental activities increased \$27,913,350 from the prior fiscal year for an ending balance of \$222,328,693. This increase is attributable in large part to the development on the City's west side, which increased capital contributions, building permits and sales tax. Additionally, the increase is also attributed to an increase in revenue from property taxes, charges for services and other revenue areas. The net position of the business-type activities increased \$8,665,110 from the prior fiscal year for an ending balance of \$105,950,190. The City reduced its base water rate by one-half for residential customers for a period of one year. The development on the City's west side included capital contributions of \$869,449 for the business-type activities. Transfers to governmental activities increased by \$26,556 due to the advance funding of FY 2023-24 capital assets and an increase in transfers for CIP projects.



# CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2024  
(Unaudited)

## CHANGES IN NET POSITION

|   | Governmental Activities |                | Business-Type Activities |               | Total - Primary Government |                |
|---|-------------------------|----------------|--------------------------|---------------|----------------------------|----------------|
|   | 2024                    | 2023           | 2024                     | 2023          | 2024                       | 2023           |
| Revenues:                                   |                         |                |                          |               |                            |                |
| Program revenues:                           |                         |                |                          |               |                            |                |
| Charges for services                        | \$ 19,240,981           | \$ 27,271,284  | \$ 32,535,077            | \$ 32,168,051 | \$ 51,776,058              | \$ 59,439,335  |
| Operating grants and contributions          | 815,576                 | 2,356,770      | -                        | -             | 815,576                    | 2,356,770      |
| Capital grants and contributions            | 1,349,652               | 1,733,548      | 869,449                  | 683,747       | 2,219,101                  | 2,417,295      |
| General revenues:                           |                         |                |                          |               |                            |                |
| Taxes:                                      |                         |                |                          |               |                            |                |
| Property taxes, levied for general purposes | 45,710,705              | 42,362,924     | -                        | -             | 45,710,705                 | 42,362,924     |
| Property taxes, levied for debt service     | 4,451,622               | 4,799,484      | -                        | -             | 4,451,622                  | 4,799,484      |
| Sales and use taxes                         | 24,406,225              | 25,344,604     | -                        | -             | 24,406,225                 | 25,344,604     |
| Hotel/motel taxes                           | 3,515,051               | 3,341,512      | -                        | -             | 3,515,051                  | 3,341,512      |
| Franchise taxes                             | 3,791,350               | 3,870,277      | -                        | -             | 3,791,350                  | 3,870,277      |
| Tax increment financing                     | 2,011,454               | 1,501,804      | -                        | -             | 2,011,454                  | 1,501,804      |
| Investment income (loss)                    | 7,459,624               | 5,280,165      | 1,292,274                | 792,209       | 8,751,898                  | 6,072,374      |
| Gain on disposal of capital assets          | 260,392                 | 849,647        | -                        | -             | 260,392                    | 849,647        |
| Miscellaneous                               | 174,145                 | 592,775        | -                        | 12,251        | 174,145                    | 605,026        |
| Grants not restricted to a specific purpose | 5,078,575               | 1,745,580      | -                        | -             | 5,078,575                  | 1,745,580      |
| Total revenues                              | 118,265,352             | 121,050,374    | 34,696,800               | 33,656,258    | 152,962,152                | 154,706,632    |
| Expenses:                                   |                         |                |                          |               |                            |                |
| General government                          | 21,150,357              | 27,032,249     | -                        | -             | 21,150,357                 | 27,032,249     |
| Public safety                               | 38,959,551              | 36,077,852     | -                        | -             | 38,959,551                 | 36,077,852     |
| Public works                                | 15,389,261              | 24,718,438     | -                        | -             | 15,389,261                 | 24,718,438     |
| Culture and recreation                      | 18,277,084              | 16,848,177     | -                        | -             | 18,277,084                 | 16,848,177     |
| Interest on long-term debt                  | 1,540,892               | 2,873,370      | -                        | -             | 1,540,892                  | 2,873,370      |
| Unallocated depreciation                    | 178,508                 | 487,635        | -                        | -             | 178,508                    | 487,635        |
| Water and sewer                             | -                       | -              | 20,780,323               | 19,540,609    | 20,780,323                 | 19,540,609     |
| Stormwater utility                          | -                       | -              | 107,716                  | 59,123        | 107,716                    | 59,123         |
| Total expenses                              | 95,495,653              | 108,037,721    | 20,888,039               | 19,599,732    | 116,383,692                | 127,637,453    |
| Increase in net position before transfers   | 22,769,699              | 13,012,653     | 13,808,761               | 14,056,526    | 36,578,460                 | 27,069,179     |
| Transfers                                   | 5,143,651               | 5,117,095      | (5,143,651)              | (5,117,095)   | -                          | -              |
| Change in net position                      | 27,913,350              | 18,129,748     | 8,665,110                | 8,939,431     | 36,578,460                 | 27,069,179     |
| Net position--beginning                     | 194,415,343             | 176,285,595    | 97,285,080               | 88,345,649    | 291,700,423                | 264,631,244    |
| Net position--ending                        | \$ 222,328,693          | \$ 194,415,343 | \$ 105,950,190           | \$ 97,285,080 | \$ 328,278,883             | \$ 291,700,423 |

## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2024  
(Unaudited)

### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$94,743,659. Of this total, \$32,796,996 is restricted due to external limitations on its use, such as by debt covenants, legal restrictions, or intention of grantors, donors, or trustees. A total of \$5,547,923 is considered nonspendable because it has been used for inventory and prepaid items. A total of \$35,841,357 has been assigned meaning there are limitations resulting from its intended use, such as, payment of debt service, other capital assets, and for other purposes. The remaining \$20,557,383 is unassigned and can be used for any lawful purpose.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund is \$22,211,703, while total fund balance is \$45,780,565. As a measure of the general fund's liquidity, it may be useful to compare the unassigned general fund balance and total general fund balance to total general fund expenditures and other financing sources and uses. Unassigned general fund balance represents 26.95 percent of total general fund expenditures plus other financing sources (uses), while total fund balance represents 55.54 percent of that same amount.

The fund balance of the General fund increased \$7,260,010 during the fiscal year. Revenues were \$5,596,184 higher than the prior year. Property tax revenue increased \$3,365,256 due primarily to higher valuations. Additionally, sales tax revenue decreased \$938,379 due to a slight decrease in local spending reflecting national economic volatility and uncertainty. Expenditures were \$1,074,553 more than the prior year. This is mostly due to increased capital expenditures for various completed and ongoing capital projects. The Dallas Stars Multi-Sport fund had a significant decrease in fund balance of \$15,819,033 due to large capital expenditures in connection with the construction of the Stars Multi-Sport Complex. The Grants fund had a minimal decrease of \$402,083 related to ARPA related capital expenditures in excess of grant and other revenue. The addition of the Debt Service fund with fund balance deficit of \$(1,443,263) is a decrease of \$1,731,066 from prior year. The Debt Service funds utilized their fund balance for a debt payment of \$4,145,000 on the City's outstanding debt at fiscal year end. The decrease in the Debt Service Fund is attributable to rental installments received during the year in connection with the Stars Multi-Sport Complex, that will sit in unearned revenue until the tenant moves in.

**Proprietary Funds** - The City's Water and Sewer fund and Stormwater Utility fund are the enterprise components of the City's proprietary funds. These funds' financial statements provide the same type of information found in the government-wide financial statements, but in more detail. The unrestricted net position of the Water and Sewer fund was \$26,855,965 and the Stormwater Utility fund was \$1,914,389. The internal service funds (the other component of proprietary funds) report activities that provide supplies and services for the City's various functions. The City uses internal service funds to account for facilities and fleet management and the City's workers' compensation and health insurance self-insurance programs. Because all of these services primarily benefit governmental rather than business-type activities, they have primarily been included with governmental activities in the government-wide financial statements.

**General Fund Budgetary Highlights** – During the fiscal year ending September 30, 2024, the City Council adopted amendments to the budget. In the general fund, final budgeted revenues increased \$4,240,100 and final budgeted expenditures increased \$11,231,300 compared to the original budget. The budget for sale of general capital assets, which is an "other financing source", decreased \$(125,000) due to City-owned property that was not sold during 2024 as budgeted. Variances with Final Budget are denoted in Exhibit B-5. During the fiscal year ending September 30, 2024, the most notable variances from the final budget include an increase of \$694,745 in investment income and an increase of \$255,195 in charges for services. Actual expenditures for the General Fund were less than budgeted by \$14.6 million. This is due to several factors. Supply chain shortages and increased lead time caused a reduction in the purchase of budgeted capital assets. Also, a large amount of staff vacancies due to retirements and a highly competitive job market resulted in a decrease in personnel costs.

# CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2024  
(Unaudited)

## CAPITAL, LEASE AND SUBSCRIPTION ASSETS

The City's investment in capital, lease and subscription assets for its government-wide activities as of September 30, 2024, amounts to \$299,019,500 (net of accumulated depreciation and amortization). This investment in capital, lease and subscription assets includes land, buildings, equipment, improvements, infrastructure, intangible assets, construction in progress, and lease and subscription assets.

Major capital asset events during the current fiscal year included the following:

### Completed Projects

- Street Revitalization & Improvements - \$3,915,760
- Inflow & Infiltration Improvements - \$6,500,791
- Cooks Creek Improvements - \$3,309,596

### Amounts Spent for Ongoing Projects

- Justice Center - \$855,391
- Venue 1842 - \$2,979,996
- Stars Cener Facility - \$16,954,078
- Signature Park - Phase I - \$2,021,138
- Signature Park - Phase II - \$1,414,091
- Utility Replacement - \$3,912,343
- Public Drainage Projects - \$2,528,603
- Branch Connection (Senior Center) - \$2,202,046

### Capital, Lease and Subscription Assets at Year-End Net of Accumulated Depreciation and Amortization

|                          | Governmental Activities |                       | Business-Type Activities |                      | Total - Primary Government |                       |
|--------------------------|-------------------------|-----------------------|--------------------------|----------------------|----------------------------|-----------------------|
|                          | 2024                    | 2023                  | 2024                     | 2023                 | 2024                       | 2023                  |
| Land                     | \$ 39,411,462           | \$ 39,411,462         | \$ 603,364               | \$ 603,364           | \$ 40,014,826              | \$ 40,014,826         |
| Buildings                | 49,637,757              | 51,251,673            | 5,301,025                | 5,568,909            | 54,938,782                 | 56,820,582            |
| Equipment                | 10,008,986              | 8,952,915             | 1,957,279                | 1,737,731            | 11,966,265                 | 10,690,646            |
| Improvements             | 11,492,204              | 11,769,879            | 10,982                   | 12,128               | 11,503,186                 | 11,782,007            |
| Infrastructure           | 63,528,899              | 63,101,239            | 57,626,614               | 46,731,985           | 121,155,513                | 109,833,224           |
| Intangible assets        | 484,734                 | 545,969               | 592,648                  | 333,396              | 1,077,382                  | 879,365               |
| SBITAs                   | 445,435                 | 457,756               | -                        | -                    | 445,435                    | 457,756               |
| Lease building           | -                       | 223,437               | -                        | -                    | -                          | 223,437               |
| Construction in progress | 44,912,243              | 15,690,309            | 13,005,868               | 17,258,740           | 57,918,111                 | 32,949,049            |
| Total                    | <u>\$ 219,921,720</u>   | <u>\$ 191,404,639</u> | <u>\$ 79,097,780</u>     | <u>\$ 72,246,253</u> | <u>\$ 299,019,500</u>      | <u>\$ 263,650,892</u> |

Additional information on the City's capital, lease, and subscription assets can be found in Note 3.D. Capital, Lease and Subscription Assets.

## CITY OF FARMERS BRANCH, TEXAS

Management's Discussion and Analysis  
For the Fiscal Year Ended September 30, 2024  
(Unaudited)

### DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total bonded debt of \$65,751,051. A portion of this debt, approximately 37%, is considered to be self-supporting in that it will be repaid from sources other than property taxes. A portion in the amount of \$1,155,000 comprises debt to be repaid from hotel/motel tax revenues and lease payments from the Dallas Stars. An additional \$23.2 million comprises debt to be repaid from lease payments related to the Dallas Stars Multi-Sport Complex. All self-supporting debt is backed by the full faith and credit of the government.

#### Outstanding Debt at Year-End

|                          | Governmental Activities |               |
|--------------------------|-------------------------|---------------|
|                          | 2024                    | 2023          |
| General obligation bonds | \$ 65,751,051           | \$ 70,098,877 |
| Total                    | \$ 65,751,051           | \$ 70,098,877 |

The City maintains favorable ratings from bond rating agencies. The ratings are as follows:

|  | Fitch<br>Ratings | Date Confirmed  | Standard &<br>Poor's | Date Confirmed  |
|--|------------------|-----------------|----------------------|-----------------|
| 2011 General obligation refunding bonds, taxable | AAA              | N/A             | AAA                  | August 23, 2024 |
| 2013 Certificates of obligation                  | AAA              | N/A             | AAA                  | August 23, 2024 |
| 2014 General obligation                          | AAA              | August 22, 2024 | AAA                  | August 23, 2024 |
| 2016 Certificates of obligation                  | AAA              | August 22, 2024 | AAA                  | August 23, 2024 |
| 2018 Certificates of obligation                  | AAA              | August 22, 2024 | AAA                  | August 23, 2024 |
| 2018 General obligation                          | AAA              | August 22, 2024 | AAA                  | August 23, 2024 |
| 2020 General obligation refunding bonds          | AAA              | August 22, 2024 | AAA                  | August 23, 2024 |
| 2020 General obligation improvement bonds        | AAA              | August 22, 2024 | AAA                  | August 23, 2024 |
| 2022 Certificates of obligation                  | AAA              | August 22, 2024 | AAA                  | August 23, 2024 |

Additional information on the City's long term-debt can be found in Note 3.G. Long-Term Liabilities.

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

The fiscal year 2024-25 budget has been prepared with the objectives of continuing significant investments in capital improvements, maintaining the financial strength of the City, meeting the needs of citizens, implementing the priorities of City Council, and maintaining AAA-rated financial performance. The budget has been developed to be responsive to residents and businesses feeling financial stress and includes a decrease in the property tax rate to \$0.5435 providing for a \$0.0255 tax decrease to all property taxpayers; building enhancements and renovations, including the relocation of the City's consolidated dispatch center (NTECC); continued investments in the City's revenue stabilization and landfill closure/post-closure funds; continued investments in neighborhoods and neighborhood partnerships; continued utility replacement and inflow and infiltration funding; completion of automated Itron water meter change-outs to provide consumers with better information and alerts about their water usage; and, the development of staffing capacity, equipment, and capital investment to realize high-impact services and projects without draining critical reserves.

Revenues are projected to decrease 2.93% from the prior year amended budget. Property tax and sales tax revenue represent 76.52% of total General Fund revenues. In past years, the City has had the fortune of a strong tax base and fund balances. The Dallas Central Appraisal District provides cities with a certified property value. The certified taxable value (including an estimated minimum value of properties under dispute) is \$9,927,205,747, which represents an increase of 6.97% over prior year values. New construction is valued at \$139,511,100. The commercial tax base, including real and business personal property, represents a strong 72.46% of taxable value.

## **CITY OF FARMERS BRANCH, TEXAS**

Management's Discussion and Analysis  
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The property tax rate of 54.35 cents per \$100 valuation is a \$0.0255 decrease from the prior year. A property tax rate at this level continues to position Farmers Branch at one of the lowest rates in Dallas County. Sales tax revenues can fluctuate greatly due to national, state, and local economic conditions; however, the 2024-25 budget reflects the leveling-off of sales tax revenues in anticipation of an economic downturn and a slowdown in consumer spending.

Budgeted general fund expenditures are expected to decrease by approximately \$6.4 million from the prior year's amended budget. This decrease is primarily due to the advance funding of 2024-25 capital projects in the 2023-24 fiscal year, a reduced allocation for the Parks Master Plan and trail projects, and a reduction in contract services. The 2024-25 budget includes the addition of ten full-time employees, seven of which are public safety positions.

