

OFFICIAL STATEMENT DATED MAY 29, 2024

**NEW ISSUE: BOOK-ENTRY-ONLY**

**Ratings: Fitch Ratings: “AAA”  
S&P Global Ratings: “AAA”  
(See “RATINGS” herein)**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.*

**THE BONDS WILL NOT BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.**



**\$7,460,000**

**CITY OF CARROLLTON, TEXAS  
(Dallas, Denton and Collin Counties)**

**WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2024**

**Dated: June 20, 2024**

**Due: May 1, as shown on page ii**

**(Interest to accrue from Delivery Date (as defined herein))**

Interest on the \$7,460,000 City of Carrollton, Texas, Waterworks and Sewer System Revenue Bonds, Series 2024 (the “Bonds”), will accrue from the date of initial delivery (the “Delivery Date”) and be payable May 1 and November 1 of each year, commencing November 1, 2024 until maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount, for any one maturity. Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon their presentation and surrender to the Paying Agent/Registrar (the “Paying Agent/Registrar”), initially U.S. Bank Trust Company, National Association, Houston, Texas. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months and is payable to the registered owners appearing on the registration books of the Paying Agent/Registrar on the fifteenth day of the month preceding each interest payment date (the “Record Date”). Interest on the Bonds will be payable, by check, dated as of the interest payment date, and mailed by United States mail, first class postage paid, by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see “RECORD DATE FOR INTEREST PAYMENT” herein), or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The City of Carrollton, Texas (the “City”), intends to utilize the Book-Entry-Only System of The Depository Trust Company (“DTC”), but such system could be discontinued in the future. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer (see “BOOK-ENTRY-ONLY SYSTEM” herein). **No physical delivery of the Bonds will be made to the beneficial owners thereof.**

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapters 1371 and 1502, as amended, Texas Government Code (jointly the “Act”), the home-rule charter of the City, and an ordinance (the “Bond Ordinance”) authorizing the issuance of the Bonds adopted by the City Council of the City. In the Bond Ordinance, the City delegated the authority to certain City officials to execute a “Pricing Certificate” establishing the pricing terms for the Bonds. The Pricing Certificate was approved and executed on May 29, 2024. The Bond Ordinance and the Pricing Certificate are referred to herein as the “Ordinance.” The Bonds constitute special obligations of the City and, together with the outstanding and unpaid Previously Issued Bonds (as defined in the Ordinance), and any additional parity bonds that may be issued in the future, are payable, both as to principal and interest, solely from and equally secured by a first lien on and pledge of the Net Revenues (as defined in the Ordinance) of the City’s combined waterworks and sewer system (the “System”). The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or the System, except with respect to the Net Revenues. **The Bonds are not general obligations of the City, Dallas County, Collin County, Denton County or the State of Texas, and the registered owners of the Bonds shall never have the right to demand payment out of any funds raised or to be raised by taxation.**

The Bonds are subject to redemption as described under “THE BONDS – Redemption Provisions” herein.

Proceeds from the sale of the Bonds will be used to (i) make improvements and extensions to the System and (ii) pay the costs of issuance of the Bonds (see “THE BONDS – Sources and Uses of Funds” herein).

*The Bonds are offered when, as and if issued and accepted by the underwriters named below (the “Underwriters”), subject to the approval of legality by the Attorney General of the State of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel (see “APPENDIX C – FORM OF BOND COUNSEL’S OPINION”). Certain legal matters will be passed upon for the Underwriters by their counsel, Cantu Harden Montoya LLP, Dallas, Texas (see “Legal Matters”). The Bonds are expected to be available for delivery through DTC on or about June 20, 2024.*

**RAYMOND JAMES**

**FHN FINANCIAL CAPITAL MARKETS**

**MATURITY SCHEDULE**

**\$7,460,000**  
**Waterworks and Sewer System Revenue Bonds, Series 2024**

<b><u>Maturity</u></b> <b><u>(5/1)</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Initial</u></b> <b><u>Offering</u></b> <b><u>Yield</u></b>	<b><u>CUSIP</u></b> <b><u>Suffix<sup>(1)</sup></u></b>
2025	\$275,000	5.000%	3.530%	US9
2026	235,000	5.000%	3.540%	UT7
2027	245,000	5.000%	3.420%	UU4
2028	260,000	5.000%	3.340%	UV2
2029	270,000	5.000%	3.390%	UW0
2030	285,000	5.000%	3.400%	UX8
2031	300,000	5.000%	3.420%	UY6
2032	315,000	5.000%	3.430%	UZ3
2033	330,000	5.000%	3.440%	VA7
2034	350,000	5.000%	3.460%	VB5
2035	365,000	5.000%	3.460% <sup>(2)</sup>	VC3
2036	385,000	5.000%	3.470% <sup>(2)</sup>	VD1
2037	405,000	5.000%	3.530% <sup>(2)</sup>	VE9
2038	420,000	5.000%	3.580% <sup>(2)</sup>	VF6
2039	445,000	5.000%	3.640% <sup>(2)</sup>	VG4
2040	465,000	5.000%	3.740% <sup>(2)</sup>	VH2
2041	490,000	5.000%	3.830% <sup>(2)</sup>	VJ8
2042	515,000	5.000%	3.880% <sup>(2)</sup>	VK5
2043	540,000	5.000%	3.930% <sup>(2)</sup>	VL3
2044	565,000	5.000%	3.980% <sup>(2)</sup>	VM1

(Interest to accrue from Delivery Date)

**Optional Redemption...** The Bonds maturing on and after May 1, 2035, are subject to optional redemption prior to maturity, in whole or in part, in integral multiples of \$5,000, on May 1, 2034, or any date thereafter as described herein (see “THE BONDS – Redemption Provisions”). (see “THE BONDS – Redemption Provisions”).

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is included solely for the convenience of the registered owners of the Bonds, is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.

<sup>(2)</sup> Yield shown is yield to first optional call date, May 1, 2034.

(REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.)