The 2024-25 budget includes the implementation of a nominal monthly fee for refuse collection to be directed towards prepaying landfill closure/post-closure costs.

Enterprise Fund operating expenditures are budgeted at approximately \$1.5 million more than the 2023-24 amended budget due primarily to increased rates for water and treated sewer.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131.

STATEMENT OF NET POSITION  
SEPTEMBER 30, 2024

|   | Primary Government      |                          |                       |
|---|-------------------------|--------------------------|-----------------------|
|   | Governmental Activities | Business-Type Activities | Total                 |
| <b>ASSETS</b>   |                         |                          |                       |
| Cash, cash equivalents, and investments                   | \$ 106,828,129          | \$ 21,279,884            | \$ 128,108,013        |
| Receivables (net of allowance for uncollectibles)         | 18,521,719              | 5,037,277                | 23,558,996            |
| Inventories and land held for resale                      | 5,537,093               | -                        | 5,537,093             |
| Deposits  | 35,000                  | -                        | 35,000                |
| Prepaid items   | 67,616                  | 11,760                   | 79,376                |
| Equity interest in joint venture                          | 2,446,417               | 4,957,336                | 7,403,753             |
| Capital, lease and subscription assets                    |                         |                          |                       |
| Nondepreciable  | 84,323,705              | 13,609,232               | 97,932,937            |
| Depreciable, net of accumulated depreciation/amortization | 135,598,015             | 65,488,548               | 201,086,563           |
| Total assets  | <u>353,357,694</u>      | <u>110,384,037</u>       | <u>463,741,731</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                     |                         |                          |                       |
| Deferred outflows from pensions                           | 18,705,175              | 934,865                  | 19,640,040            |
| Deferred outflows from OPEB                               | 597,590                 | 59,103                   | 656,693               |
| Deferred outflows on refunding                            | 15,911                  | -                        | 15,911                |
| Total deferred outflows                                   | <u>19,318,676</u>       | <u>993,968</u>           | <u>20,312,644</u>     |
| <b>LIABILITIES</b>  |                         |                          |                       |
| Accounts payable and other accrued liabilities            | 11,424,515              | 2,644,101                | 14,068,616            |
| Retainage payable   | 1,542,657               | 378,843                  | 1,921,500             |
| Accrued interest payable                                  | 370,886                 | -                        | 370,886               |
| Deposits payable  | 524,318                 | 467,307                  | 991,625               |
| Internal balances   | 413,947                 | (413,947)                | -                     |
| Unearned revenue  | 7,267,089               | -                        | 7,267,089             |
| Noncurrent liabilities                                    |                         |                          |                       |
| Due within one year                                       | 5,993,876               | 68,347                   | 6,062,223             |
| Due in more than one year                                 | 112,530,535             | 2,188,985                | 114,719,520           |
| Total liabilities   | <u>140,067,823</u>      | <u>5,333,636</u>         | <u>145,401,459</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                      |                         |                          |                       |
| Deferred inflows from pensions                            | 1,566,655               | 78,300                   | 1,644,955             |
| Deferred inflows from OPEB                                | 160,559                 | 15,879                   | 176,438               |
| Deferred inflows from leases and PPPs                     | 8,552,640               | -                        | 8,552,640             |
| Total deferred inflows of resources                       | <u>10,279,854</u>       | <u>94,179</u>            | <u>10,374,033</u>     |
| <b>Net Position</b>                                       |                         |                          |                       |
| Net investment in capital assets                          | 166,817,200             | 76,765,889               | 243,583,089           |
| Restricted for:   |                         |                          |                       |
| Construction of capital assets                            | 6,132,913               | -                        | 6,132,913             |
| Promotion of tourism                                      | 3,102,142               | -                        | 3,102,142             |
| Purpose of grantors/trustees                              | 945,091                 | -                        | 945,091               |
| Law enforcement   | 736,651                 | -                        | 736,651               |
| Fire training   | 16,048                  | -                        | 16,048                |
| Economic development                                      | 479,516                 | -                        | 479,516               |
| Unrestricted  | <u>44,099,132</u>       | <u>29,184,301</u>        | <u>73,283,433</u>     |
| Total net position  | <u>\$ 222,328,693</u>   | <u>\$ 105,950,190</u>    | <u>\$ 328,278,883</u> |

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

| Functions/Programs                          | Expenses              | Program Revenues        |  |  |
|---|-----------------------|-------------------------|--|--|
|   |                       | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| Primary government:                         |                       |                         |  |  |
| Governmental activities                     |                       |                         |  |  |
| General government                          | \$ 21,150,357         | \$ 2,381,471            | \$ 83,887                                | \$ -                                   |
| Public safety                               | 38,959,551            | 4,076,158               | 724,364                                  | -                                      |
| Public works                                | 15,389,261            | 8,966,993               | -  | 1,349,652                              |
| Culture and recreation                      | 18,277,084            | 3,816,359               | 7,325                                    | -                                      |
| Interest on long-term debt                  | 1,540,892             | -                       | -  | -                                      |
| Unallocated depreciation                    | 178,508               | -                       | -  | -                                      |
| Total governmental activities               | <u>95,495,653</u>     | <u>19,240,981</u>       | <u>815,576</u>                           | <u>1,349,652</u>                       |
| Business-type activities                    |                       |                         |  |  |
| Water and sewer                             | 20,780,323            | 30,752,465              | -  | 869,449                                |
| Stormwater utility                          | 107,716               | 1,782,612               | -  | -                                      |
| Total business-type activities              | <u>20,888,039</u>     | <u>32,535,077</u>       | <u>-</u>                                 | <u>869,449</u>                         |
| Total primary government                    | <u>\$ 116,383,692</u> | <u>\$ 51,776,058</u>    | <u>\$ 815,576</u>                        | <u>\$ 2,219,101</u>                    |
| General revenues and transfers              |                       |                         |  |  |
| Taxes:                                      |                       |                         |  |  |
| Property taxes - general purpose            |                       |                         |  |  |
| Property taxes - debt service               |                       |                         |  |  |
| Sales and use taxes                         |                       |                         |  |  |
| Hotel motel taxes                           |                       |                         |  |  |
| Franchise taxes                             |                       |                         |  |  |
| Tax increment financing                     |                       |                         |  |  |
| Investment income                           |                       |                         |  |  |
| Gain on disposal of capital assets          |                       |                         |  |  |
| Miscellaneous                               |                       |                         |  |  |
| Grants not restricted to a specific purpose |                       |                         |  |  |
| Transfers                                   |                       |                         |  |  |
| Total general revenues and transfers        |                       |                         |  |  |
| Change in net position                      |                       |                         |  |  |
| Net position - beginning                    |                       |                         |  |  |
| Net position - ending                       |                       |                         |  |  |

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

| Net (Expense) Revenue and Changes in Net Position |                         |                          |                        |
|---|-------------------------|--------------------------|------------------------|
| Functions/Programs                                | Primary Government      |                          | Total                  |
|   | Governmental Activities | Business-type Activities |                        |
| Primary government:                               |                         |                          |                        |
| Governmental activities                           |                         |                          |                        |
| General government                                | \$ (18,684,999)         | \$ -                     | \$ (18,684,999)        |
| Public safety                                     | (34,159,029)            | -                        | (34,159,029)           |
| Public works                                      | (5,072,616)             | -                        | (5,072,616)            |
| Culture and recreation                            | (14,453,400)            | -                        | (14,453,400)           |
| Interest on long-term debt                        | (1,540,892)             | -                        | (1,540,892)            |
| Unallocated depreciation                          | (178,508)               | -                        | (178,508)              |
| Total governmental activities                     | <u>(74,089,444)</u>     | <u>-</u>                 | <u>(74,089,444)</u>    |
| Business-type activities                          |                         |                          |                        |
| Water and sewer                                   | -                       | 10,841,591               | 10,841,591             |
| Stormwater utility                                | -                       | 1,674,896                | 1,674,896              |
| Total business-type activities                    | <u>-</u>                | <u>12,516,487</u>        | <u>12,516,487</u>      |
| Total primary government                          | <u>\$ (74,089,444)</u>  | <u>\$ 12,516,487</u>     | <u>\$ (61,572,957)</u> |
|   |                         |                          |                        |
|   | 45,710,705              | -                        | 45,710,705             |
|   | 4,451,622               | -                        | 4,451,622              |
|   | 24,406,225              | -                        | 24,406,225             |
|   | 3,515,051               | -                        | 3,515,051              |
|   | 3,791,350               | -                        | 3,791,350              |
|   | 2,011,454               | -                        | 2,011,454              |
|   | 7,459,624               | 1,292,274                | 8,751,898              |
|   | 260,392                 | -                        | 260,392                |
|   | 174,145                 | -                        | 174,145                |
|   | 5,078,575               | -                        | 5,078,575              |
|   | 5,143,651               | (5,143,651)              | -                      |
|   | <u>102,002,794</u>      | <u>(3,851,377)</u>       | <u>98,151,417</u>      |
|   | 27,913,350              | 8,665,110                | 36,578,460             |
|   | <u>194,415,343</u>      | <u>97,285,080</u>        | <u>291,700,423</u>     |
|   | <u>\$ 222,328,693</u>   | <u>\$ 105,950,190</u>    | <u>\$ 328,278,883</u>  |



## CITY OF FARMERS BRANCH, TEXAS

EXHIBIT B-1

BALANCE SHEET GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2024

|   | General              | Grants              | Debt<br>Service     | Dallas Stars Multi-Sport |
|---|----------------------|---------------------|---------------------|--------------------------|
| <b>ASSETS</b>   |                      |                     |                     |                          |
| Cash, cash equivalents, and investments                               | \$ 40,658,657        | \$ 2,283,148        | \$ 1,725,900        | \$ 11,072,516            |
| Receivables (net of allowance for uncollectibles)                     | 7,872,727            | 466,922             | 131,927             | -                        |
| Lease receivable  | 2,591,778            | -                   | -                   | -                        |
| PPP receivable  | -                    | -                   | 5,875,845           | -                        |
| Accrued interest and other  | 449,478              | -                   | 16,697              | 161,090                  |
| Land held for resale  | 3,766,320            | -                   | -                   | -                        |
| Prepaid items   | 62,115               | -                   | -                   | -                        |
| Due from other funds  | 1,328,735            | -                   | -                   | -                        |
| Total assets  | <u>\$ 56,729,810</u> | <u>\$ 2,750,070</u> | <u>\$ 7,750,369</u> | <u>\$ 11,233,606</u>     |
| <b>LIABILITIES</b>  |                      |                     |                     |                          |
| Accounts payable  | \$ 6,395,323         | \$ -                | \$ -                | \$ 2,617,709             |
| Retainage payable   | 41,357               | -                   | -                   | 885,495                  |
| Due to other funds  | -                    | -                   | -                   | -                        |
| Deposits payable  | 27,807               | -                   | 200,000             | -                        |
| Unearned revenue  | 198,520              | 2,585,777           | 2,706,561           | -                        |
| Total liabilities   | <u>6,663,007</u>     | <u>2,585,777</u>    | <u>2,906,561</u>    | <u>3,503,204</u>         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                      |                     |                     |                          |
| Unavailable revenue   | 1,888,742            | -                   | 131,927             | -                        |
| Lease and PPP related   | 2,397,496            | -                   | 6,155,144           | -                        |
| Total deferred inflows of resources                                   | <u>4,286,238</u>     | <u>-</u>            | <u>6,287,071</u>    | <u>-</u>                 |
| <b>FUND BALANCES</b>  |                      |                     |                     |                          |
| Nonspendable  |                      |                     |                     |                          |
| Land held for resale  | 3,766,320            | -                   | -                   | -                        |
| Prepaid items   | 62,115               | -                   | -                   | -                        |
| Restricted  |                      |                     |                     |                          |
| Construction of capital assets  | -                    | -                   | -                   | 7,730,402                |
| Landfill closure/postclosure  | -                    | -                   | -                   | -                        |
| Promotion of tourism  | -                    | -                   | -                   | -                        |
| Purpose of grantors, trustees and donors                              | -                    | 164,293             | -                   | -                        |
| Economic development  | -                    | -                   | -                   | -                        |
| Law enforcement   | -                    | -                   | -                   | -                        |
| Fire training operations  | -                    | -                   | -                   | -                        |
| Assigned  |                      |                     |                     |                          |
| Construction of capital assets  | -                    | -                   | -                   | -                        |
| Other capital assets  | 10,010,307           | -                   | -                   | -                        |
| Economic development  | 5,293,670            | -                   | -                   | -                        |
| Other purposes  | 4,436,450            | -                   | -                   | -                        |
| Unassigned  | 22,211,703           | -                   | (1,443,263)         | -                        |
| Total fund balances   | <u>45,780,565</u>    | <u>164,293</u>      | <u>(1,443,263)</u>  | <u>7,730,402</u>         |
| Total liabilities, deferred inflows of resources<br>and fund balances | <u>\$ 56,729,810</u> | <u>\$ 2,750,070</u> | <u>\$ 7,750,369</u> | <u>\$ 11,233,606</u>     |

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

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| Non-Bond             | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------|-----------------------------------|--------------------------------|
| \$ 19,318,741        | \$ 26,358,949                     | \$ 101,417,911                 |
| 7,503                | 566,318                           | 9,045,397                      |
| -                    | -                                 | 2,591,778                      |
| -                    | -                                 | 5,875,845                      |
| 120,309              | 217,786                           | 965,360                        |
| -                    | 1,718,800                         | 5,485,120                      |
| -                    | 688                               | 62,803                         |
| -                    | -                                 | 1,328,735                      |
| <u>\$ 19,446,553</u> | <u>\$ 28,862,541</u>              | <u>\$ 126,772,949</u>          |
| \$ 1,057,868         | \$ 714,779                        | \$ 10,785,679                  |
| 333,115              | 282,690                           | 1,542,657                      |
| -                    | 1,328,735                         | 1,328,735                      |
| 170,906              | 125,605                           | 524,318                        |
| 1,776,231            | -                                 | 7,267,089                      |
| <u>3,338,120</u>     | <u>2,451,809</u>                  | <u>21,448,478</u>              |
| 7,503                | -                                 | 2,028,172                      |
| -                    | -                                 | 8,552,640                      |
| <u>7,503</u>         | <u>-</u>                          | <u>10,580,812</u>              |
| -                    | 1,718,800                         | 5,485,120                      |
| -                    | 688                               | 62,803                         |
| -                    | 11,910,033                        | 19,640,435                     |
| -                    | 7,877,113                         | 7,877,113                      |
| -                    | 3,102,142                         | 3,102,142                      |
| -                    | 780,798                           | 945,091                        |
| -                    | 479,516                           | 479,516                        |
| -                    | 736,651                           | 736,651                        |
| -                    | 16,048                            | 16,048                         |
| 16,100,930           | -                                 | 16,100,930                     |
| -                    | -                                 | 10,010,307                     |
| -                    | -                                 | 5,293,670                      |
| -                    | -                                 | 4,436,450                      |
| -                    | (211,057)                         | 20,557,383                     |
| <u>16,100,930</u>    | <u>26,410,732</u>                 | <u>94,743,659</u>              |
| <u>\$ 19,446,553</u> | <u>\$ 28,862,541</u>              | <u>\$ 126,772,949</u>          |

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2024

|  |    |            |
|--|----|------------|
| Total fund balances - governmental funds | \$ | 94,743,659 |
|--|----|------------|