**CITY OF CARROLLTON, TEXAS**

**ELECTED OFFICIALS**

**CITY COUNCIL**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Term Expires</u></b>	<b><u>Occupation</u></b>
Steve Babick	Mayor	May 2026	Chief Financial Officer
Nancy Cline	Mayor Pro Tem, Place 5	May 2027 <sup>(1)</sup>	Civil Engineer
Christopher Axberg	Member, Place 1	May 2027 <sup>(1)</sup>	Digital Marketing Executive
Jason Carpenter	Member, Place 2	May 2026	Technology Executive
Richard Fleming	Member, Place 3	May 2027 <sup>(1)</sup>	Tax Advisor and Executive
Dr. Andrew Palacios	Member, Place 4	May 2026	High School Principal
Daisy Palomo	Member, Place 6	May 2026	Finance and Accounting Executive
Rowena Watters	Member, Place 7	May 2027 <sup>(1)</sup>	Branch Administrator

<sup>(1)</sup> City Councilmembers with terms ending May 2027 were elected at an election held on May 5, 2024 and were sworn in on May 14, 2024.

**APPOINTED OFFICIALS**

Erin Rinehart, City Manager

Chrystal Davis, Assistant City Manager

Marc Guy, Assistant City Manager

Meredith Ladd, City Attorney

Diana K. Vaughn, Chief Financial Officer

Chloe Sawatzky, City Secretary

**BOND COUNSEL**

Orrick, Herrington & Sutcliffe, LLP, Bond Counsel  
Austin, Texas

**FINANCIAL ADVISOR**

PFM Financial Advisors LLC  
Austin, Texas

**INDEPENDENT AUDITOR**

Forvis LLP, Certified Public Accountants  
Dallas, Texas

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein in this Official Statement has been furnished by sources other than the City which are believed to be reliable, but such information is not guaranteed by the City as to accuracy or completeness.

Any information and expression of opinion herein contained is 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" for a description of the City's undertaking to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE 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.

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 THE 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. See "FORWARD-LOOKING STATEMENTS" herein.

The agreements of the City and others related to the Bonds are described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

None of the City, the Financial Advisor, or the Underwriters make any representation regarding the information contained in this Official Statement regarding The Depository Trust Company ("DTC") and its Book-Entry-Only System, as such information was furnished by DTC.

The statements contained in this Official Statement, and in other information provided by the City, that are not purely historical are forward-looking statements, including statements regarding the City's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

## TABLE OF CONTENTS

	<u>Page</u>	<u>Page</u>
<b>USE OF INFORMATION IN OFFICIAL STATEMENT .....</b>	<b>IV</b>	
<b>SUMMARY STATEMENT .....</b>	<b>VI</b>	
<b>INTRODUCTION .....</b>	<b>1</b>	
<b>THE BONDS .....</b>	<b>1</b>	
GENERAL DESCRIPTION .....	1	
PURPOSE .....	2	
SECURITY AND SOURCE OF PAYMENT .....	2	
RESERVE FUND .....	2	
ADDITIONAL BONDS .....	2	
RATES .....	3	
REDEMPTION PROVISIONS .....	3	
NOTICE OF REDEMPTION .....	3	
LIMITATION ON TRANSFER OF BONDS .....	3	
DEFEASANCE .....	3	
AMENDMENTS .....	4	
SOURCES AND USES OF FUNDS .....	4	
OWNERSHIP .....	4	
<b>ENFORCEMENT OF REMEDIES .....</b>	<b>5</b>	
<b>RECORD DATE FOR INTEREST PAYMENT .....</b>	<b>5</b>	
<b>BOOK-ENTRY-ONLY SYSTEM .....</b>	<b>5</b>	
USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT .....	7	
EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM .....	7	
<b>REGISTRATION, TRANSFER AND EXCHANGE ..</b>	<b>7</b>	
PAYING AGENT/REGISTRAR .....	7	
FUTURE REGISTRATION .....	7	
<b>WATER AND WASTEWATER SYSTEM .....</b>	<b>7</b>	
WATER SUPPLY .....	7	
WATER DISTRIBUTION SYSTEM .....	8	
WASTEWATER COLLECTION SYSTEM .....	8	
WASTEWATER TREATMENT SYSTEM .....	8	
BILLING .....	9	
<b>CAPITAL IMPROVEMENT PLAN AND ISSUANCE OF ADDITIONAL DEBT .....</b>	<b>9</b>	
<b>SYSTEM FINANCIAL POLICIES AND GOALS .....</b>	<b>10</b>	
<b>SELECTED PROVISIONS OF THE ORDINANCE 10 INVESTMENT POLICIES, PROCEDURES AND PORTFOLIOS .....</b>	<b>16</b>	
INVESTMENTS .....	16	
INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY .....	16	
<b>INSURANCE, PENSION PLANS AND DEFERRED COMPENSATION PLANS .....</b>	<b>18</b>	
SELF-INSURANCE .....	18	
EMPLOYEE HEALTH PLAN .....	18	
PENSION AND RETIREMENT FUND .....	18	
OTHER POST-EMPLOYMENT BENEFITS .....	19	
DEFERRED COMPENSATION PLAN .....	19	
<b>INVESTMENT CONSIDERATIONS .....</b>	<b>20</b>	
COVID-19 PANDEMIC .....	20	
GLOBAL ECONOMY AND POTENTIAL FUTURE ECONOMIC ISSUES .....	20	
CYBER SECURITY .....	20	
<b>RATINGS .....</b>	<b>20</b>	
<b>PENDING LITIGATION .....</b>	<b>20</b>	
<b>LEGAL MATTERS .....</b>	<b>20</b>	
<b>TAX MATTERS .....</b>	<b>21</b>	
<b>LEGAL INVESTMENTS IN TEXAS .....</b>	<b>22</b>	
<b>REGISTRATION AND QUALIFICATION OF BONDS FOR SALE .....</b>	<b>22</b>	
<b>AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION .....</b>	<b>23</b>	
<b>FORWARD LOOKING STATEMENTS</b>		
<b>DISCLAIMER .....</b>	<b>23</b>	
<b>UNDERWRITING .....</b>	<b>23</b>	
<b>FINANCIAL ADVISOR .....</b>	<b>23</b>	
<b>CONTINUING DISCLOSURE .....</b>	<b>23</b>	
ANNUAL REPORTS .....	24	
NOTICE OF CERTAIN EVENTS .....	24	
AVAILABILITY OF INFORMATION .....	24	
LIMITATIONS AND AMENDMENTS .....	24	
COMPLIANCE WITH PRIOR UNDERTAKINGS .....	25	
<b>CONCLUDING STATEMENT .....</b>	<b>25</b>	
 <b><u>APPENDICES</u></b>		
APPENDIX A – FINANCIAL INFORMATION REGARDING THE SYSTEM		
APPENDIX B – GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2023		
APPENDIX C – FORM OF BOND COUNSEL’S OPINION		
<p>The cover page hereof, the section entitled “Summary Statement,” this Table of Contents and Appendices A, B and C attached hereto are part of this Official Statement.</p>		

## SUMMARY STATEMENT

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

Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Ordinance authorizing the issuance of the Bonds (see “SELECTED PROVISIONS OF THE ORDINANCE” herein).