Amounts reported for governmental activities in the statement of net position are different because:

|  |                     |                       |
|--|---------------------|-----------------------|
| Capital, lease and subscription assets used in governmental activities are not financial resources and, therefore, are not reported in the funds<br>(net of internal service fund capital assets of \$7,100,394).  |                     | 212,821,326           |
| Equity investment in joint venture is not a current financial resource. Therefore, it is not reported in the governmental funds.   |                     | 2,446,417             |
| Deferred outflows of resources are not reported in the governmental funds:   |                     |                       |
| Deferred outflows on pension (net of internal service fund of \$530,281)   | 18,174,894          |                       |
| Deferred outflows on OPEB (net of internal service fund of \$32,835)   | 564,755             |                       |
| Deferred outflows on debt refunding  | <u>15,911</u>       | 18,755,560            |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.  |                     | 2,028,172             |
| Internal service funds are used by management to charge the cost of certain activities, such as fleet & facilities management and workers' compensation and health insurance self-insurance programs, to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position (less amount allocated to business-type activities of \$413,947). |                     | 10,090,536            |
| Long-term liabilities, including bonds payable, (net of internal service fund) are not due and payable in the current period and, therefore, are not reported in the funds.  |                     |                       |
| Bonds payable  | (63,570,000)        |                       |
| Issuance premium (to be amortized over life of debt)   | (2,181,051)         |                       |
| Accrued interest payable   | (370,886)           |                       |
| Compensated absences (net of internal service fund of \$29,180)  | (5,262,184)         |                       |
| Net pension liability (net of internal service fund of \$954,720)  | (31,164,263)        |                       |
| Total OPEB liability (net of internal service fund of \$195,554)   | (3,419,202)         |                       |
| Arbitrage liability  | (133,864)           |                       |
| SBITA liability  | (361,112)           |                       |
| Landfill liability   | <u>(10,420,437)</u> | (116,882,999)         |
| Deferred inflows of resources are not reported in the governmental funds:  |                     |                       |
| Deferred inflows from OPEB (net of internal service fund of \$8,822)   | (151,737)           |                       |
| Deferred inflows on pension (net of internal service fund of \$44,414)   | <u>(1,522,241)</u>  | (1,673,978)           |
| Net position of governmental activities  |                     | <u>\$ 222,328,693</u> |

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

|   | General       | Grants     | Debt<br>Service | Dallas Stars Multi-Sport |
|---|---------------|------------|-----------------|--------------------------|
| <b>REVENUES</b>   |               |            |                 |                          |
| Property taxes  | \$ 45,587,651 | \$ -       | \$ 4,450,880    | \$ -                     |
| Sales and use taxes                                       | 24,406,225    | -          | -               | -                        |
| Hotel/motel taxes   | -             | -          | -               | -                        |
| Franchise taxes   | 3,787,885     | -          | -               | -                        |
| Tax increment financing                                   | -             | -          | -               | -                        |
| Licenses and permits                                      | 2,252,812     | -          | -               | -                        |
| Charges for services                                      | 11,924,395    | -          | -               | -                        |
| Fines and forfeitures                                     | 2,061,087     | -          | -               | -                        |
| Investment income   | 3,455,945     | -          | 462,113         | 1,135,045                |
| Intergovernmental   | -             | 6,495,638  | -               | -                        |
| Miscellaneous   | 76,826        | -          | -               | -                        |
| Total revenues  | 93,552,826    | 6,495,638  | 4,912,993       | 1,135,045                |
| <b>EXPENDITURES</b>                                       |               |            |                 |                          |
| Current   |               |            |                 |                          |
| General government  | 18,967,250    | -          | -               | -                        |
| Public safety   | 36,291,073    | 39,876     | -               | -                        |
| Public works  | 10,673,908    | 85,514     | -               | -                        |
| Culture and recreation                                    | 13,880,029    | 2,499      | -               | -                        |
| Debt service  |               |            |                 |                          |
| Principal retirement                                      | 389,947       | -          | 4,145,000       | -                        |
| Interest and fiscal agent charges                         | 21,997        | -          | 2,499,059       | -                        |
| Capital outlay  | 4,133,686     | 6,769,832  | -               | 16,954,078               |
| Total expenditures  | 84,357,890    | 6,897,721  | 6,644,059       | 16,954,078               |
| Excess (Deficiency) of revenues over (under) expenditures | 9,194,936     | (402,083)  | (1,731,066)     | (15,819,033)             |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |               |            |                 |                          |
| Transfers in  | 5,593,900     | -          | -               | -                        |
| Transfers out   | (8,107,463)   | -          | -               | -                        |
| Sale of general capital assets                            | 224,984       | -          | -               | -                        |
| Insurance recoveries                                      | 108,193       | -          | -               | -                        |
| Issuance of SBITAs  | 245,460       | -          | -               | -                        |
| Total other financing sources (uses)                      | (1,934,926)   | -          | -               | -                        |
| Net change in fund balances                               | 7,260,010     | (402,083)  | (1,731,066)     | (15,819,033)             |
| Fund balances - beginning                                 | 38,520,555    | 566,376    | 287,803         | 23,549,435               |
| Fund balances - ending                                    | \$ 45,780,565 | \$ 164,293 | \$ (1,443,263)  | \$ 7,730,402             |

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

| Non-Bond             | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------|--------------------------------|--------------------------------|
| \$ -                 | \$ -                           | \$ 50,038,531                  |
| -                    | -                              | 24,406,225                     |
| -                    | 3,515,051                      | 3,515,051                      |
| -                    | 41,067                         | 3,828,952                      |
| -                    | 2,011,454                      | 2,011,454                      |
| -                    | -                              | 2,252,812                      |
| -                    | 137,305                        | 12,061,700                     |
| -                    | 201,092                        | 2,262,179                      |
| 847,651              | 1,558,870                      | 7,459,624                      |
| 878,769              | 300,469                        | 7,674,876                      |
| 55,000               | 196,191                        | 328,017                        |
| <u>1,781,420</u>     | <u>7,961,499</u>               | <u>115,839,421</u>             |
| 132,656              | 1,339,022                      | 20,438,928                     |
| -                    | 542,800                        | 36,873,749                     |
| -                    | 162,139                        | 10,921,561                     |
| -                    | 2,323,569                      | 16,206,097                     |
| -                    | -                              | 4,534,947                      |
| -                    | -                              | 2,521,056                      |
| 5,839,053            | 3,726,059                      | 37,422,708                     |
| <u>5,971,709</u>     | <u>8,093,589</u>               | <u>128,919,046</u>             |
| <u>(4,190,289)</u>   | <u>(132,090)</u>               | <u>(13,079,625)</u>            |
| 6,389,500            | 3,560,378                      | 15,543,778                     |
| -                    | (2,685,215)                    | (10,792,678)                   |
| -                    | 35,408                         | 260,392                        |
| -                    | -                              | 108,193                        |
| -                    | -                              | 245,460                        |
| <u>6,389,500</u>     | <u>910,571</u>                 | <u>5,365,145</u>               |
| 2,199,211            | 778,481                        | (7,714,480)                    |
| <u>13,901,719</u>    | <u>25,632,251</u>              | <u>102,458,139</u>             |
| <u>\$ 16,100,930</u> | <u>\$ 26,410,732</u>           | <u>\$ 94,743,659</u>           |

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

|  |  |           |                   |
|--|--|-----------|-------------------|
| Net change in fund balances - total governmental funds   |  | \$        | (7,714,480)       |
| Amounts reported for governmental activities in the statement of activities are different because:   |  |           |                   |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current period.   |  |           | 28,908,833        |
| The net effect of the various miscellaneous transactions involving capital assets (i.e., sales, transfers and donations) is to decrease net position.  |  |           | (1,012)           |
| The change in equity interest in joint venture increases net position.   |  |           | 515,687           |
| Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease during the current year in unavailable revenue that is earned but not collected.   |  |           | 247,007           |
| The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. |  |           | 4,360,878         |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds.  |  |           |                   |
| Increase in compensated absences   |  | (33,122)  |                   |
| Increase in landfill liability   |  | (687,297) | (720,419)         |
| Changes to net pension and total OPEB liabilities and related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.   |  |           | 1,792,033         |
| Current year change in accrued interest payable does not require the use of current financial resources; but they are reported as expenses in the governmental activities.   |  |           | 908,773           |
| Internal service funds are used by management to charge the costs of fleet management, workers' compensation, and health claims, to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. (net of (\$15,751) allocated to business-type activities).   |  |           | (383,950)         |
| Change in net position of governmental activities  |  | \$        | <u>27,913,350</u> |

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

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

|  | Budgeted Amounts |               | Actual Amounts | Variance with |
|--|------------------|---------------|----------------|---------------|
|  | Original         | Final         | GAAP Basis     | Final Budget  |
| REVENUES   |                  |               |                |               |
| Property taxes   | \$ 45,024,200    | \$ 45,434,700 | \$ 45,587,651  | \$ 152,951    |
| Sales and use taxes  | 23,080,000       | 23,598,700    | 24,406,225     | 807,525       |
| Franchise taxes  | 3,779,000        | 3,770,700     | 3,787,885      | 17,185        |
| Licenses and permits   | 1,899,700        | 2,134,200     | 2,252,812      | 118,612       |
| Charges for services   | 10,930,600       | 11,669,200    | 11,924,395     | 255,195       |
| Fines and forfeitures  | 1,115,000        | 1,919,900     | 2,061,087      | 141,187       |
| Investment income  | 1,227,000        | 2,761,200     | 3,455,945      | 694,745       |
| Miscellaneous  | 62,000           | 69,000        | 76,826         | 7,826         |
| Total revenues   | 87,117,500       | 91,357,600    | 93,552,826     | 2,195,226     |
| EXPENDITURES   |                  |               |                |               |
| General government   |                  |               |                |               |
| General government   | 8,142,800        | 10,573,807    | 4,728,355      | 5,845,452     |
| City administration  | 1,314,300        | 1,358,223     | 1,318,313      | 39,910        |
| Communications   | 746,400          | 754,316       | 985,833        | (231,517)     |
| Economic development   | 1,348,700        | 3,395,656     | 2,317,709      | 1,077,947     |
| Human resources  | 1,278,400        | 1,303,244     | 1,224,095      | 79,149        |
| Finance  | 3,139,100        | 3,078,084     | 2,899,719      | 178,365       |
| Innovation & technology                                      | 5,013,900        | 5,247,777     | 3,794,219      | 1,453,558     |
| Community services   | 2,177,500        | 1,889,897     | 1,699,007      | 190,890       |
| Public safety  |                  |               |                |               |
| Police   | 20,514,200       | 21,281,926    | 19,511,176     | 1,770,750     |
| Fire   | 17,032,700       | 20,381,952    | 16,779,897     | 3,602,055     |
| Principal retirement   | 109,900          | 636,015       | 389,947        | 246,068       |
| Public works   |                  |               |                |               |
| Interest and fiscal agent charges                            | -                | -             | 21,997         | (21,997)      |
| Public works   | 6,035,200        | 6,214,959     | 5,292,030      | 922,929       |
| Sustainability & public health                               | 5,932,100        | 6,255,738     | 5,381,878      | 873,860       |
| Culture and recreation                                       |                  |               |                |               |
| Parks and recreation   | 12,790,100       | 14,235,302    | 11,961,675     | 2,273,627     |
| Library  | 2,126,400        | 2,326,104     | 1,918,354      | 407,750       |
| Capital outlay   | -                | -             | 4,133,686      | (4,133,686)   |
| Total expenditures   | 87,701,700       | 98,933,000    | 84,357,890     | 14,575,110    |
| Excess (deficiency) of revenues<br>over (under) expenditures | (584,200)        | (7,575,400)   | 9,194,936      | 16,770,336    |
| OTHER FINANCING SOURCES (USES)                               |                  |               |                |               |
| Transfers in   | 9,185,300        | 15,120,300    | 5,593,900      | (9,526,400)   |
| Transfers out  | (10,405,400)     | (17,459,200)  | (8,107,463)    | 9,351,737     |
| Sale of general capital assets                               | 100,000          | 225,000       | 224,984        | (16)          |
| Insurance recoveries   | -                | 99,500        | 108,193        | 8,693         |
| Issuance of SBITAs   | -                | -             | 245,460        | 245,460       |
| Total other financing sources (uses)                         | (1,120,100)      | (2,014,400)   | (1,934,926)    | 79,474        |
| Net change in fund balance                                   | (1,704,300)      | (9,589,800)   | 7,260,010      | 16,849,810    |
| Fund balances- beginning                                     | 38,520,555       | 38,520,555    | 38,520,555     | -             |
| Fund balances - ending                                       | \$ 36,816,255    | \$ 28,930,755 | \$ 45,780,565  | \$ 16,849,810 |

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

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

|  | Budgeted Amounts |              | Actual Amounts<br>GAAP Basis | Variance with<br>Final Budget |
|--|------------------|--------------|------------------------------|-------------------------------|
|  | Original         | Final        |                              |                               |
| REVENUES   |                  |              |                              |                               |
| Intergovernmental  | \$ 8,449,792     | \$ 9,024,387 | \$ 6,495,638                 | \$ (2,528,749)                |
| Total revenues   | 8,449,792        | 9,024,387    | 6,495,638                    | (2,528,749)                   |
| EXPENDITURES   |                  |              |                              |                               |
| Public safety  | 310,000          | 29,955       | 39,876                       | (9,921)                       |
| Public works   | 96,600           | 104,400      | 85,514                       | 18,886                        |
| Culture and recreation                                       | -                | 2,500        | 2,499                        | 1                             |
| Capital outlay   | -                | -            | 6,769,832                    | (6,769,832)                   |
| Total expenditures   | 406,600          | 136,855      | 6,897,721                    | (6,760,866)                   |
| Excess (deficiency) of revenues<br>over (under) expenditures | 8,043,192        | 8,887,532    | (402,083)                    | (9,289,615)                   |
| OTHER FINANCING SOURCES (USES)                               |                  |              |                              |                               |
| Transfers in   | 72,800           | 5,560        | -                            | (5,560)                       |
| Transfers out  | (8,115,992)      | (8,893,092)  | -                            | 8,893,092                     |
| Total other financing sources (uses)                         | (8,043,192)      | (8,887,532)  | -                            | 8,887,532                     |
| Net change in fund balances                                  | -                | -            | (402,083)                    | (402,083)                     |
| Fund balances - beginning                                    | 566,376          | 566,376      | 566,376                      | -                             |
| Fund balances - ending                                       | \$ 566,376       | \$ 566,376   | \$ 164,293                   | \$ (402,083)                  |

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



STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2024

|   | Business-Type Activities |                    |                | Governmental Activities |
|---|--------------------------|--------------------|----------------|-------------------------|
|   | Nonmajor Fund            |                    |                | Internal Service Funds  |
|   | Water and Sewer          | Stormwater Utility | Total          |                         |
| ASSETS  |                          |                    |                |                         |
| Current assets  |                          |                    |                |                         |
| Cash, cash equivalents, and investments   | \$ 19,510,901            | \$ 1,768,983       | \$ 21,279,884  | \$ 5,410,218            |
| Receivables (net of allowance for uncollectibles)   | 4,714,761                | 130,645            | 4,845,406      | 43,339                  |
| Accrued interest and other  | 171,571                  | 20,300             | 191,871        | -                       |
| Inventories   | -                        | -                  | -              | 51,973                  |
| Prepaid items   | 11,760                   | -                  | 11,760         | 4,813                   |
| Deposits  | -                        | -                  | -              | 35,000                  |
| Total current assets  | 24,408,993               | 1,919,928          | 26,328,921     | 5,545,343               |
| Noncurrent assets   |                          |                    |                |                         |
| Equity interest in joint venture  | 4,957,336                | -                  | 4,957,336      | -                       |
| Capital and lease assets  |                          |                    |                |                         |
| Nondepreciable  | 9,247,608                | 4,361,624          | 13,609,232     | 8,170                   |
| Depreciable, net of accumulated depreciation/amortization   | 60,522,183               | 4,966,365          | 65,488,548     | 7,092,224               |
| Total noncurrent assets   | 74,727,127               | 9,327,989          | 84,055,116     | 7,100,394               |
| Total assets  | 99,136,120               | 11,247,917         | 110,384,037    | 12,645,737              |
| DEFERRED OUTFLOWS OF RESOURCES  |                          |                    |                |                         |
| Deferred outflows from pension  | 934,865                  | -                  | 934,865        | 530,281                 |
| Deferred outflows from OPEB   | 59,103                   | -                  | 59,103         | 32,835                  |
| Total deferred outflows of resources  | 993,968                  | -                  | 993,968        | 563,116                 |
| LIABILITIES   |                          |                    |                |                         |
| Current Liabilities   |                          |                    |                |                         |
| Accounts payable and other accrued liabilities  | 2,127,455                | 516,646            | 2,644,101      | 638,836                 |
| Compensated absences  | 24,403                   | -                  | 24,403         | 29,180                  |
| Total OPEB liability  | 43,944                   | -                  | 43,944         | 24,414                  |
| Claims payable  | -                        | -                  | -              | 722,831                 |
| Retainage payable   | 260,523                  | 118,320            | 378,843        | -                       |
| Deposits payable  | 467,307                  | -                  | 467,307        | -                       |
| Total current liabilities   | 2,923,632                | 634,966            | 3,558,598      | 1,415,261               |
| Noncurrent liabilities  |                          |                    |                |                         |
| Compensated absences  | 200,367                  | -                  | 200,367        | -                       |
| Claims payable  | -                        | -                  | -              | 110,013                 |
| Net pension liability   | 1,675,058                | -                  | 1,675,058      | 954,720                 |
| Total OPEB liability  | 313,560                  | -                  | 313,560        | 171,140                 |
| Total noncurrent liabilities  | 2,188,985                | -                  | 2,188,985      | 1,235,873               |
| Total liabilities   | 5,112,617                | 634,966            | 5,747,583      | 2,651,134               |
| DEFERRED INFLOWS OF RESOURCES   |                          |                    |                |                         |
| Deferred inflows from pension   | 78,300                   | -                  | 78,300         | 44,414                  |
| Deferred inflows from OPEB  | 15,879                   | -                  | 15,879         | 8,822                   |
| Total deferred inflows of resources   | 94,179                   | -                  | 94,179         | 53,236                  |
| NET POSITION  |                          |                    |                |                         |
| Net investment in capital assets  | 68,067,327               | 8,698,562          | 76,765,889     | 7,100,394               |
| Unrestricted  | 26,855,965               | 1,914,389          | 28,770,354     | 3,404,089               |
| Total net position  | \$ 94,923,292            | \$ 10,612,951      | \$ 105,536,243 | \$ 10,504,483           |
| Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time |                          |                    | 413,947        |                         |
| Net position of business-type activities  |                          |                    | \$ 105,950,190 |                         |

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

|   | Business-Type Activities |                                     | Governmental Activities |
|---|--------------------------|-------------------------------------|-------------------------|
|   | Water and Sewer          | Nonmajor Fund<br>Stormwater Utility | Internal Service Funds  |
| Operating Revenues  |                          |                                     |                         |
| Charges for services  | \$ 30,752,465            | \$ 1,782,612                        | \$ 32,535,077           |
| Contributions and miscellaneous   | -                        | -                                   | -                       |
| Total operating revenues  | 30,752,465               | 1,782,612                           | 32,535,077              |
| Operating Expenses  |                          |                                     |                         |
| Personal services   | 2,527,873                | -                                   | 2,527,873               |
| Materials and supplies  | 288,771                  | -                                   | 288,771                 |
| Maintenance and utilities   | 2,092,424                | 84,248                              | 2,176,672               |
| Purchase of water   | 7,060,234                | -                                   | 7,060,234               |
| Sewage treatment  | 5,526,428                | -                                   | 5,526,428               |
| Insurance claims and expenses   | -                        | -                                   | -                       |
| Depreciation  | 3,284,593                | 23,468                              | 3,308,061               |
| Total operating expenses  | 20,780,323               | 107,716                             | 20,888,039              |
| Operating income (loss)   | 9,972,142                | 1,674,896                           | 11,647,038              |
| Nonoperating Revenues   |                          |                                     |                         |
| Investment income   | 1,149,241                | 143,033                             | 1,292,274               |
| Total nonoperating revenues   | 1,149,241                | 143,033                             | 1,292,274               |
| Income before contributions and transfers   | 11,121,383               | 1,817,929                           | 12,939,312              |
| Capital contributions   | 869,449                  | -                                   | 869,449                 |
| Transfers in  | -                        | -                                   | -                       |
| Transfers out   | (5,035,100)              | (92,800)                            | (5,127,900)             |
| Change in net position  | 6,955,732                | 1,725,129                           | 8,680,861               |
| Net position - beginning  | 87,967,560               | 8,887,822                           | 96,855,382              |
| Net position - ending   | \$ 94,923,292            | \$ 10,612,951                       | \$ 105,536,243          |
| Reconciliation to government-wide statement of net position:  |                          |                                     |                         |
| Change in net position  |                          |                                     | 8,680,861               |
| Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds |                          |                                     | (15,751)                |
| Change in net position of business-type activities  |                          |                                     | \$ 8,665,110            |

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

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

|   | Business-Type Activities |                     |                      | Governmental Activities |
|---|--------------------------|---------------------|----------------------|-------------------------|
|   | Water and Sewer          | Stormwater Utility  | Total                | Internal Service Funds  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                       |                          |                     |                      |                         |
| Receipts from customers   | \$ 30,712,390            | \$ 1,705,351        | \$ 32,417,741        | \$ -                    |
| Receipts from interfund services provided                         | -                        | -                   | -                    | 10,571,248              |
| Payments to suppliers   | (15,112,551)             | -                   | (15,112,551)         | (4,637,024)             |
| Payments to employees   | (2,596,110)              | -                   | (2,596,110)          | (961,731)               |
| Payments for loss claims  | -                        | -                   | -                    | (5,421,589)             |
| Net cash provided by (used for) operating activities              | <u>13,003,729</u>        | <u>1,705,351</u>    | <u>14,709,080</u>    | <u>(449,096)</u>        |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>            |                          |                     |                      |                         |
| Transfers to other funds  | (5,035,100)              | (92,800)            | (5,127,900)          | -                       |
| Transfers from other funds  | -                        | -                   | -                    | 376,800                 |
| Net cash provided by (used for) noncapital financing activities   | <u>(5,035,100)</u>       | <u>(92,800)</u>     | <u>(5,127,900)</u>   | <u>376,800</u>          |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                          |                     |                      |                         |
| Acquisition and construction of capital assets                    | <u>(5,556,453)</u>       | <u>(2,186,560)</u>  | <u>(7,743,013)</u>   | <u>(2,500)</u>          |
| Net cash used for capital assets and related financing activities | <u>(5,556,453)</u>       | <u>(2,186,560)</u>  | <u>(7,743,013)</u>   | <u>(2,500)</u>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |                          |                     |                      |                         |
| Purchases of investments  | (944,829)                | -                   | (944,829)            | -                       |
| Sale of investments   | -                        | 636,712             | 636,712              | -                       |
| Investment income   | <u>1,170,181</u>         | <u>152,563</u>      | <u>1,322,744</u>     | <u>-</u>                |
| Net cash provided by investing activities                         | <u>225,352</u>           | <u>789,275</u>      | <u>1,014,627</u>     | <u>-</u>                |
| Net increase (decrease) in cash and cash equivalents              | <u>2,637,528</u>         | <u>215,266</u>      | <u>2,852,794</u>     | <u>(74,796)</u>         |
| Cash and cash equivalents - beginning of year                     | <u>509,492</u>           | <u>70,063</u>       | <u>579,555</u>       | <u>5,485,014</u>        |
| Cash and cash equivalents - end of year                           | <u>\$ 3,147,020</u>      | <u>\$ 285,329</u>   | <u>\$ 3,432,349</u>  | <u>\$ 5,410,218</u>     |
| Investments   | <u>16,363,881</u>        | <u>1,483,654</u>    | <u>17,847,535</u>    | <u>-</u>                |
| Cash, cash equivalents, and investments - end of year             | <u>\$ 19,510,901</u>     | <u>\$ 1,768,983</u> | <u>\$ 21,279,884</u> | <u>\$ 5,410,218</u>     |
| <b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>           |                          |                     |                      |                         |
| Contributed capital assets  | \$ 869,449               | \$ -                | 869,449              | \$ -                    |
| Loss on the joint venture   | (69,273)                 | -                   | (69,273)             | -                       |
| Purchase of capital assets on accounts and retainage payable      | 1,702,464                | 629,427             | 2,331,891            | \$ -                    |

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

(continued)

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

|  | Business-Type<br>Activities |                       |                      | Governmental<br>Activities |
|--|-----------------------------|-----------------------|----------------------|----------------------------|
|  | Water and<br>Sewer          | Stormwater<br>Utility | Total                | Internal Service<br>Funds  |
| Reconciliation of operating income (loss) to net cash<br>provided by (used for) operating activities         |                             |                       |                      |                            |
| Operating Income (Loss)  | 9,972,142                   | 1,674,896             | 11,647,038           | (776,501)                  |
| Adjustments to reconcile operating income (loss) to<br>net cash provided by (used for) operating activities: |                             |                       |                      |                            |
| Depreciation   | 3,284,593                   | 23,468                | 3,308,061            | 236,182                    |
| (Increase)/Decrease in   |                             |                       |                      |                            |
| Receivables  | 54,120                      | (3,823)               | 50,297               | 5,510                      |
| Inventories  |                             |                       | -                    | (23,584)                   |
| Prepaid items  | (562)                       |                       | (562)                | 187                        |
| Deferred outflows of resources - pension   | 481,728                     |                       | 481,728              | 273,248                    |
| Deferred outflows of resources - OPEB  | (1,333)                     |                       | (1,333)              | (740)                      |
| Increase/(Decrease) in   |                             |                       |                      |                            |
| Accounts payable and accrued liabilities   | (124,004)                   | 10,810                | (113,194)            | 148,850                    |
| Claims payable   |                             |                       |                      | 33,428                     |
| Deposits payable   | (94,195)                    |                       | (94,195)             | -                          |
| Net Pension liability  | (632,209)                   |                       | (632,209)            | (358,605)                  |
| Total OPEB liability   | (8,158)                     |                       | (8,158)              | (4,532)                    |
| Deferred inflows of resources - pension  | 69,501                      |                       | 69,501               | 39,423                     |
| Deferred inflows of resources - OPEB   | (13,290)                    |                       | (13,290)             | (7,383)                    |
| Compensated absences   | 15,396                      |                       | 15,396               | (14,579)                   |
| Net Cash Provided by (Used for) Operating Activities   | <u>\$ 13,003,729</u>        | <u>\$ 1,705,351</u>   | <u>\$ 14,709,080</u> | <u>\$ (449,096)</u>        |

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

(concluded)

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Farmers Branch, Texas (the "City") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") which are applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

**A. Reporting Entity**

The City is a municipal corporation governed by an elected mayor and a five-member council. The City was incorporated in 1946 under the Constitution of the State of Texas (Home Rule Amendment). As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered financially accountable. A component unit is included in the City's reporting entity if it is both fiscally dependent on the City (the primary government) and there is a potential for the component unit to provide specific financial benefits to or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Because of the closeness of their relationship with the primary government (the City), some component units are blended as though they are part of the primary government. The City's blended component units and joint ventures, which all have a September 30 year-end, are as follows:

**Blended Component Units**

The City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name);
- The City appoints a voting majority of the organization's board;
- The City is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on the City; or
- There is a fiscal dependency by the organization on the City

**Tax Increment Finance and Tax Increment Reinvestment Zones (TIFs/TIRZ)**

Tax Increment Finance District Number Two ("TIF No. 2"), Tax Increment Reinvestment Zone Number Three ("TIRZ No. 3"), and Tax Increment Finance District Number Four ("TIF No. 4/I-35 Zone") were created pursuant to the Texas Tax Increment Financing Act, Tax Code Chapter 311, as amended. The purpose of the TIF No. 2 is to promote development in the Old Farmers Branch area. The purpose of the TIRZ No. 3 is to dedicate certain tax increment revenues to the Mercer Crossing Development and apply these revenues to reduce the public improvement district assessments. Management of the primary government has operational responsibility for both of these tax increment financing districts. The purpose of TIF No. 4/I-35 Zone is to dedicate certain tax increment revenues to the Interstate Highway 35W and apply these revenues for improvements to the commercial corridor on the east and west of the Interstate Highway 35W and Valwood Park. Management of the primary government has operational responsibility for these tax increment financing districts. TIF No. 2 and TIF No. 4 are reported as capital projects funds and are included as blended component units because they provide a financing mechanism to build streets and other infrastructure. The TIRZ No. 3 is reported as a special revenue fund because the revenues are restricted to reduce the public improvement district assessments, and the fund is included as a blended component unit.

**Public Improvement Districts (PIDs)**

The City has one Public Improvement District. Farmers Branch's PID program allows for groups of property owners to request special property assessments for the provisions of services above typical City levels. The PID may select its own budget and categories based on its goals and needs, subject to Chapter 372 of the Texas Local Government Code. This may consist of eligible supplemental activities such as marketing the area, providing additional security, landscaping and lighting, street cleaning, and cultural and recreational improvements. The City's sole PID is operated by a designated management organization.

Separate financial statements for the sole PID are not prepared.

Mercer Crossing PID - created in February 2017 to support development along Valley View lane in Farmers Branch. On June 20, 2017, the Public Finance Authority of Wisconsin issued tax-exempt revenue bonds for the Mercer Crossing PID. Assessments on property within the district are pledged as reimbursement for this debt, which is not an obligation of the City. The PID's governing body is substantially the same as City's and the operations of the PID benefit the City almost exclusively.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

Farmers Branch Local Government Corporation

The Farmers Branch Local Government Corporation ("FBLGC") was organized on behalf of the City to accomplish any governmental purpose of the City and to promote the common good and general welfare of the City. This includes the furtherance of the promotion, development, encouragement, and maintenance of employment, commerce, economic development and public facility development in the City, and currently to develop oil, natural gas and other mineral interests on behalf of the City. Management of the primary government has operational responsibility for the FBLGC. The FBLGC is authorized to issue bonds, notes or other obligations after approval by the City Council. The FBLGC has been included as a special revenue fund because it is organized as a not-for-profit corporation in which the City of Farmers Branch is the sole corporate member. The FBLGC is fiscally dependent (the City must approve any issuance of debt) and the purpose of the corporation is to provide a benefit to the City. Separate financial statements for the blended component units are not available.

Joint Ventures

The North Texas Emergency Communications Center, Inc. (NTECC) is a joint venture between the Town of Addison, City of Carrollton, City of Coppell, and City of Farmers Branch (the "Cities") formed to establish and operate a joint public safety dispatch center. The affairs of the NTECC are managed by a four-person board of directors representing each of the four participating Cities.

The Cities are responsible for funding capital and operating costs of the NTECC in the proportions stated in the inter-local agreement. The City financed its portion of construction funds through the issuance and sale of certificates of obligation. The City of Farmers Branch's equity interest in the NTECC is \$2,446,417 at September 30, 2024 and is reported as equity interest in joint venture in the governmental activities on the government-wide Statement of Net Position. Audited financial statements for the NTECC can be obtained from the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131.

Additionally, the Cities have also entered into inter-local agreements to jointly procure a public safety radio system and a fire training facility. These agreements did not include the formation of a separate legal joint venture entity. The City has financed its portion of construction funds through the issuance and sale of general obligation bonds. The Cities are responsible for funding a portion of the radio system and fire training facility in the proportions stated in the inter-local agreements. The City of Farmers Branch's portion of the radio system is capitalized as infrastructure and equipment and the portion of the fire training facility is capitalized as buildings in the governmental activities on the government-wide Statement of Net Position.

The North Dallas County Water Supply Corporation ("NDCWSC") is a joint venture between the City and the Town of Addison (the "Town") to design, construct, operate, and maintain a joint sanitary sewer interceptor and conventional sewer lines. The NDCWSC, a public instrumentality and nonprofit water supply corporation, was created for that purpose. Upon dissolution of the NDCWSC, the City and Town will share the net position in the proportions stated in an inter-local agreement. The affairs of the NDCWSC are managed by a six-person board of directors appointed by the governing bodies of the City and the Town.