- The Issuer**.....The City of Carrollton, Texas (the “City”), a duly incorporated home-rule municipality of the State of Texas, located in Dallas, Denton, and Collin Counties, Texas, having a 2023 population of approximately 135,801.
- The Bonds** .....\$7,460,000 Waterworks and Sewer System Revenue Bonds, Series 2024, dated June 20, 2024, maturing annually on May 1, in each of the years 2025 through 2044. Interest on the Bonds will be payable November 1 and May 1 of each year, commencing November 1, 2024, until the earlier of maturity or prior redemption (see “THE BONDS – General Description” herein).
- Purpose of the Bonds**.....Proceeds from the Bonds will be used to (i) to make improvements and extensions to the System and (ii) to pay the costs of issuance of the Bonds (see “THE BONDS – Sources and Uses of Funds” herein).
- Security for the Bonds**.....The Bonds are special obligations of the City, payable both as to principal and interest, solely from, together with certain Previously Issued Bonds (as defined herein) and any additional parity bonds that may be issued in the future, and are secured by a pledge of and first lien on the Net Revenues (as defined in the Ordinance) of the System. The Bonds do not constitute an indebtedness or general obligation of the City or claim against its property, including the System, other than the Net Revenues of the System (see “THE BONDS – Security and Source of Payment” herein). The Bonds are not general obligations of the City, Dallas County, Collin County, Denton County or the State of Texas, and the registered owners of the Bonds shall never have the right to demand payment out of any funds raised or to be raised by taxation.
- Redemption**.....The Bonds maturing on and after May 1, 2035, are subject to optional redemption prior to maturity, in whole or in part, in integral multiples of \$5,000, on May 1, 2034, or any date thereafter as described herein (see “THE BONDS – Redemption Provisions” herein).
- Ratings**.....S&P Global Ratings, a division of S&P Global Inc., and Fitch Ratings have assigned municipal bond ratings of “AAA” and “AAA”, respectively, to the Bonds (see “RATINGS” herein).
- Book-Entry-Only System**.....The Bonds will be initially deposited with and registered solely to Cede & Co., the nominee of The Depository Trust Company, 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. No physical delivery of the Bonds will be made to the purchasers thereof. Principal of, premium, if any, 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 DTC Participants (as defined herein) for subsequent remittance to the owners of the beneficial interests in the Bonds (see “BOOK-ENTRY-ONLY SYSTEM” herein).
- Continuing Disclosure**.....Pursuant to the Ordinance, the City is 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”). Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org) (see “CONTINUING DISCLOSURE”).
- Tax Exemption** .....In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX MATTERS” herein.

**Other Debt Issued in Close**

**Proximity to the Bonds** .....Simultaneously with or in close proximity to the sale and delivery of the Bonds, the City expects to sell its \$26,790,000 General Obligation Bonds, Series 2024 (the “Series 2024 GOBs”) under a separate offering document, which is expected to close on or about June 20, 2024. This Official Statement relates only to the sale of the Bonds and not to the sale of the Series 2024 GOBs. Investors interested in purchasing any of the Series 2024 GOBs should review the offering document relating thereto.

**Payment Record** .....The City has never defaulted on the payment of its System debt.

**Legal Opinion** .....Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

**Delivery** .....When issued, anticipated to be on or about June 20, 2024.

(REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.)

[THIS PAGE INTENTIONALLY LEFT BLANK]



**OFFICIAL STATEMENT RELATING TO**

**CITY OF CARROLLTON, TEXAS**

**\$7,460,000**

**WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2024**

**INTRODUCTION**

This Official Statement, including the Appendices hereto, has been prepared by the City of Carrollton, Texas (the “City”), in connection with the offering by the City of its Waterworks and Sewer System Revenue Bonds, Series 2024 (the “Bonds”) identified on the cover page hereof.

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapters 1371 and 1502, as amended, Texas Government Code (jointly the “Act”), the home-rule charter of the City, and an ordinance (the “Bond Ordinance”) authorizing the issuance of the Bonds adopted by the City Council of the City. In the Bond Ordinance, the City delegated the authority to certain City officials to execute a “Pricing Certificate” establishing the pricing terms for the Bonds. The Pricing Certificate was approved and executed on May 29, 2024. The Bond Ordinance and the Pricing Certificate are sometimes referred to herein as the “Ordinance.” Capitalized terms used herein have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated.

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 revenues of the City’s combined waterworks and sewer system (the “System”), 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 will necessarily continue or be repeated in the future.

There follows in this Official Statement, descriptions of the Bonds, the Ordinance and certain information about the City and its finances, including, specifically, the System. 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 and, during the offering period, from the City’s financial advisor, PFM Financial Advisors LLC, Austin, Texas.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement pertaining to the Bonds will be filed by the Underwriters with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the City’s undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Ordinance.

**THE BONDS**

**General Description**

The Bonds will be dated June 20, 2024, will be issued in fully registered form, and will be issued in denominations of \$5,000 or any integral multiple thereof within a maturity. The Bonds will accrue interest from the date of initial delivery, and interest will be paid semiannually, on each November 1 and May 1 commencing November 1, 2024, until maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will mature on the dates and in the amounts and bear interest at per annum rates as set forth page ii hereof.

Principal and interest will be paid by U.S. Bank Trust Company, National Association, Houston, Texas (the “Paying Agent/Registrar”). Subject to the requirements associated with the use of the Book-Entry-Only System, interest will be paid by check dated as of the interest payment date and mailed by United States mail, first class postage paid, on or before each interest payment date by the Paying Agent/Registrar to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (herein defined), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, such registered owner. Principal will be paid to the registered owners at maturity or prior redemption upon presentation and surrender of the Bonds to the Paying Agent/Registrar. 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 on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. The City will initially use the Book-Entry-Only System of The Depository Trust Company (“DTC”) in regard to the issuance, payment and transfer of the Bonds. Such system will affect the timing and method of payment of the Bonds (see “BOOK-ENTRY-ONLY SYSTEM” herein).