The City and the Town are each obligated to fund construction of the sanitary sewer interceptor in the proportions stated in the inter-local agreement. The City financed its portion of construction funds through the issuance and sale of assessment revenue bonds and a transfer from previously issued sewer bonds and none of the bonds are still outstanding. The City's net investment and its share of the operating results of the NDCWSC are reported in the City's water and sewer fund. The City's equity interest in the NDCWSC was \$4,957,336 at September 30, 2024. Complete financial statements for the NDCWSC can be obtained from the Finance Department, Attn: Director of Finance, at 13000 William Dodson Parkway, Farmers Branch, Texas 75234, or call (972) 247-3131.

**B. Basis of Presentation**

While separate government-wide financial statements (based on the City as a whole) and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds.

The fund financial statements provide information about the City's funds, including its blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The *Grants Fund* is used to account for monies received from other governmental agencies that have restricted legal requirements.

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 long-term debt paid primarily from taxes levied by the City.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

The *Dallas Stars Multi-Sport Fund* is used to account for the acquisition and construction of the City's Dallas Stars Multi-Sport Complex.

The *Non-Bond Capital Projects Fund* is used to account for the acquisition and construction of major capital facilities.

The City reports the following major proprietary fund:

The *Water and Sewer Fund* is used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City reports the following internal service funds:

The *Internal Service Funds* are used to account for facilities and fleet management services and the City's workers' compensation and health insurance self-insurance programs for the departments of the City on a cost reimbursement basis.

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities' column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. Exceptions to this general rule are payments-in-lieu-of-taxes (PILOT) where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures, including those on lease liabilities, and expenditures related to pension, other post-employment benefits, compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use leased assets, are reported as expenditures in governmental funds. The issuance of long-term debt and financing through leases is reported as an other financing source.

Property, franchise, sales and hotel occupancy taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 1 year of year-end). All other revenue items are considered measurable and available only when the government receives cash.

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.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB for the OPEB Retiree Health Plan, OPEB expenses have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

**D. Budgetary Information****1) Budgetary Basis of Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, grants fund, special revenue funds, and debt service fund. The capital projects funds are appropriated on a project-length basis and often span a period of more than one year. The Farmers Branch Local Government Corporation does not have a legally adopted budget, as the activity during the year is at the discretion of the Management of the primary government.

The appropriated budget is prepared by fund, department and function. The City Manager may transfer unencumbered appropriations within a department and between departments within the same fund. City Council approval is necessary for transfers of unencumbered appropriations between funds. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. Special revenue funds are budgeted at the function level. Appropriations, except remaining project appropriations and encumbrances, lapse at the end of the fiscal year.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance****1) Cash and Cash Equivalents**

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.

**2) Investments**

Investments are recorded at fair value (based on quoted market prices), except for investments with maturity of one year or less from date of purchase and investments in TexPool, which are stated at amortized cost.

**3) Receivables**

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts.

**4) Inventories, Land Held For Resale and Prepaid Items**

Inventories are stated at cost for the internal service funds and at the lower of cost or market value (assessed taxable value) for the inventory of land held for resale in the general fund and nonmajor governmental funds. Inventories are recorded as assets when purchased and charged to operations when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**5) Capital, Lease and Subscription Assets**

Capital, lease and subscription assets include land, buildings, equipment, improvements, infrastructure (e.g., roads, bridges, sidewalks, and similar items), intangible assets (e.g., software, websites), and lease and subscription assets. Capital assets purchased, acquired or developed, are carried at historical cost or estimated historical cost if historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession agreement are recorded at acquisition value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The City defines capital, lease, and subscription assets as having a useful life longer than one year and an initial, individual cost that exceeds the capitalization threshold for their class. The capitalization threshold for the infrastructure class is \$100,000. The capitalization threshold for lease and subscription asset classes is \$25,000. The capitalization threshold for all other asset classes is \$5,000. Other costs incurred for repairs and maintenance are expensed. Insurance recoveries of \$108,193 were received for the year ended September 30, 2024. They are included as an "other financing source" in the governmental funds.



**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated/amortized on the straight-line basis over the following estimated useful lives or lease term, whichever is shorter.

| <u>Capital asset classes</u>        | <u>Lives</u> |       |
|-------------------------------------|--------------|-------|
| Buildings                           | 30 - 50      | years |
| Equipment                           | 5 - 30       | years |
| Improvements                        | 20           | years |
| Intangible assets-software/websites | 5            | years |
| Infrastructure                      | 15 - 63      | years |

**6) Lease Receivable**

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

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

**7) Lease Liability**

The City is a lessee for a noncancellable lease of a building and recognizes a related lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The City recognizes lease liabilities with an initial, individual value of \$25,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

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

**8) Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as outflows of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. The deferred outflows of resources are reported in the government-wide and proprietary funds statements of net position. The first item is the deferred outflows of resources from pension. For purposes of measuring the net pension liability, deferred outflows of resources related to pension have been determined on the same basis as they are reported by TMRS. The second item is the deferred outflows of resources from OPEB. The third item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred inflows of resources from pensions, OPEB, leases, PPPs and deferred gain on refunding.

Finally, the City has one item that arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental funds report unavailable revenues from the following sources:

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

|   | <b>General<br/>Fund</b> | <b>Debt Service<br/>Fund</b> | <b>Non-Bond Fund</b> | <b>Total</b>        |
|---|-------------------------|------------------------------|----------------------|---------------------|
| Property taxes                                | \$ 1,033,300            | \$ 131,927                   | \$ -                 | \$ 1,165,227        |
| Ambulance                                     | 214,212                 |                              |                      | 214,212             |
| Franchise taxes - electric                    | 641,045                 |                              |                      | 641,045             |
| Charges for services - culture and recreation | 185                     |                              |                      | 185                 |
| Special assessments                           |                         |                              | 7,503                | 7,503               |
| Total   | <u>\$ 1,888,742</u>     | <u>\$ 131,927</u>            | <u>\$ 7,503</u>      | <u>\$ 2,028,172</u> |

**9) Unearned Revenue**

The General, Non-Bond and Grant Funds report unearned revenue in connection with grant funding that has been received, but not yet earned. These funds will be recognized as revenue as the City completes related projects for which these funds were provided. At September 30, 2024, the amount reported for unearned revenue totaled \$4,560,528, as these proceeds received were not utilized by the end of the current fiscal year. Additionally, the Debt Service Fund reports unearned revenue in connection with advance rental installments that have been received. However, the Debt Service Fund will only recognize it as revenue upon the tenant moving into the facility. The amount reported in unearned revenue for this activity totaled \$2,706,561 as the tenant had not moved into the premises before fiscal year end.

**10) Net Position Flow Assumptions**

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consists of capital, lease and subscription assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

**11) Fund Balance Policies and Flow Assumptions**

Governmental fund balances classified as nonspendable are balances that cannot be spent because they are either not in a spendable form or are legally and/or contractually required to stay intact. Fund balances classified as restricted are balances constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are considered equally restrictive for the purpose of committing fund balance. The City Council must take the same level of action to remove or change the constraint. Assigned fund balances are constrained by intent to use for a specific purpose but are neither restricted nor committed. Assignments are made by City management based on Council direction.

As previously mentioned, sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. In the general fund, the City strives to maintain a target range of unassigned fund balance to be used for unanticipated emergencies with a low end of 15% and a high end of 20% of the actual GAAP basis expenditures and other financing sources and uses.

As of September 30, 2024, the Debt Service Fund, a major governmental fund, and the Branch Connection Bond Fund, a nonmajor governmental fund, had deficit fund balances of \$1,443,263 and \$211,057, respectively.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**12) Use of Estimates**

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

**F. Revenues and Expenditures/Expenses**

**1) Program Revenues**

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

**2) Property Taxes**

The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

**3) Compensated Absences**

The City's employees earn vacation leave (up to a maximum of 192 hours per year for 40 hours per week employees and 288 hours per year for 56 hours per week employees) based on years employed. Upon retirement or termination, payment of accumulated vacation may not exceed that which can be accumulated within two years for employees hired prior to January 1, 2011, and within one and a half years for employees hired on or after January 1, 2011. Unused sick leave, based on days employed, may be accumulated up to certain limits. Upon retirement or termination, employees hired before October 1, 1992 will be paid a maximum of 720 hours of sick pay for 40 hours per week employees or 1,080 hours for 56 hours per week employees. Upon retirement or termination, employees hired between October 1, 1992 and December 31, 2010 with five years or less of service will be paid a maximum of 120 hours of sick pay and with more than five years of service will be paid a maximum of 240 hours of sick pay for 40 hours per week employees or with five years or less of service will be paid a maximum of 180 hours of sick pay and with more than five years of service will be paid a maximum of 360 hours of sick pay for 56 hours per week employees. Employees hired on or after January 1, 2011 receive no payout for unused sick leave upon retirement or termination.

**4) Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and the government's internal service funds are charges to customers for sales and services. Operating expenses for water and sewer funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position**

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$212,821,326 difference are as follows:

|  |                              |
|--|------------------------------|
| Land and rights of way   | \$ 39,403,292                |
| Construction in progress   | 44,912,243                   |
| Improvements   | 21,079,444                   |
| Less: Accumulated depreciation-improvements  | (11,240,282)                 |
| Buildings and lease buildings  | 70,668,447                   |
| Less: Accumulated depreciation/amortization-buildings and lease buildings                    | (26,296,141)                 |
| Equipment  | 42,567,313                   |
| Less: Accumulated depreciation-equipment   | (32,732,058)                 |
| Infrastructure   | 154,707,114                  |
| Less: Accumulated depreciation-infrastructure  | (91,178,215)                 |
| SBITAs   | 908,151                      |
| Less: Accumulated amortization-SBITAs  | (462,716)                    |
| Intangible assets  | 3,309,425                    |
| Less: Accumulated depreciation-intangible assets   | <u>(2,824,691)</u>           |
| Net adjustment to increase fund balance - total government funds to arrive at net position - | <u><u>\$ 212,821,326</u></u> |

Another element of that reconciliation explains that “internal service funds are used by management to charge the costs of certain activities, such as fleet management and workers’ compensation and medical self-insurance programs, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.” The details of this \$10,090,536 (net of internal service fund activity) difference are as follows:

|  |                             |
|--|-----------------------------|
| Net position of the internal service funds   | \$ 10,504,483               |
| Less: Internal receivable representing charges to the business-type activities - current year                        | <u>(413,947)</u>            |
| Net adjustment to increase fund balance - total government funds to arrive at net position - governmental activities | <u><u>\$ 10,090,536</u></u> |

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period." The details of this \$28,908,833 difference are as follows:

|  |                      |
|--|----------------------|
| Capital outlay   | \$ 37,422,708        |
| Depreciation and amortization expense  | \$ (8,513,875)       |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 28,908,833</u> |

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In addition, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this \$4,360,878 difference are as follows:

|   |                     |
|---|---------------------|
| Debt issued:  |                     |
| SBITAs  | \$ (245,460)        |
| Total proceeds  | <u>(245,460)</u>    |
| Debt repayments   |                     |
| To bondholders/debtors  | 4,145,000           |
| To lessors/vendors  | 389,947             |
| Total debt repayments   | <u>\$ 4,534,947</u> |
| Amortization of long-term debt  |                     |
| Deferred offering amounts   | \$ 2,429            |
| Arbitrage expense   | (133,864)           |
| Bond premiums   | 202,826             |
| Total amortization of long-term debt  | <u>\$ 71,391</u>    |
| Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 4,360,878</u> |

Another element of that reconciliation states that "changes to net pension and OPEB liabilities and related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this \$1,792,033 difference are as follows:

|   |                       |
|---|-----------------------|
| OPEB income   | \$ (217,687)          |
| Pension income  | <u>(1,574,346)</u>    |
| Net adjustment to decrease total governmental funds to arrive at changes in net position of governmental activities | <u>\$ (1,792,033)</u> |

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

Another element of that reconciliation states that "internal service funds are used by management to charge the costs of fleet management, workers' compensation, and health claims, to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities." The details of this \$(383,950) difference are as follows:

|  |                     |
|--|---------------------|
| Change in net position of the internal service funds   | \$ (399,701)        |
| Plus: charges to business-type activities  | <u>15,751</u>       |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities | <u>\$ (383,950)</u> |

**C. Explanation of Certain Differences Between the Proprietary Fund Statement of Net Position and the Government-Wide Statement of Net Position**

The proprietary fund statement of net position includes reconciliation between *net position – total enterprise funds* and *net position of business-type activities* as reported in the government-wide statement of net position. The description of the only item of that reconciliation is "adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time." The details of the \$413,947 difference are as follows:

|   |                   |
|---|-------------------|
| Internal payable representing charges over cost to business-type activities - prior year  | \$ 429,698        |
| Internal payable representing charges over cost to business-type activities - current year  | <u>(15,751)</u>   |
| Net adjustment to increase net position - total enterprise funds to arrive at changes in net position of business-type activities | <u>\$ 413,947</u> |

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

**3. DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits with Financial Institutions**

At year-end, the carrying amount of the City's demand deposits, was \$(2,084,633) and the bank balance was \$1,029,913. The bank balance was completely covered by federal depository insurance or by collateral held by the City's agent in the City's name. The negative carrying amount is offset by the City's cash equivalents included in investments below.

**B. Investments**

The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds. TexPool uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high-quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

To maximize investment opportunities, all funds (excluding the debt service fund and the internal service funds) participate in a pooling of cash and investment income. Each fund may liquidate its equity in the pool on demand.

State statutes, City bond ordinances, and City resolutions authorize the City's investments. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of Texas and its agencies and instrumentalities, obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating, insured or collateralized certificates of deposit, fully collateralized repurchase agreements, and government pools.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in active markets for identical securities in active markets. Level 2 inputs are valued using observable inputs other than those in Level 1. The City has no Level 3 inputs that are valued using significant unobservable inputs. As of September 30, 2024, the City had the following investments:

| <b>Investments by Fair Value Level</b>        | <b>September 30, 2024</b> | <b>Fair Value -<br/>Level 1</b> | <b>Fair Value -<br/>Level 2</b> | <b>Weighted Average<br/>Maturity<br/>(in days)</b> |
|---|---------------------------|---------------------------------|---------------------------------|--|
| Municipal Obligations                         | \$ 41,084,339             | \$ 26,639,250                   | \$ 14,445,089                   | 195  |
| Total Investments by Fair Value Level         | 41,084,339                | 26,639,250                      | 14,445,089                      |  |
| <b>Investments Measured at Amortized Cost</b> |                           |                                 |                                 |  |
| Certificates of Deposit                       | 60,260,854                |                                 |                                 | 136  |
| TexPool                                       | 28,847,453                |                                 |                                 | 40   |
| Total investments at Amortized Cost           | 89,108,307                |                                 |                                 |  |
| Total Investments at Carrying Amount          | \$ 130,192,646            |                                 |                                 |  |
| Portfolio Weighted Average Maturity           |                           |                                 |                                 | 124  |

*Interest Rate Risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 24 months (730 days).

*Credit Risk.* The City's investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The City's investments were rated as follows:

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

**Credit Quality Distribution for Securities  
with Credit Exposure as a Percentage of Total Investments**

|                       |         |     |
|-----------------------|---------|-----|
| Municipal Obligations | Aa1/AAA | 4%  |
| Municipal Obligations | Aaa/AAA | 3%  |
| Municipal Obligations | Aa3/AA  | 22% |
| Municipal Obligations | SP-1    | 2%  |
| Tex Pool              | AAAm    | 69% |

\*Aaa/AAA is the highest credit quality issued by Moody 's Investor's Services,  
and by Standard & Poor's, respectively.