The Bonds are being issued pursuant to the Constitution and laws of the State of Texas, particularly the Act, and the Ordinance.

**Purpose**

The Bonds are being issued for the purpose of (i) making improvements and extensions to the System and (ii) pay the costs of issuance of the Bonds (see “THE BONDS – Sources and Uses of Funds” herein).

**Security and Source of Payment**

The Bonds constitute special obligations of the City, and are payable from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System. The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or the System, except with respect to Net Revenues. The Ordinance defines “Net Revenues” to include the Gross Revenues of the System, consisting of all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts and grants in aid of construction) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established for the payment and security of the Bonds Similarly Secured (as defined below) and other obligations payable solely from and secured only by a lien on and pledge of the Net Revenues, less the Maintenance and Operating Expenses of the System. Maintenance and Operating Expenses include contractual payments which under Texas laws and their provisions are established as operating expenses and which therefore have a senior right to payment from the Gross Revenues to the pledge that secures the payment of the Bonds Similarly Secured. The City has entered into a water supply contract with the City of Dallas Water Utilities and a wastewater treatment contract with the Trinity River Authority of Texas, and the payments under such agreements constitute Maintenance and Operating Expenses of the System (see “WATER AND WASTEWATER SYSTEM – Water Supply” and “WATER AND WASTEWATER SYSTEM – Wastewater Treatment System”).

At the expected delivery date of the Bonds, the City has outstanding bonds secured by and payable from Net Revenues on parity with the Bonds (the “Previously Issued Bonds”) as follows:

<u>Dated Date</u>	<u>Outstanding Amount</u>	<u>Series Description</u>
05/01/2019	\$6,590,000	Waterworks and Sewer Systems Revenue Bonds, Series 2019

The Previously Issued Bonds, the Bonds and any additional parity revenue bonds that may be issued in the future are collectively referred to as the “Bonds Similarly Secured.” The Bonds Similarly Secured are not a charge upon any other income or revenues of the City and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City. The Ordinance does not create a lien or mortgage on the System, except the Net Revenues, and no judgment against the City may be enforced for payment of the Bonds Similarly Secured by levy and execution against any property owned by the City. See “SELECTED PROVISIONS OF THE ORDINANCE” herein for a further description of the security for the Bonds and for definitions of the terms used above.

**The Bonds are not general obligations of the City, Dallas County, Collin County, Denton County or the State of Texas, and the registered owners of the Bonds shall never have the right to demand payment out of any funds raised or to be raised by taxation.**

**Reserve Fund**

As additional security for the payment of Bonds Similarly Secured, the City has established a reserve (the “Reserve Fund”) to pay the principal of and interest on the Bonds Similarly Secured when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last of the Bonds Similarly Secured Outstanding. In accordance with the provisions of the ordinance authorizing the issuance of the Previously Issued Bonds, the amount currently on deposit to the credit of the Reserve Fund is an amount equal to at least \$818,323 (the “Current Reserve”) as of the end of fiscal year 2023. The amount required to be on deposit in the Reserve Fund is the Average Annual Debt Service for the Bonds Similarly Secured (the “Required Reserve”). By reason of the issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund in accordance with the Ordinance and the ordinance authorizing the Previously Issued Bonds is expected to be \$995,097 and will be funded with City contributions, as described below. In the event that an amount less than the Required Reserve is on deposit in the Reserve Fund due to the issuance of Additional Bonds or otherwise, the Ordinance provides that the City will make additional deposits thereto, beginning on or before the 20th day of the month in which such deficiency occurs and on or before the 20th day of each month thereafter until the Required Reserve has been fully accumulated. Such deposits shall equal 1/60th of the difference between the Required Reserve and the Current Reserve (see “SELECTED PROVISIONS OF THE ORDINANCE” herein).

**Additional Bonds**

In the Ordinance, the City retains the right to issue Additional Bonds which, together with the Previously Issued Bonds, and the Bonds shall be equally and ratably secured by parity lien on the Net Revenues of the System. Among other conditions precedent for the issuance of Additional Bonds, is the requirement that the Net Earnings of the System for the last completed fiscal year or for 12 consecutive months out of the 15 months preceding the adoption of the ordinance authorizing the Additional Bonds, are at least equal to (i) 1.25 times the Average Annual Debt Service for all Bonds Similarly Secured to be Outstanding after giving effect to the issuance of the Additional Bonds then being issued and (ii) 1.10 times the maximum annual Debt Service payments to be paid in a fiscal year for the Bonds Similarly Secured to be Outstanding after giving effect to the issuance of the Additional Bonds then being issued.

The City has also reserved the right to issue “Special Facilities Bonds” which are not secured by a pledge of Net Revenues, but which are secured by other revenues, including special contract revenues relating to the project financed, or otherwise as pledged by the City in the ordinance authorizing the issuance of the Special Facilities Bonds.

In addition, the City has reserved the right to issue bonds payable from a lien which is inferior to the lien on the Net Revenues of the System securing the payment of the Bonds Similarly Secured.

### **Rates**

Rates for water and wastewater services supplied within the boundaries of the City may be established, revised and changed by the City Council without necessity of regulatory review of any outside authority. Rates and charges for water and wastewater services outside City boundaries may be appealed and subject to review by a state regulatory authority. In the Ordinance, the City covenants that it will at all times, fix, maintain, charge and collect for services rendered by the System, rates and charges which will produce Gross Revenue in each fiscal year sufficient to: (i) pay all Maintenance and Operating Expenses of the System, depreciation charges and replacement and betterment costs, (ii) produce Net Revenues sufficient to pay the principal of and interest on the Bonds Similarly Secured and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Bonds Similarly Secured, and other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on and pledge of the Net Revenues of the System, and (iii) produce Net Revenues equal to at least 1.20 times the Average Annual Debt Service for the Bonds Similarly Secured then Outstanding.

### **Redemption Provisions**

The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after May 1, 2035, in whole or in part in on May 1, 2034 or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds of a 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.

### **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 each registered owner of a Bond 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 last business day next preceding the date of mailing such notice.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed. Any Bonds subject to conditional redemption and such redemption having been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default under the terms of the Ordinance. 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 GIVEN SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE, AND ANY REDEMPTION 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.

### **Limitation on Transfer of Bonds**

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, when such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

### **Defeasance**

The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Obligations (defined below), certified by an independent accounting or consulting firm to mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof,

on and prior to the stated maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof.

The Ordinance provides that “Government Obligations” means (a) direct, noncallable 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 of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (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 of their acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds. The City reserves the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon making such deposit in the manner described, such Bonds shall no longer be deemed outstanding obligations; 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 ratings for U.S. Treasury securities used for defeasance purposes or that for any other Government Obligations will be maintained at any particular rating category.

**Amendments**

The City may amend the Ordinance without the consent of or notice to any registered owner in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may with the written consent of the Holders of Bonds Similarly Secured aggregating in principal amount 51% of the aggregate principal amount of then Outstanding Bonds Similarly Secured, from time to time, approve any amendment to the Ordinance or the Pricing Certificate which may be deemed necessary or desirable by the City, provided, however, that nothing contained in the Ordinance shall permit or be construed to permit the amendment of the terms and conditions of the Ordinance, the Pricing Certificate or in the Bonds or Bonds Similarly Secured so as to: (1) make any change in the maturity of the Outstanding Bonds; (2) reduce the rate of interest borne by any of the Outstanding Bonds; (3) reduce the amount of the principal payable on the Outstanding Bonds; (4) modify the terms of payment of principal of or interest on the Outstanding Bonds; (5) affect the rights of the holders of less than all of the Bonds then Outstanding; (6) change the minimum percentage of the principal amount of Bonds Similarly Secured necessary for consent to such amendment.

**Sources and Uses of Funds**

The proceeds from the sale of the Bonds, will be applied approximately as follows:

<b>Sources of Funds</b>	
Par Amount	\$7,460,000.00
Net Premium	<u>703,738.90</u>
<b>Total Sources of Funds</b>	<b>\$8,163,738.90</b>
 <b>Use of Funds</b>	
Deposit to Project Fund	\$8,000,000.00
Underwriters’ Discount	42,516.47
Costs of Issuance/Additional Proceeds	<u>121,222.43</u>
<b>Total Uses of Funds</b>	<b>\$8,163,738.90</b>

**Ownership**

The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of principal and interest, and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary.

All payments made to the person deemed to be the owner of any Bond in accordance with the Ordinance will be valid and effectual and will discharge the liability of the City and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

## **ENFORCEMENT OF REMEDIES**

If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("Wasson") that the sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed *Wasson* again in June 2018 and clarified 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 when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in the private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or the Ordinance covenants in the absence of City action. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, including the Bonds, but the City has not waived sovereign immunity in connection with the issuance of the Bonds. 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. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of 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 and as to general principals of equity that permit the exercise of judicial discretion.

## **RECORD DATE FOR INTEREST PAYMENT**

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date is the fifteenth day of the month next preceding such interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (the "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 (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the 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.

## **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC 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 and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The City cannot and does not give any assurance that (i) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (ii) 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 (iii) 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.*

The Depository Trust Company (“DTC”), New York, NY, 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 Bond 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 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 AA+ rating from Standard & Poor’s. 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).

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 affect 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 such 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 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 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, the Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

### **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 whom 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.

### **Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Bond certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under caption "REGISTRATION, TRANSFER AND EXCHANGE" below.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Houston, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar for the Bonds. If the Paying Agent/Registrar is replaced by the City, the Paying Agent/Registrar, promptly upon the appointment of its successor, is required to deliver the registration records to the successor Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a commercial bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as and perform the duties of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the City shall promptly cause a written notice of such change to be sent to each registered owner of the Bonds affected by the change, by United States mail, first class postage prepaid, which notice shall give the address for the new Paying Agent/Registrar.

### **Future Registration**

In the event the use of the Book-Entry-Only System for the Bonds should be discontinued, printed certificates will be delivered to the registered owners of the Bonds, and thereafter such Bonds may be transferred, registered and assigned on the registration books only upon their presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. The Bonds may be assigned by the execution of an assignment form on the 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 registered mail to the new registered owner at the owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 of principal amount for any one maturity or any integral multiple thereof and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer (see "BOOK-ENTRY-ONLY SYSTEM" herein).

## **WATER AND WASTEWATER SYSTEM**

### **Water Supply**

The City is a non-interruptible, treated water contract customer of Dallas Water Utilities ("DWU"). Under contract terms, the City pays a demand rate through a rate-of-flow controller and a volume charge for all use. The term of this contract ends in June 2043 and provides that it may be extended for such additional periods as the parties agree upon. Currently the demand charge is set for 41 million gallons per day ("MGD") with budgeted increase (if required) to approximately 45 MGD. The City obtains 100% of its water supply from DWU. A city-owned well (Trinity Sands Aquifer) within the City can be utilized for emergency and peaking purposes. The City accesses the DWU water supply through four intakes with a maximum projected demand of 123 MGD.

The City of Dallas/DWU has completed an updated master plan: 2014 Dallas Long Range Water Supply Plan to 2070 and Beyond, conducted by HDR Consultants. This plan identified the adequacy of current supply to demand, determined the next reservoir construction projects, and treatment expansions necessary to continue a sufficient and available water supply. A City staff person serves as a Wholesale Customer-Annual Rate Review committee member.

The payments by the City under the water supply contract constitute operating expenses of the System, and, in accordance with state law, must be paid prior to payment of the City's revenue bonds which are payable from the Net Revenues of the System. 2023-2024 rates are \$.5150 per 1,000 gallons and \$328,362 per MGD for rate-of-flow demand charges. Total water purchase charges are budgeted for fiscal year 2023-2024 at \$17,764,682 for the combined demand and volume charges.

### **Water Distribution System**

The City owns and operates the water distribution system for the entire City, with full capability to provide retail water service to all retail water customers within the City limits. The system encompasses an area of approximately 34.3 square miles with about 617 miles of transmission and distribution lines ranging from 54" concrete-steel cylinder trunks to 6" distribution lines. The City system is composed of 3 pump stations with 17 pumps, having a total pumping capacity of 94.8 MGD. Within one year, the City expects to have an additional operational pump after renovations are complete at Don Cline Pump Station. Maximum water used in a single day in the last 10 years has been 48,423,000 gallons in 2022. Amounts in excess of 41 MGD (the City's current stipulated demand quantity from DWU) can be obtained from City storage and a City well (2.0 MGD capacity). The City believes that water conservation efforts are essential for maintaining cost effective services, and efforts continued to be made to encourage water conservations through various means. Total City-owned storage capacity is 12 million gallons ("MG") of elevated storage and 36.5 MG of ground storage. The water distribution system served 34,929 residential and 5,695 commercial meter connections for fiscal year 2023-2024 with an overall system average consumption of 23.9 MGD.