*Concentration of Credit Risk.* The City places no limit on the amount the City may invest in any one issuer. However, the City's investment policy calls for portfolio diversification by avoiding over-concentration in a specific maturity sector or specific instruments. The City's portfolio is 31% invested in Municipal Obligations as of September 30, 2024. The remaining 69% of the City's investments, which includes certificates of deposits, are invested in an external government investment pool.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**C. Receivables (net of allowance for uncollectibles)**

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

|                                       | General       | Grants     | Debt Service | Dallas Stars<br>Multi-Sport | Non-Bond   | Nonmajor<br>Governmental | Internal<br>Service | Water<br>and<br>Sewer | Nonmajor<br>Stormwater<br>Utility |
|---------------------------------------|---------------|------------|--------------|-----------------------------|------------|--------------------------|---------------------|-----------------------|-----------------------------------|
| Receivables:                          |               |            |              |                             |            |                          |                     |                       |                                   |
| Property tax                          | \$ 1,105,782  | \$ -       | \$ 131,927   | \$ -                        | \$ -       | \$ -                     | \$ -                | \$ -                  | \$ -                              |
| Other taxes                           | 3,818,722     | -          | -            | -                           | 7,503      | 325,135                  | -                   | -                     | -                                 |
| Accounts                              | 4,785,042     | 466,922    | -            | -                           | -          | 9,834                    | 43,339              | 1,920,849             | 53,011                            |
| Unbilled accounts                     | -             | -          | -            | -                           | -          | -                        | -                   | 2,880,205             | 80,869                            |
| Assessments                           | -             | -          | -            | -                           | -          | 231,349                  | -                   | -                     | -                                 |
| PPPs                                  | -             | -          | 5,875,845    | -                           | -          | -                        | -                   | -                     | -                                 |
| Leases                                | 2,591,778     | -          | -            | -                           | -          | -                        | -                   | -                     | -                                 |
| Accrued interest                      | 449,478       | -          | 16,697       | 161,090                     | 120,309    | 217,786                  | -                   | 171,571               | 20,300                            |
| Gross receivables                     | 12,750,802    | 466,922    | 6,024,469    | 161,090                     | 127,812    | 784,104                  | 43,339              | 4,972,625             | 154,180                           |
| Less: Allowance<br>for uncollectibles | (1,836,819)   | -          | -            | -                           | -          | -                        | -                   | (86,293)              | (3,235)                           |
| Net total receivables                 | \$ 10,913,983 | \$ 466,922 | \$ 6,024,469 | \$ 161,090                  | \$ 127,812 | \$ 784,104               | \$ 43,339           | \$ 4,886,332          | \$ 150,945                        |

Lease Receivable

The City leases tower space to various third parties, the terms of which expire between 2029 and 2036. The City recognized approximately \$149,000 in lease revenue and approximately \$149,000 in interest revenue during the current fiscal year related to the lease. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease term. As of September 30, 2024, the balance of the deferred inflow of resources was \$2,397,496.

As of September 30, 2024 the City's receivable for all lease payments was \$2,591,778.

PPP Receivable

In fiscal year 2022, the City entered into an agreement with DSE Multisport, LP (DSE), under which DSE will operate, maintain, and retain fees from a multisport complex for 25 years, with one 5-year renewal option succeeding the term of 25 years. The City receives advanced rental installments until construction of the complex is complete and DSE has moved into the premises. The City continues to report the rink as a capital asset with a value of \$5,832,551.

The City recognized approximately \$256,000 in miscellaneous revenue and approximately \$206,000 in interest revenue during the current fiscal year related to the partnership. The City utilized a discount rate of 3.79% in the determination of the receivable for installment payments. The City has a deferred inflow of resources associated with this partnership that will be recognized as revenue over the partnership term. As of September 30, 2024, the balance of the deferred inflow of resources was \$6,155,144.

As of September 30, 2024 the City's receivable for all partnership payments was \$5,875,845.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**D. Capital, Lease and Subscription Assets**

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

|  | Primary Government |               |                 |                |                |
|--|--------------------|---------------|-----------------|----------------|----------------|
|  | Beginning Balance  | Additions     | Sales/Disposals | Transfers      | Ending Balance |
| <b>Governmental activities:</b>  |                    |               |                 |                |                |
| Capital assets, not being depreciated:   |                    |               |                 |                |                |
| Land and rights of way   | \$ 39,411,462      | \$ -          | \$ -            | \$ -           | \$ 39,411,462  |
| Construction in progress   | 15,690,309         | 33,137,694    | -               | (3,915,760)    | 44,912,243     |
| Total capital assets, not being depreciated                                    | 55,101,771         | 33,137,694    | -               | (3,915,760)    | 84,323,705     |
| Capital, lease and subscription assets, being depreciated                      |                    |               |                 |                |                |
| Improvements   | 22,710,576         | 435,006       | -               | -              | 23,145,582     |
| Buildings  | 76,744,524         | -             | -               | -              | 76,744,524     |
| Equipment  | 40,746,379         | 3,479,289     | (1,087,122)     | -              | 43,138,546     |
| Infrastructure   | 149,619,625        | 1,294,653     | (122,924)       | 3,915,760      | 154,707,114    |
| Intangible assets - software/websites  | 3,431,362          | 127,758       | -               | -              | 3,559,120      |
| SBITAs   | 662,691            | 245,460       | -               | -              | 908,151        |
| Lease building   | 372,395            | -             | (372,395)       | -              | -              |
| Total capital, lease and subscription assets, being depreciated/amortized      | 294,287,552        | 5,582,166     | (1,582,441)     | 3,915,760      | 302,203,037    |
| Less accumulated depreciation/amortization for:                                |                    |               |                 |                |                |
| Improvements   | (10,940,697)       | (783,633)     | -               | 70,952         | (11,653,378)   |
| Buildings  | (25,492,851)       | (1,613,916)   | -               | -              | (27,106,767)   |
| Equipment  | (31,793,464)       | (2,667,598)   | 1,068,602       | 262,900        | (33,129,560)   |
| Infrastructure   | (86,518,386)       | (3,167,951)   | 122,924         | (1,614,802)    | (91,178,215)   |
| Intangible assets - software/websites  | (2,885,393)        | (192,800)     | -               | 3,807          | (3,074,386)    |
| SBITAs   | (204,935)          | (257,781)     | -               | -              | (462,716)      |
| Lease building   | (148,958)          | (66,378)      | 215,336         | -              | -              |
| Total accumulated depreciation/amortization                                    | (157,984,684)      | (8,750,057)   | 1,406,862       | (1,277,143)    | (166,605,022)  |
| Total capital, lease and subscription assets, being depreciated/amortized, net | 136,302,868        | (3,167,891)   | (175,579)       | 2,638,617      | 135,598,015    |
| Governmental activities capital, lease and subscription assets, net            | \$ 191,404,639     | \$ 29,969,803 | \$ (175,579)    | \$ (1,277,143) | \$ 219,921,720 |
| <b>Business-type activities:</b>   |                    |               |                 |                |                |
| Capital assets, not being depreciated:   |                    |               |                 |                |                |
| Land and rights of way   | \$ 603,364         | \$ -          | \$ -            | \$ -           | \$ 603,364     |
| Construction in progress   | 17,258,740         | 8,951,113     | -               | (13,203,985)   | 13,005,868     |
| Total capital assets, not being depreciated                                    | 17,862,104         | 8,951,113     | -               | (13,203,985)   | 13,609,232     |
| Capital assets, being depreciated:   |                    |               |                 |                |                |
| Improvements   | 46,126             | -             | -               | -              | 46,126         |
| Buildings  | 14,693,323         | -             | -               | -              | 14,693,323     |
| Equipment  | 7,148,061          | 319,870       | -               | 219,703        | 7,687,634      |
| Infrastructure   | 107,630,400        | 869,449       | (240,067)       | 12,576,482     | 120,836,264    |
| Intangible assets - software/websites  | 1,119,635          | 19,156        | -               | 407,800        | 1,546,591      |
| Total capital assets, being depreciated  | 130,637,545        | 1,208,475     | (240,067)       | 13,203,985     | 144,809,938    |
| Less accumulated depreciation for:   |                    |               |                 |                |                |
| Improvements   | (33,998)           | (1,146)       | -               | -              | (35,144)       |
| Buildings  | (9,124,414)        | (267,884)     | -               | -              | (9,392,298)    |
| Equipment  | (5,410,330)        | (320,025)     | -               | -              | (5,730,355)    |
| Infrastructure   | (60,898,415)       | (2,551,302)   | 240,067         | -              | (63,209,650)   |
| Intangible assets - software/websites  | (786,239)          | (167,704)     | -               | -              | (953,943)      |
| Total accumulated depreciation   | (76,253,396)       | (3,308,061)   | 240,067         | -              | (79,321,390)   |
| Total capital assets, being depreciated, net                                   | 54,384,149         | (2,099,586)   | -               | 13,203,985     | 65,488,548     |
| Business-type activities capital assets, net                                   | \$ 72,246,253      | \$ 6,851,527  | \$ -            | \$ -           | \$ 79,097,780  |

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

The preceding schedule includes internal service assets totaling \$7,100,394 in the governmental activities. Internal service fund depreciation expense is allocated to the primary government based on each function or program's usage of its services.

Depreciation expense (includes amortization expense of intangible assets) was charged to functions/programs of the primary government as follows:

|   |                     |
|---|---------------------|
| Governmental activities:  |                     |
| General government  | \$ 969,718          |
| Public safety   | 1,903,754           |
| Public works, which includes the depreciation<br>of general infrastructure assets | 3,638,403           |
| Culture and recreation  | 2,059,674           |
| Unallocated   | 178,508             |
| Total depreciation/amortization expense - governmental activities                 | <u>\$ 8,750,057</u> |
| Business-type activities:   |                     |
| Water and sewer   | \$ 3,284,593        |
| Stormwater utility  | 23,468              |
| Total depreciation expense business-type activities                               | <u>\$ 3,308,061</u> |

Commitments and Contingent Liabilities

Encumbrances are commitments related to unperformed contracts for goods or services (i.e. purchase orders). At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year are as follows:

|   | <u>Encumbrances</u> |
|---|---------------------|
| General fund for general purposes       | \$ 1,263,029        |
| General fund for capital assets         | 3,932,626           |
| Grants fund                             | 19,328              |
| Water and sewer fund                    | 69,673              |
| Water and sewer fund for capital assets | 711,199             |
| Nonmajor Stormwater utility fund        | 5,439               |
| Nonmajor funds                          | 814,449             |
| Total                                   | <u>\$ 6,815,743</u> |

The City has entered into several construction contracts during the fiscal year, which include street improvements, replacement of water mains, and the construction of municipal facilities. As of September 30, 2024, the City had outstanding construction contracts totaling \$23,440,830 that will be financed from operating funds.

|                                 | <u>Construction<br/>Commitments</u> |
|---------------------------------|-------------------------------------|
| Water and sewer                 | \$ 7,789,189                        |
| Non-bond capital projects fund  | 4,419,345                           |
| Dallas Stars multi-sport fund   | 5,645,260                           |
| Nonmajor capital projects funds | 5,587,036                           |
| Total                           | <u>\$ 23,440,830</u>                |

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**E. Interfund Receivables, Payables and Transfers**

Government interfund transfers during the year ended September 30, 2024 were as follows:

| TRANSFERS OUT               | TRANSFERS IN        |                     |                             |                       | Total                |
|-----------------------------|---------------------|---------------------|-----------------------------|-----------------------|----------------------|
|                             | General Fund        | Non-Bond Fund       | Nonmajor Governmental Funds | Internal Service Fund |                      |
| General Fund                | \$ -                | \$ 4,756,000        | \$ 2,974,663                | \$ 376,800            | \$ 8,107,463         |
| Stormwater Utility Fund     | 92,800              | -                   | -                           | -                     | 92,800               |
| Nonmajor governmental funds | 466,000             | 1,633,500           | 585,715                     | -                     | 2,685,215            |
| Water & Sewer Fund          | 5,035,100           | -                   | -                           | -                     | 5,035,100            |
| Total                       | <u>\$ 5,593,900</u> | <u>\$ 6,389,500</u> | <u>\$ 3,560,378</u>         | <u>\$ 376,800</u>     | <u>\$ 15,920,578</u> |

Eliminations

Interfund transfers are reported in the governmental and proprietary fund financial statements. In the entity-wide statements, interfund transfers are eliminated within the governmental activities column and business-type column, as appropriate.

Purpose of Transfers

Transfers are used to (1) move unrestricted revenues to finance various programs in accordance with budgetary authorizations, (2) for the general fund to the capital projects funds for various construction projects including the Event Center, and (3) for the water and sewer fund to the general fund for a payment-in-lieu-of-taxes.

Interfund balances at September 30, 2024 consisted of the following receivables and payables:

| Due to Other Funds                 | Due from Other Funds |                             |
|------------------------------------|----------------------|-----------------------------|
|                                    | General Fund         | Purpose                     |
| Hotel/Motel Fund - Special Revenue | \$ 1,328,735         | Event Center - Construction |
|                                    | <u>1,328,735</u>     |                             |

All of the above balances are expected to be repaid within one year.

**F. Tax Abatements / Tax Increment Financing Zones / Public Improvement Districts**

**Tax Abatements** – The City of Farmers Branch enters into tax abatement agreements with local residents and businesses under Chapter 380 of the Texas Local Government Code. Under this chapter, the City may provide incentives consisting of loans and grants of city funds, use of city personnel, facilities and services with or without charge, for the promotion of economic development.

The City has three categories of economic development agreements:

- Residential Demolition/Rebuild Incentive Program – This program provides property tax abatements to encourage redevelopment of existing housing stock in the City. The program may include a demolition incentive grant up to \$30,000 and annual incentive grants (between three and seven years) equal to the difference between the City property taxes assessed and paid for the new improvements (new residential structure excluding the land) for a given tax year and the City property taxes for the residential structure prior to demolition (excluding the land) for the tax year in which the structure was demolished (the "Base Year"). The amounts and number of years the incentive will be paid vary depending on the value of the residential structure and the program in place at the effective date of the agreement. Abatements are obtained through application prior to beginning the improvements and commence when the City issues a certificate of occupancy or certificate of completion for the new residence. The property owner commits to demolition of the existing residence and the construction of a new residence within 24 months of the effective date of the agreement. If construction is not completed as agreed, the City has the option to terminate the agreement and seek reimbursement of the demolition cost reimbursement incentive. No other commitments were made by the City as part of those agreements. For the fiscal year ended September 30, 2024, the City abated property taxes totaling \$176,487 for 37 properties under this program.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

- Economic Development Agreements – The purpose of these agreements is for the promotion of the expansion of existing businesses within the City and the recruitment of new business enterprises to the City. These agreements include repayment provisions should the recipient fail to fully meet its commitments. The names of businesses receiving sales tax rebates are not disclosed, as they are made confidential by Texas Tax Code Section 151.027.
  - A ten-year agreement for a 50 percent property tax rebate and sixty quarterly sales tax grants of 50% of the sales tax paid for years 1 to 7 and 25% of the sales tax paid for years 8 to 15 to a security services company to relocate its headquarters and call center. The incentive period began July 2015. The company must maintain a minimum level of taxable sales and continuous occupancy of the premises during the terms of the agreement. The abatements amounted to \$343,233 during the fiscal year ended September 30, 2024.
  - A fifteen-year agreement for a tangible personal property tax reduction of 100 percent for years one through five, a 50 percent reduction for years six through eight, and a 25 percent reduction for years nine and ten plus a cash grant of \$75,000 to offset costs for relocation to the Leased Premises for Tenet Healthcare Corporation ("THC"). The company must maintain a nine hundred (900) employment positions within the City and maintain the lease. The agreement was executed in June 2019. During the fiscal year ended September 30, 2024, THC received the fourth annual installment of the property tax abatement in the amount of \$339,628.
  - An agreement to rebate 30% of tangible personal property tax for ten years for BSN Sports, LLC to maintain tangible personal property at the leased premises of at least \$18,000,000 as of January 1 of each calendar year. The agreement was executed in June 2017. The abatements amounted to \$9,160 for the fiscal year ended September 30, 2024.
  - A ten-year agreement for semi-annual economic development grants equal to 50 percent of use taxes collected by the City to a home building company. The company must purchase building materials from Farmers Branch vendors to be eligible for the grants. The effective date of the agreement was January 2018. The abatement amounted to \$5,020 for the fiscal year ended September 30, 2024.
- Tax Increment Financing –The City has three active reinvestment zones ("TIF No. 2", "TIF No. 4" and "TIRZ No. 3") for the purpose of tax increment financing of infrastructure. In accordance with State law pertaining to tax increment reinvestment zones, the costs of public infrastructure improvements in the zone are repaid by the contribution of future tax revenues by each taxing unit that levies taxes against the property. The City contributed 100% of the incremental tax revenues associated with the growth of the tax base in TIF No. 2 to a special fund to pay costs of infrastructure in the zones. There are \$145,328,683 of infrastructure improvements in the TIF No. 2 project plan, including streets, water and sewer projects and the TIF No. 2 increment for tax year 2023 is \$36,332,170 TIF No. 2 was scheduled to expire December 31, 2020; however, the City extended its participation on November 17, 2020 from January 1, 2021 until December 31, 2031 at a participation rate of 25%.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

For tax years 2017, 2018, and 2019, the City contributed 1% of the incremental tax revenues generated from the City's ad valorem tax associated with the growth of the tax base in TIRZ No. 3 to a special revenue fund to reduce the public improvement district assessments within the zone. For years 2020 through and including 2052, the City will contribute 40% of the incremental tax revenue generated by the City's ad valorem tax associated with the growth of the tax base in TIRZ No. 3 to a special revenue fund to reduce the public improvement district assessment associated with the zone. There are \$729,995,944 of infrastructure improvements in the TIRZ No. 3 project plan and the TIRZ No. 3 increment for tax year 2023 is \$291,998,377. The TIRZ No. 3 is scheduled to terminate in tax year 2052.