### **Wastewater Collection System**

The City owns and operates a complete wastewater collection system adequate to collect and transport all domestic, commercial, and industrial wastewater to the Central Regional Wastewater Treatment Plant of the Trinity River Authority ("TRA") in Grand Prairie, Texas. The operation and maintenance of the City's water and wastewater utilities is by a combined staff of 62.7 employees.

With a wastewater collection system of approximately 436.5 miles of mains and twenty lift stations, the City collects approximately 4.3 billion gallons of wastewater annually. The City's local collectors discharge into four major interceptors. The City's collection system discharges to the TRA Central Regional Wastewater System ("CRWS") interceptors located just west of I-35 (Stemmons Freeway) and east of the Elm Fork of the Trinity River. Flow from the City enters these TRA interceptors and is measured at a downstream meter station. The TRA interceptors vary in size from 42" to 72" through the Carrollton area.

Recently, the City completed a new study of the water and wastewater distribution systems, which has identified water distribution requirements and sanitary sewer capacity improvements. The City plans to continue actively replacing outdated residential and main lines throughout the City coordinated with street construction projects to reduce overall costs to the City.

The City continues a proactive program of replacing wastewater mains, which have reached the limit of useful life. This program replaces approximately 10,000 linear feet of wastewater mains annually. The City's sewer rehabilitation program consists mainly of replacing the existing clay tile sanitary sewer lines in targeted neighborhoods. Normally, one to five subdivisions are under reconstruction in any years. These projects consist of completely replacing the existing main lines, manholes and service lines within the right of way. The water main replacements have resulted in reduced leaks in the system, and decreased pavement deterioration. The wastewater main replacement projects has decreased backups, overflows and the rainfall-induced infiltration and inflow in the system. Overall, these programs are essential for improving utility system reliability and reducing sanitary sewer overflows.

### **Wastewater Treatment System**

The City has a contract with TRA whereby TRA, through its CRWS, has agreed to provide a wastewater treatment and disposal system for the benefit of the City and other contractual customers of the CRWS (as described below). The City's current contract is a 50-year initial term that began October 10, 1973 and has been amended and extended since its inception. Provisions in the contract extend contractual obligations until the final maturity of outstanding debt. Each member city pays an "annual payment" which is defined as its share of operating expenses and debt service of the CRWS. The "annual payment" is made in twelve equal monthly payments by all contracting parties based on a formula of dividing each contracting party's estimated contributing flow to the Central System for such year by the total estimated contributing flow by all contracting parties being served at the beginning of each such year, with a year-end adjustment based on actual metered contributing flow to the central system by all contracting parties. Payments made by the City under the contract are pursuant to authority granted by Article 1109i, V.A.T.C.S., (now codified as Section 402.023, Texas Local Government Code) and Chapter 25, Texas Water Code, and constitute operating expenses of the System within the meaning Section 1502.056, Texas Government Code and therefore, must be paid prior to payment of the City's revenue bonds which are payable from the Net Revenues of the System, including the Bonds and other Bonds Similarly Secured. The City is unconditionally obligated under its contract with TRA to pay its proportionate share of TRA's debt service irrespective of whether TRA receives the City's wastewater or whether or not the City discharges wastewater into the TRA system, without regard as to whether such failure to receive or discharge wastewater is due to force majeure or other cause.



The City's annual expense for wastewater treatment services during fiscal year 2023 was \$14,284,392. The City's estimated average flows to TRA for 2023 were 712.3 MGD. For fiscal year 2024, TRA estimates the City's payment at \$17,105,849 based on projected flows of 12.99 MGD which represents 9.095% of total flows. TRA conducts a settle up at the end of their fiscal year to determine if the city does not use its total budgeted flows or used more than their projected flows. The last three years, the City has received a refund due to its flows coming in below their annual budgeted amount. The projected flows are reviewed and submitted annually to TRA during their budget development process.

The City is one of twenty-one contract customers of the TRA's CRWS which make up the TRA Central Treatment System enterprise fund. CRWS plant customers include: the cities of Addison, Arlington, Bedford, Carrollton, Cedar Hill, Colleyville, Coppell, Dallas, Duncanville, Euless, Farmers Branch, Fort Worth, Grand Prairie, Grapevine, Hurst, Irving, Keller, Mansfield, North Richland Hills, Southlake, and the Dallas-Fort Worth International Airport. Each member city has a representative that serves on an Advisory Board for TRA. The City has elected to have a councilmember serves as its representative, and one staff member that serves as an alternate.

TRA is a government agency of the State of Texas and a body politic and corporate, created as a conservation and reclamation district under Article XVI, Section 59 of the Constitution pursuant to Chapter 518, Acts of the 54th Legislature of Texas, Regular Session, 1955 as amended. TRA has broad powers to effectuate flood control and the conservation and use, for all beneficial purposes, of storm and flood waters and unappropriated flow waters in the Trinity River watershed, and as a necessary aid to these purposes, TRA has specific authority to construct, own and operate water supply, treatment and distribution facilities and wastewater gathering, transmission and disposal facilities, to charge for such services and to make contracts in reference thereto with municipalities and others.

CRWS includes a treatment plant, located in west Dallas, and more than 209 miles of collection system pipeline. CRWS has treated an annual average of 137.923 million gallons per day over the past 5 years and removes 98 percent of conventional pollutants from raw wastewater. The treatment system is permitted for an annual average flow of 189 MGD treatment capacity and a two-hour peak flow maximum of 405 MGD. CRWS also has the mechanical dewatering capability of processing 130 dry tons of sludge daily. The current capital improvements plan identifies treatment plant improvements to update equipment and to increase efficiency, and the rehabilitation and construction of several segments of the pipeline interceptor system to update infrastructure and increase capacity.

### **Billing**

Charges for all City-provided utility services (water, wastewater and solid waste) are billed monthly in one statement. Customers cannot pay for one utility service only; they must pay for all services billed. Bills computed at the net monthly rate are due when rendered and are payable within 14 calendar days from the bill date. A bill not paid by due date incurs a penalty of \$25.00; a customer whose bill is not paid by the 10th calendar day after the penalty date is subject to interruption of service with a interrupt day fee of \$25.00. An additional fee of \$60.00 applies if restoral is done after regular business hours. (See "Tables A-9 in APPENDIX A – FINANCIAL INFORMATION REGARDING THE CITY" for information concerning billing rates).