For tax year 2023, the City contributed 100% of the incremental tax revenues generated from the City's ad valorem tax associated with the growth of the tax base in TIF No. 4 to a capital project fund for improvements to the commercial corridor on the east and west of the Interstate Highway 35W and Valwood Park. For years 2021 through and including, the City will contribute 100% of the incremental tax revenue generated by the City's ad valorem tax associated with the growth of the tax base in TIF No. 4 to a capital projects fund for improvements within the district. The TIF No. 4 increment for tax year 2023 is \$98,113,062. The TIF No. 4 is scheduled to terminate in tax year 2046.

The City Council, upon recommendation of the Council-appointed TIF Board for each district, can enter into economic grant agreements with developers to utilize TIF funds. Unlike contractual obligations, TIF grants are subject to availability of TIF funds, and any balance owed to a developer upon termination of the TIF district will no longer be considered an obligation of the City. The City made \$2,011,454 in property tax rebates from general TIF resources.

Public Improvement District – Under Subchapter A of Chapter 372, Texas Local Government Code, as amended (the "PID Act"), the City authorized the creation of the Mercer Crossing Public Improvement District (the "PID") to impose annual assessments on property owners within the PID (the "Assessments") to pay for certain public improvements (the "Public Improvements"). The PID is composed of approximately 397.6 acres that are being developed as a master-planned mixed-use development known as "Mercer Crossing". The development is expected to include, among other things, single-family homes, active adult senior condominiums, two hotels, office, retail, commercial, and an amphitheater. Pursuant to a master development agreement and a reimbursement agreement (together, the "Agreements"), the City has agreed to reimburse the Developer for a portion of the costs of the Public Improvements within the PID in a total amount not to exceed \$43,247,845, plus accrued interest, from assessment revenues. Under the terms of the Agreements, the Assessments may be offset in each year by tax increment revenues generated with Tax Increment District, which includes the PID property. The only obligation of the City under Agreements is the collection and enforcement of the Assessments and the payment of annual Assessment revenues to the Mercer Crossing developer pursuant to the terms of the Agreements. The City has not issued debt to fund its obligations under the Agreements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**G. Long-Term Liabilities**

General Obligation Bonds – The City of Farmers Branch issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. Currently, the City has no outstanding general obligation bonds issued for business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds are generally issued as serial bonds with equal amounts of principal maturing each year with maturities that range from five to 20 years. The City is required to compute, at the time taxes are levied, the rate of tax required to provide a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

Direct Placement Bonds – The City of Farmers Branch issues direct placement general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Direct placement general obligation bonds have been issued for governmental activities.

Bonds payable at September 30, 2024 are comprised of the following individual issues:

| Bonds Payable:                              | Sale Date | Original Borrowing   | Interest Rates to Maturity (%) | Final Maturity | Outstanding Sept. 30, 2024 |
|---|-----------|----------------------|--------------------------------|----------------|----------------------------|
| Bonds - Public Offerings                    |           |                      |                                |                |                            |
| General obligation refunding bonds, taxable | 2011      | 7,035,000            | 0.44 - 4.00                    | 2025           | \$ 1,155,000               |
| Certificates of obligation                  | 2013      | 6,500,000            | 2.50 - 4.50                    | 2032           | 3,460,000                  |
| General obligation bonds                    | 2014      | 13,920,000           | 2.00 - 5.00                    | 2034           | 6,420,000                  |
| Certificates of obligation                  | 2016      | 2,545,000            | 2.00 - 3.00                    | 2036           | 1,670,000                  |
| Certificates of obligation                  | 2018      | 10,515,000           | 3.00 - 5.00                    | 2038           | 12,815,000                 |
| General obligation bonds                    | 2018      | 13,540,000           | 3.25 - 4.00                    | 2038           | 4,655,000                  |
| General obligation bonds                    | 2020      | 12,305,000           | 2.00 - 4.00                    | 2039           | 10,180,000                 |
| Certificates of obligation                  | 2022      | 23,810,000           | 3.36 - 4.84                    | 2047           | 23,215,000                 |
| Total Bonds Payable                         |           | <u>\$ 90,170,000</u> |                                |                | <u>\$ 63,570,000</u>       |

Legal Debt Margin – The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

**Calculation of Legal Debt Margin – September 30, 2024**

|  |                                   |
|--|-----------------------------------|
| Adjusted Tax Base Valuation                      | \$ 9,280,116,565                  |
| Constitutional Limit                             | 2.5% of assessed valuation        |
| Maximum Constitutional Revenue Available         | \$ 232,002,914                    |
| Tax Rate to Achieve Maximum Tax Revenue          | \$ 2.5000 per \$100 of valuation  |
| Adopted Tax Rate for Fiscal Year 2023-24         | \$ 0.56900 per \$100 of valuation |
| Available Unused Constitutional Maximum Tax Rate | \$ 1.9310 per \$100 of valuation  |

Landfill Closure and Post-closure Costs – The City owns a sanitary landfill site located in the City of Lewisville, Texas. On October 1, 2008, the City renewed a previous ten-year contract with Allied Waste North America, Inc. ("Allied Waste") for the operation and management of the landfill. The current agreement continues until all permitted air space has been filled with waste material. All payments for operations & management are variable.

The landfill operates on a "cell" basis and state and federal laws require the City to close the landfill once its capacity is reached and to monitor and maintain the site for 30 subsequent years. The site capacity of 53.2 million cubic yards will be reached in approximately 30 years. The City recognizes a portion of the final closure and post-closure care liability in each operating period even though actual final payout will not occur until the landfill is completely closed.

The amount recognized as a liability is based on the landfill capacity used as of the balance sheet date. As of September 30, 2024, the City had incurred a liability of \$10,420,437, which represents the amount of costs estimated to date based on 48.69% of landfill capacity used to date. The remaining estimated liability for these costs is \$10,980,568, which will be recognized as the remaining capacity is used. Additionally, during the term of the agreement, the City is required to maintain a special revenue fund for future landfill closure and post-closure costs and has restricted the fund balance of \$7,877,113 for these costs. The estimated cost of closure and post-closure care are subject to changes such as the effects of inflation, revision of laws, and other variables.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Changes in long-term liabilities - Changes in the City's long-term liabilities for the year ended September 30, 2024, are as follows:

|   | Balance at<br>Beginning of Year | Increase      | Decrease        | Balance at<br>End of Year | Due Within<br>One Year |
|---|---------------------------------|---------------|-----------------|---------------------------|------------------------|
| <u>Governmental Activities</u>              |                                 |               |                 |                           |                        |
| <b>Bonds payable</b>                        |                                 |               |                 |                           |                        |
| Bonds - public offerings                    | \$ 67,715,000                   | \$ -          | \$ (4,145,000)  | \$ 63,570,000             | \$ 3,875,000           |
| Unamortized amounts: For issuance premiums  | 2,383,877                       | -             | (202,826)       | 2,181,051                 | -                      |
| Total bonds payable - public offerings      | 70,098,877                      | -             | (4,347,826)     | 65,751,051                | 3,875,000              |
| Compensated absences                        | 5,272,821                       | 4,350,019     | (4,331,476)     | 5,291,364                 | 665,955                |
| Net pension liability                       | 44,768,451                      | -             | (12,649,468)    | 32,118,983                | -                      |
| Arbitrage liability                         | -                               | 133,864       | -               | 133,864                   | -                      |
| Total OPEB liability                        | 3,697,262                       | -             | (82,506)        | 3,614,756                 | 444,326                |
| Claims                                      | 799,416                         | 4,786,342     | (4,752,914)     | 832,844                   | 722,831                |
| SBITAs                                      | 430,957                         | 245,460       | (315,305)       | 361,112                   | 285,764                |
| Leases                                      | 231,700                         | -             | (231,700)       | -                         | -                      |
| Landfill closure and postclosure care costs | 9,733,140                       | 687,297       | -               | 10,420,437                | -                      |
| Governmental activities long-term debt      | \$ 135,032,624                  | \$ 10,202,982 | \$ (26,711,195) | \$ 118,524,411            | \$ 5,993,876           |
| <u>Business-type activities</u>             |                                 |               |                 |                           |                        |
| Compensated absences                        | \$ 209,374                      | \$ 184,783    | \$ (169,387)    | \$ 224,770                | \$ 24,403              |
| Net pension liability                       | 2,307,267                       | -             | (632,209)       | 1,675,058                 | -                      |
| Total OPEB liability                        | 365,662                         | -             | (8,158)         | 357,504                   | 43,944                 |
| Business-type activities long-term debt     | \$ 2,882,303                    | \$ 184,783    | \$ (809,754)    | \$ 2,257,332              | \$ 68,347              |
| Total                                       | \$ 137,914,927                  | \$ 10,387,765 | \$ (27,520,949) | \$ 120,781,743            | \$ 6,062,223           |

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year-end, internal service fund liabilities for claims payable of \$832,844, compensated absences of \$29,180, total OPEB liability of \$195,554, and net pension liability of \$954,720 are included in the above amounts. In addition, for the governmental activities, claims payable, compensated absences, total OPEB liability and net pension liability are generally liquidated by the general fund. The landfill closure and post-closure care costs will be liquidated from the landfill closure/post-closure fund.

The debt service requirements at September 30, 2024 are as follows:

| Year Ended          | Governmental Activities |               |               |
|---------------------|-------------------------|---------------|---------------|
|                     | Bonds Payable           |               |               |
|                     | Principal               | Interest      | Total         |
| <b>September 30</b> |                         |               |               |
| 2025                | \$ 3,875,000            | \$ 2,168,477  | \$ 6,043,477  |
| 2026                | 4,025,000               | 2,180,918     | 6,205,918     |
| 2027                | 3,560,000               | 2,042,339     | 5,602,339     |
| 2028                | 3,685,000               | 1,942,620     | 5,627,620     |
| 2029                | 3,825,000               | 1,775,525     | 5,600,525     |
| 2030-2034           | 19,355,000              | 6,805,956     | 26,160,956    |
| 2035-2039           | 14,355,000              | 3,785,150     | 18,140,150    |
| 2040-2044           | 6,310,000               | 1,893,105     | 8,203,105     |
| 2045-2049           | 4,580,000               | 339,316       | 4,919,316     |
| Total               | \$ 63,570,000           | \$ 22,933,406 | \$ 86,503,406 |



NOTES TO THE BASIC FINANCIAL STATEMENTS  
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SBITA Liability - The City has an agreement as subscriber for various software, the terms of which expire in 2026. During the year ended September 30, 2024, the City did not recognize any subscription expense for variable expenses not previously included in the measurement of the SBITA liability.

The following is a schedule by year of payments under the subscription as of September 30, 2024:

| Year Ending September 30, | Principal  | Interest  | Total   |
|---------------------------|------------|-----------|---------|
| 2025 \$                   | 285,764 \$ | 8,779 \$  | 294,543 |
| 2026                      | 75,348     | 2,524     | 77,872  |
| \$                        | 361,112 \$ | 11,303 \$ | 372,415 |

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**H. Risk Management and Other Information**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and, injuries to employees. A Schedule of Insurance Policies in Force showing the type of coverage, deductible, and liability limit is shown in Table 18.

Workers' Compensation Insurance - The City has established the workers' compensation fund (an internal service fund) to account for workers' compensation uninsured risks of loss. Under this program, the workers' compensation fund provides coverage for up to a maximum of \$350,000 for each workers' compensation occurrence claim.

The costs associated with this self-insurance plan are funded by charges to the City's other funds. Liabilities include provisions for claims reported and claims incurred, but not reported. The provision for reported claims is computed by the City's third-party administrator based upon standard actuarial principles. The provision for claims incurred, but not yet reported, is estimated based on the City's experience and an actuarial study that was performed during fiscal year 2024. State law provides that the City is relieved of liability if notice of employee injury has not been received within 30 days of the date on which the injury occurs.

At September 30, 2024, the amount of workers' compensation liabilities was \$268,324. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability for unpaid claims includes allocated loss adjustment expenses (ALAE), which are primarily legal expenses. Changes in the balance of claims liability during the past two years are as follows:

| <b>Fiscal Year</b> | <b>Beginning Fiscal Year Liability</b> | <b>Current Year Claims and Changes in Estimates</b> | <b>Claims Payments</b> | <b>Ending Fiscal Year Liability</b> |
|--------------------|--|---|------------------------|-------------------------------------|
| 2022-2023          | \$ 287,925                             | \$ 386,120  | \$(382,814)            | \$ 291,231                          |
| 2023-2024          | \$ 291,231                             | \$ 280,305  | \$(303,212)            | \$ 268,324                          |

At September 30, 2024, workers' compensation fund cash and investments of \$1,450,663 were held for funding future obligations. The City continues to carry commercial insurance for other risks of loss (except medical insurance as described in the following section). Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Group Medical Insurance - The health claims fund (an internal service fund) was established to account for the provision of group medical insurance coverage for employees and their dependents. The City's medical insurance program is a "self-insured" plan funded by both the City and participating employees. The City makes a predetermined contribution to the plan each month for a portion of medical group insurance coverage. This is done on a bi-monthly basis for qualifying City employees and their dependents. Employees contribute through payroll deductions for the balance of their medical coverage.

The City's medical insurance program is made up of two contracts, a specific stop loss contract and an aggregate stop loss contract. The specific stop loss contract has a specific deductible of \$150,000 per individual and an \$80,000 aggregating specific corridor with an unlimited lifetime maximum benefit on eligible expenses. The aggregate stop loss contract has a minimum attachment point of \$5,342,990, which may increase based on enrollment. The aggregate contract will pay up to \$1,000,000 on total claims over the attachment point.

All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan and the City reimburses the insurance company for each claim paid. The insurance company charges the City a fee for this service.

At September 30, 2024, the amount of estimated claims payable was \$564,520. Changes in the reported liability since October 1, 2022 resulted from the following:

| <b>Fiscal Year</b> | <b>Beginning Fiscal Year Liability</b> | <b>Current Year Claims and Changes in Estimates</b> | <b>Claim Payments</b> | <b>Ending Fiscal Year Liability</b> |
|--------------------|--|---|-----------------------|-------------------------------------|
| 2022-2023          | \$ 551,849                             | \$ 3,841,593  | \$(3,885,257)         | \$ 508,185                          |
| 2023-2024          | \$ 508,185                             | \$ 4,506,037  | \$(4,449,702)         | \$ 564,520                          |

Claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims and for claims incurred but not reported is determined by an independent consultant.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

Deferred Compensation Plan - The City offers all employees a deferred compensation plan through Empower Retirement in accordance with Internal Revenue Code Section 457. The 457 Plan provides employees an option to supplement their TMRS retirement benefits by making pre-tax contributions to their plan. All assets are held in trust for the exclusive benefit of participants and their beneficiaries. Therefore, it is not reported in the financial statements of the City. Benefit provisions are contained in the plan document and were established and can be amended by the action of City Council. Employees may enroll in the plan and/or change their contribution amounts at any time. The City does not have any financial contribution obligations regarding this 457 Plan and did not make any contributions during the year ended September 30, 2024.