## **CAPITAL IMPROVEMENT PLAN AND ISSUANCE OF ADDITIONAL DEBT**

Capital projects involve the acquisition or construction of major facilities and equipment. Each year, the City Council adopts a capital budget that differs from the operating budget because it is a "multi-year" process. "Multi-year" means that the project's budget is active until the project is finished. Due to the multi-year nature of capital projects, budgeted expenditures in these funds consist of carryover projects from previous years and new projects being initiated in the current year. Due to its nature as a planning tool, a capital budget, while identifying and prioritizing capital expenditures, is subject to revision as circumstances change, including changes in the economy and in the need for various governmental services and the placement of such services within the City. Consequently, the inclusion of expenditure in a capital budget is not a firm commitment to a project, particularly as the planning horizon extends into the future.

In fiscal year 1997, the City Council initiated a capital improvement planning process that included creation of the 11-member Capital Improvements Plan Advisory Committee ("CIPAC") composed of residents of the City. The City annually adopts a capital improvement plan (the "CIP") that reflects all capital expenditures planned by the City over a five year period, which includes costs of maintaining City infrastructure, as well as costs of proposed new municipal facilities, including public safety facilities, parks, transportation, public works, storm water drainage and water and wastewater improvements. The annual CIP includes capital expenditures proposed for funding from various sources administered through the City's Capital Project Fund and other funds of the City, and proposed to be funded from a blend of current funds, available reserves and proceeds of tax-supported and enterprise fund bond issues.

The 2024-2028 CIP reflects the potential expenditure of approximately \$47.15 million in System capital expenditures over the five year planning period, with waterworks and sewer system revenue bonds providing approximately \$18 million of the funding, through the sale of the Bonds, and "pay as you go" monies providing \$29.15 million of the funding.

The City completed a study of both the water and wastewater distribution systems in 2001 which identified water storage and distribution requirements and sanitary sewer needs for meeting the City's needs for the ultimate projected growth. Since that time the City has actively replaced and constructed new water facilities as identified in the study which has included new water transmission lines, rehabilitation of two major pump stations, rehabilitated one elevated storage tanks and replaced two in total, increased pumping capacity by adding a pump in the City's central pump station, constructed a booster pump station and upgraded to a pneumatic booster station to increase water pressure in the Golden Bear area, replaced residential lines throughout the City with neighborhood

reconstruction projects and waterline replacement programs, and updated the Supervisory Control and Data Acquisition system (“SCADA”) which monitors the City’s pump stations and storage tanks.

Wastewater improvements have included replacing old interceptor lines with larger lines to accommodate the build out population in the City’s four sewer sheds (Hutton, Furneaux, Dudley and Indian Creek), the rehabilitation of 6 lift stations which included pump, motor and electrical systems, replaced residential lines throughout the city with neighborhood reconstruction projects and updated the SCADA system which monitors the lift stations.

Recently, the City completed a new study on the water and wastewater distribution systems, which has identified water distribution requirements and sanitary sewer capacity improvements. The City plans to continue actively replacing outdated residential and main lines throughout the City coordinated with street construction projects to reduce overall costs to the city.

Funding for these improvements in the past years has come from pay-as-you-go operational expenses. This program is funded through the annual utility budget, currently at \$5.9 million in 2024 and \$5 million beginning in fiscal year 2025. This funding has improved overall system performance allowing the City to replace and repair water lines and sanitary sewer lines and related facilities. The water main replacements have resulted in reduced leaks in the system, and decreased pavement deterioration.

In addition to water and wastewater line rehabilitation, the City has initiated a pilot program to implement automated meter infrastructure. The funding for the program is a result of capital contributions from the city’s General Fund of \$8 million in 2023 and \$2 million in 2024. The program will first be implemented with commercial meters before it transitions to residential. Installation of the new meters is scheduled to begin in Spring of 2024.

The Bonds are part of the CIP and will cover costs related to upgrades needed at wastewater lift stations, pipe replacement at Columbian Club Pump Stations, miscellaneous water and sewer line replacement projects and the replacement of lines in planned arterial and residential street reconstruction projects.

### **SYSTEM FINANCIAL POLICIES AND GOALS**

In 1985, the City Council adopted certain financial standards with respect to its operating funds and debt service funds. In addition, the City has adopted financial management and practices standards pertaining to the City's capital expenditure planning. In 2002, the City Council adopted certain targeted fund balance goals. The targeted fund balance for the Utility Fund (which is the general operating fund for the System) is 90 days of operating expenditures.

In adopting the City's fiscal year 2024 budget, the City is of the view that budget meets the targeted System fund balance goal, though no assurance can be given that the actual result will in all instances meet the fund balance target.

The City also annually budgets for a transfer from its Utility Fund to the General Fund as a payment in lieu of taxes (“PILOT”). This PILOT was calculated as an estimate of what the Utility Fund would pay to the City in ad valorem and franchise taxes if it were a separate entity. For fiscal year 2024, the City has budgeted for \$2,772,683 in PILOT transfers. In addition to the PILOT transfer, a transfer is made from the Utility Fund to the Utility Debt Service Fund to cover debt service requirements for System debt (for fiscal year 2024, this transfer is budgeted at \$1,393,274); to the Administrative Services Fund, Risk Management Fund, the General Fund for Fleet Fund and Public Works Administrative costs to cover allocated overhead charges (for fiscal year 2024, this transfer is budgeted at \$6,137,901); and to the Capital Projects Fund to cover pay-as-you-go capital improvements (for fiscal year 2024, this transfer is budgeted at \$5,900,000) for infrastructure and an additional \$2 million for automated meter infrastructure.

### **SELECTED PROVISIONS OF THE ORDINANCE**

The following are certain provisions of the Ordinance. These provisions are not to be considered a full statement of the terms of the Ordinance. Accordingly, these selected provisions are qualified in their entirety by reference to the Ordinance and are subject to the full text thereof.

**Definitions.** For all purposes of this Ordinance and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues to the payment of the Bonds, the following definitions are provided:

“Additional Bonds” - Revenue bonds or other evidences of indebtedness which the City reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 18 of this Ordinance and which, together with the Bonds and Previously Issued Bonds, are equally and ratably secured by a first lien on and pledge of the Net Revenues of the System.