**1) Commitments and Contingencies**

The City has several long-term agreements with significant commitments as follows:

- a. City of Dallas Water Purchase Agreement - The City purchases treated water from the City of Dallas under a 30-year contract negotiated in August 2010. The City makes payments to the City of Dallas at a rate of \$.4480 per 1,000 gallons plus \$312,607 per year for each million gallons per day rate of flow (maximum delivery rate). The City paid \$7,060,234 to the City of Dallas for the fiscal year ended September 30, 2024.
- b. Trinity River Authority (the "Authority") Sewage Disposal Agreement - On November 29, 1973, the City, along with other cities, entered into a 50-year contract with the Authority, whereby the Authority will provide and operate a regional wastewater treatment plant and wastewater conveyance facility constructed with the Authority's funds. At the conclusion of the 50 years (in 2023), the contract shall remain in effect until any remaining TRA bonds have been repaid in full. In return, the cities agreed to pay for such services based on a usage formula that will provide reimbursements for operations, maintenance, and debt service payments to the Authority. The cities are jointly and severally responsible for the above payments. Each city's proportionate share is determined annually according to its contributing flow to the system. The City paid \$5,526,428 to the Authority for the fiscal year ended September 30, 2024.

The City is involved in various legal actions in which claims of varying amounts are being asserted against the City. The City follows the practice of providing for any uninsured claims when a loss is probable and a loss becomes fixed or determinable in amount. In the opinion of City management, these actions will not result in a significant impact of the City's financial position. Events could occur that would change this estimate materially in the near term.

The City participates in several federal grant programs that are governed by various rules and regulations of the grantor agencies. Amounts received or receivable from grant agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, which may be disallowed by the grantor, cannot be determined at this time, although the City expects such amounts, if any, to be immaterial. For the year ended September 30, 2024, grant expenditures did exceed the threshold for the single audit requirement; therefore, a single audit will be performed regarding the City's federal funding.

**2) Postemployment Benefits Other Than Pensions (OPEB)**

Plan Description - The City of Farmers Branch administers a single-employer defined benefit OPEB plan, the "Retiree Health Plan". The plan provides OPEB through the City's group health insurance plan, which covers both active and retired members (see funding policy below). Contributions are established through City policy as approved by City Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Retiree Health Plan does not issue a publicly available financial report.

The eligibility requirements are:

- Must be a current, full-time employee hired prior to January 1, 2007 and are not eligible for Medicare;
- Must have worked for the City for at least ten years, which needs to be concurrent;
- Must meet the eligibility requirements of the Texas Municipal Retirement System (TMRS) and retire from the City; and,
- Must be on the City's health plan at the time of retirement, and for dependents to be carried on the health plan, they must be on the plan at that time.

Benefits Provided - The City contributes \$625 per month toward the cost of a health reimbursement account (HRA) administered through HSA Bank, plus an annual lump sum funding of \$500 to the HRA, and the full premium for life insurance coverage of \$12,000. The City's contribution for future health insurance premiums is capped at a maximum of \$625 per month. As an alternative, to the HRA, retirees may be provided an age-adjusted high deductible health insurance plan with no contribution from the City.

Plan members receiving benefits contribute the full group premium for dental or vision plans selected. They also pay the full premium for age-adjusted life insurance coverage if they choose coverage after they turn 65.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

Retirees are required to enroll in Medicare, if they are eligible, at age 65. For those who are not eligible for Medicare, the City will pay the monthly premium for Medicare Part A for any retirees who reach age 65 and must provide documentation from Social Security on Medicare ineligibility.

Employees Covered by Benefit Terms – At the December 31, 2023 measurement date, the following employees were covered by the benefit terms:

|                              |     |
|------------------------------|-----|
| Retirees and beneficiaries   | 66  |
| Inactive, nonretired members | -   |
| Active employees             | 99  |
| Total                        | 165 |

The City's retiree healthcare benefit is only provided to employees who were hired prior to January 1, 2007 and are not eligible for Medicare.

**Total OPEB Liability**

The City's total OPEB liability of \$3,972,260 was measured as of December 31, 2023, and was determined by an actuarial valuation as of December 31, 2022.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods including in the measurement, unless otherwise specified:

**Actuarial Assumptions and Methods**

**Valuation Date:** 12/31/2022

**Methods and Assumptions:**

|                         |   |
|-------------------------|---|
| Actuarial cost method   | Individual Entry-Age Normal   |
| Discount rate           | 3.77% as of December 31, 2023   |
| Inflation               | 2.50%   |
| Salary increases        | 3.60% to 11.85%, including inflation  |
| Demographic assumption  | Based on the experience study covering the four-year period ending December 31, 2022 as conducted for the Texas Municipal Retirement System   |
| Mortality               | For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements. |
| Health care cost trends | N/A. The City's subsidy is a fixed dollar contribution to a retiree health care account   |
| Participation rates     | Medical: 85% of retirees who are eligible for a subsidy;<br>Life Insurance: 100% of eligible retirees   |

**Other Information:**

Notes The discount rate changed from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023. Additionally, the demographic and salary increase assumptions were updated to reflect the 2023 TMRS experience study.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

Changes in the Total OPEB Liability

|   | <b>Total OPEB<br/>Liability</b> |
|---|---------------------------------|
| <b>Balance at 10/1/2023</b>   | <b>\$ 4,062,924</b>             |
| Changes for the year:   |                                 |
| Service cost  | 110,736                         |
| Interest on the total OPEB liability  | 156,152                         |
| Difference between expected and actual experience of the total OPEB liability | 58,138                          |
| Changes of assumptions  | 109,686                         |
| Benefit payments  | (525,376)                       |
| Net changes   | (90,664)                        |
| <b>Balance at 9/30/2024</b>   | <b>\$ 3,972,260</b>             |

There were no changes in benefit terms during the year.

Changes of assumptions reflect a change in the discount rate from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023. The discount rate was based on the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date.

Sensitivity of the Total OPEB Liability to the Discount Rate Assumption – Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the City's total OPEB liability, calculated using a discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

|                      | 1% Decrease<br>2.77% | Discount Rate<br>3.77% | 1% Decrease<br>4.77% |
|----------------------|----------------------|------------------------|----------------------|
| Total OPEB Liability | \$ 4,105,286         | \$ 3,972,260           | \$ 3,833,013         |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates Assumption – Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the City's total liability, calculated using the assumed trend rates as well as what the City's total OPEB liability would be if it were calculated using trend rates that are one percent lower or one percent higher:

|                      | 1% Decrease  | Healthcare Cost<br>Trend Rate | 1% Increase  |
|----------------------|--------------|-------------------------------|--------------|
| Total OPEB Liability | \$ 3,972,260 | \$ 3,972,260                  | \$ 3,972,260 |

Note: The City's retiree medical benefit is a set dollar amount that is not impacted by future medical trends.

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

For the year ended September 30, 2024, the City of Farmers Branch recognized OPEB expense of \$312,659. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Benefits paid subsequent to the measurement date  | \$ 394,032                                | \$ -                                     |
| Changes in assumptions                            | 133,343                                   | 158,392                                  |
| Difference between expected and actual experience | 129,318                                   | 18,046                                   |
| <b>Total</b>                                      | <b>\$ 656,693</b>                         | <b>\$ 176,438</b>                        |

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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The amount of \$394,032 reported as deferred outflows of resources related to OPEB resulting from benefit paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Year Ended September 30:</b> |    |               |
|---------------------------------|----|---------------|
| 2025                            | \$ | 29,310        |
| 2026                            |    | 7,763         |
| 2027                            |    | 39,558        |
| 2028                            |    | 9,592         |
| Total                           | \$ | <u>86,223</u> |

Allocation of OPEB Items

The City allocates OPEB items between governmental activities and business-type activities on the basis of employee payroll funding. For the governmental activities, the total OPEB liability is liquidated by the general fund and fleet and facilities management fund. For the business-type activities, the total OPEB liability is liquidated by the water and sewer fund.

**3) Defined Benefit Pension Plan**

Plan Description

The City of Farmers Branch participates as one of over 900 cities 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 (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six- member, governor appointed, Board of Trustees, however TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available annual comprehensive financial report that can be obtained at [www.tmrs.com](http://www.tmrs.com).

All eligible employees of the City are required to participate in TMRS. The City does not participate in the Social Security system.

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.

***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 | 433          |
| Inactive employees entitled to but not yet receiving benefits    | 410          |
| Active employees   | <u>422</u>   |
| Total  | <u>1,265</u> |

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the City matching ratios 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) cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Farmers Branch were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City of Farmers Branch were 19.15% and 20.19% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were \$9,378,099 and were \$1,571,561 more than the required contributions.

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

Net Pension Liability

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

**Actuarial assumptions:**

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

|                           |  |
|---------------------------|--|
| Inflation                 | 2.50% per year   |
| Overall payroll growth    | 2.65% per year   |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 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 for 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-recen 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 2024 are summarized in the following table:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

***Discount rate:***

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

***Changes in the net pension liability:***

|   | Increase (Decrease)               |                                       |                                       |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
|   | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) - (b) |
| Balance at 10/1/2023  | \$ 317,571,555                    | \$ 270,495,837                        | \$ 47,075,718                         |
| Changes for the year:   |                                   |                                       |                                       |
| Service cost  | 6,591,462                         |                                       | 6,591,462                             |
| Interest  | 21,069,719                        |                                       | 21,069,719                            |
| Change in assumptions   | (2,339,029)                       |                                       | (2,339,029)                           |
| Difference between expected and actual experience             | 3,558,757                         |                                       | 3,558,757                             |
| Contributions - employer                                      |                                   | 8,534,416                             | (8,534,416)                           |
| Contributions - employee                                      |                                   | 2,561,923                             | (2,561,923)                           |
| Net investment income   |                                   | 31,266,806                            | (31,266,806)                          |
| Benefit payments, including refunds of employee contributions | (17,446,591)                      | (17,446,591)                          | -                                     |
| Administrative expense  |                                   | (199,167)                             | 199,167                               |
| Other changes   |                                   | (1,392)                               | 1,392                                 |
| Net changes   | \$ 11,434,318                     | \$ 24,715,995                         | \$ (13,281,677)                       |
| Balance at 9/30/2024  | \$ 329,005,873                    | \$ 295,211,832                        | \$ 33,794,041                         |

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

The following presents the net pension liability (asset) 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<br>5.75% | Current Single Rate<br>6.75% | 1% Decrease<br>7.75% |
|--------------------------------------|----------------------|------------------------------|----------------------|
| City's net pension liability (asset) | \$ 76,732,429        | \$ 33,794,041                | \$(1,688,663)        |

***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 at [www.tmrs.com](http://www.tmrs.com).

***Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:***

For the year ended September 30, 2024, the City recognized pension expense of \$7,676,838.



**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

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

|  | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|--|---|--|
| Contributions subsequent to the measurement date             | \$ 7,664,607                              | \$ -                                     |
| Change in assumptions  | -   | 1,644,955                                |
| Differences between projected and actual investment earnings | 7,286,810                                 | -  |
| Differences between expected and actual economic experience  | 4,688,623                                 | -  |
| Total  | <u>\$ 19,640,040</u>                      | <u>\$ 1,644,955</u>                      |

The amount of \$7,664,607 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. Other amounts reported as deferred outflows (inflows) of resources related to pension will be recognized in pension expense as follows:

|                    |                      |
|--------------------|----------------------|
| <b>Year Ended:</b> |                      |
| 2025               | \$ 4,073,621         |
| 2026               | 3,065,095            |
| 2027               | 5,793,429            |
| 2028               | (2,601,667)          |
| Total              | <u>\$ 10,330,478</u> |

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024**

**4) Accounting Standards**

The GASB has issued the following Statements which will become effective in future years as shown below:

*GASB Statement No. 101 - Compensated Absences*

GASB 101 updates the recognition and measurement guidance for compensated absences under a unified model. It defines compensated absences and requires that liabilities be recognized for leave for which employees may receive one or more: cash payments when the leave is used for time off; other cash payments, such as payment for unused leave upon termination of employment which includes voluntary resignation or retirement; or noncash settlements, such as conversion to defined benefit postemployment benefits. GASB 101 also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. GASB 101 amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The City expects to first apply GASB 101 during the year ending September 30, 2025. The impact of applying the Statement has not been determined.

*GASB Statement No. 102 - Certain Risk Disclosures*

GASB 102 requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. The City expects to first apply GASB 102 during the year ending September 30, 2025. The impact of applying the Statement has not been determined.

*GASB Statment No. 103, Financial Reporting Model Improvements (GASB 103)*

GASB 103 seeks to improve the financial reporting model by standardizing the presentation for various matters within the governmental financial statements. The purpose is to eliminate diversity practice and improve comparability. The City expects to first apply GASB 103 during the year ending September 30, 2026. The impact of applying the Statement has not been determined.

*GASB Statement No. 104, Disclosure of Certain Capital Assets (GASB 104)*

GASB 104 seeks to improve disclosures related to certain types of capital assets. The purpose is to provide users of government financial statements with essential information about certain types of capital assets. The City expects to first apply GASB 104 during the year ending September 30, 2026. The impact of applying this Statement has not been determined.

**5) Subsequent Events**

In October 2024, the City issued \$9,560,000 of Combination Tax and Revenue Certificates of Obligation, Series 2024 and \$2,310,000 of General Obligation Bonds, Series 2024. The interest rates on the Combination Tax and Revenue Certificates of Obligation, Series 2024 are 5% and the maturity date is February 15, 2044. The interest rates on the General Obligation Bonds, Series 2024 are 5% and the maturity date is February 15, 2033.

On January 27, 2025, the Office of Management and Budget (OMB) issued M 25-13, pausing all activities related to obligation or disbursement of all federal financial assistance with certain exceptions. The memo has since been rescinded; however, it is unclear whether future assistance could be at risk. The potential impacts of the executive orders on the City's future federal financial assistance have not been evaluated.

## **APPENDIX C**

### **FORMS OF BOND COUNSEL'S OPINIONS**

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# BRACEWELL

September 4, 2025

\$5,185,000  
CITY OF FARMERS BRANCH, TEXAS  
GENERAL OBLIGATION BONDS  
SERIES 2025

We have represented the City of Farmers Branch, Texas (the “Issuer”), as its bond counsel in connection with an issue of bond (the “Bonds”) described as follows:

CITY OF FARMERS BRANCH, TEXAS, GENERAL OBLIGATION BONDS, SERIES 2025, dated September 4, 2025, in the principal amount of \$5,185,000.

The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance adopted by the City Council of the Issuer on August 5, 2025, authorizing their issuance (the “Ordinance”).

We have represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Bond No. 1 of this issue. Capitalized terms used herein, unless otherwise defined, have the meanings set forth in the Ordinance.

**Bracewell LLP**

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AUSTIN DALLAS DUBAI HOUSTON LONDON NEW YORK PARIS SAN ANTONIO SEATTLE WASHINGTON, DC

# BRACEWELL

September 4, 2025

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In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

BASED ON SUCH EXAMINATION AND IN RELIANCE ON SUCH REPRESENTATIONS, CERTIFICATIONS, AND ASSUMPTIONS, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the Issuer;
- (B) A continuing ad valorem tax upon all taxable property within the Issuer, necessary to pay the principal of and interest on the Bonds, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitations; and
- (C) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations.

The rights of the Owners of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

We express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations or certifications of the Issuer and other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

# BRACEWELL

September 4, 2025

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Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

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