“Average Annual Debt Service” - That average amount which, at the time of computation, will be required to pay the Debt Service of obligations when due and derived by dividing the total of such Debt Service by the number of years then remaining before final maturity. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

“Bonds” - The “City of Carrollton, Texas, Waterworks and Sewer System Revenue Bonds, Series 2024” authorized by this Ordinance.

“Bonds Similarly Secured” - Collectively, the Previously Issued Bonds, the Bonds and Additional Bonds.

“City” - The City of Carrollton located in the Counties of Dallas, Denton and Collin, Texas.

“Debt Service” - As of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if

any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest at the maximum rate permitted by the terms thereof and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

“Fiscal Year” - The twelve month accounting period used by the City in connection with the operation of the System which may be any twelve consecutive month period established by the City.

“Government Obligations” - Unless otherwise modified in the Pricing Certificate, the term “Government Obligations” shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other than authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds.

“Gross Revenues” - All income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts and grants in aid of construction) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established for the payment and security of the Bonds Similarly Secured and other obligations payable solely from and secured only by a lien on and pledge of the Net Revenues.

“Maintenance and Operating Expenses” - All current expenses of operating and maintaining the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues shall be deducted in determining “Net Revenues”. Depreciation charges shall not be considered Maintenance and Operating Expenses. Maintenance and Operating Expenses shall include payments under contracts for the purchase of water supply, treatment of sewage or other materials, goods or services for the System to the extent authorized by law and the provisions of such contract.

“Net Earnings” - The meaning assigned to such term in Section 18 in the Ordinance.

“Net Revenues” - Gross Revenues of the System, with respect to any period, after deducting the System's Maintenance and Operating Expenses during such period.

“Outstanding” - When used in this Ordinance with respect to Bonds or Bonds Similarly Secured means, as of the date of determination, all Bonds theretofore issued and delivered, except:

- (1) those Bonds or Bonds Similarly Secured cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;
- (2) those Bonds or Bonds Similarly Secured paid or deemed to be paid in accordance with the provisions of Section 28 hereof, or substantially similar provisions with respect to Bonds Similarly Secured; and
- (3) those Bonds or Bonds Similarly Secured that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 30 hereof or similar provisions with respect to Bonds Similarly Secured.

“Previously Issued Bonds” - The presently outstanding and unpaid revenue bonds payable from and secured by a first lien on and pledge of the Net Revenues of the System, more particularly described and identified as follows:

- (1) “City of Carrollton, Texas, Waterworks and Sewer System Revenue Bonds, Series 2019”, dated May 1, 2019, originally issued in the principal amount of \$9,045,000.

“Required Reserve” - The amount required to be accumulated and maintained in the Reserve Fund under the provisions of Section 14.

“System” - All properties, facilities and plants currently owned, operated and maintained by the City for the supply, treatment and transmission of treated potable water and the collection, treatment and disposal of water-carried wastes, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term “System” shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of “Special Facilities Bonds”, which are hereby defined as being special revenue obligations of the City which are not Bonds Similarly Secured but which are payable from and secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Bonds Similarly Secured including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

Pledge. The City hereby covenants and agrees that the Net Revenues of the System, with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are hereby irrevocably pledged, to the payment and security of the Previously Issued Bonds, the Bonds and Additional Bonds, if issued, including the establishment and maintenance of the special funds created and established for the payment and security thereof, all as hereinafter provided, and it is hereby ordained that the Bonds Similarly Secured, and the interest thereon, shall constitute a first lien on the Net Revenues of the System in accordance with the terms and provisions hereof and be valid and binding and fully perfected from and after the date of adoption of this Ordinance without physical delivery or transfer or transfer of control of the Net Revenues, the filing of this Ordinance or any other act; all as provided in Texas Government Code, Chapter 1208, as amended.

Texas Government Code, Chapter 1208, as amended, applies to the issuance of the Bonds and the pledge of the Net Revenues of the System granted by the City under this Section 11, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Net Revenues of the System granted by the City under this Section 11 is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in said pledge to occur.

Water and Sewer System Fund. The City hereby covenants and agrees that Gross Revenues of the System (excluding earnings and income derived from investments held in the Bond Fund and Reserve Fund shall be, as collected, deposited into the “Water and Sewer System Fund” (herein called the “System Fund”), which has been created and established on the books of the City, and moneys deposited to the credit of such Fund shall be in an account or fund maintained at an official depository of the City . All revenues deposited in the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: To the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute to be a first charge on and claim against the Gross Revenues thereof.

SECOND: To the payment of the amounts required to be deposited in the Bond Fund established and maintained for the payment of Debt Service on the Bonds Similarly Secured as the same becomes due and payable.

THIRD: To the payment of the amounts required to be deposited in the Reserve Fund to accumulate and maintain therein the Required Reserve in accordance with the provisions of this Ordinance or any other ordinance relating to issuance of Bonds Similarly Secured.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

Bond Fund. For purposes of providing funds to pay the principal of and interest on the Bonds Similarly Secured as the same becomes due and payable, the City has created and established on the books of the City the “City of Carrollton Interest and Sinking Revenue Bond Fund” (the “Bond Fund”), and all moneys deposited to the credit of such Fund shall be in an account or fund maintained at an official depository of the City. In addition to the deposits to the Bond Fund for the payment of the Previously Issued Bonds, the City covenants that there shall be deposited into the Bond Fund prior to each principal and interest payment date for the Bonds from the Net Revenues an amount equal to one hundred per centum (100%) of the amount required to fully pay the interest on and the principal of the Bonds then falling due and payable, such deposits to pay maturing principal and accrued interest on the Bonds to be made in substantially equal monthly installments on or before the 20th day of each month, beginning on or before the 20th day of the month next following the delivery of the Bonds to the Purchasers (as defined in the Ordinance).

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until (i) the total amount on deposit in the Bond Fund and Reserve Fund is equal to the amount required to fully pay and discharge the principal of and interest on all Bonds Similarly Secured to the respective final maturity or redemption dates, as the case may be, therefor or (ii) the Bonds are no longer Outstanding.

Accrued interest and premium, if any, received from the Purchasers of the Bonds, as well as excess original proceeds of sale of the Bonds, if any, and earnings derived from the investment of moneys in the Bond Fund, shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited in the Bond Fund from the Net Revenues of the System.

Reserve Fund. For purposes of accumulating and maintaining funds as a reserve for the payment of the Bonds Similarly Secured, the City has created and established on the books of the City the “City of Carrollton Revenue Bond Reserve Fund” (the “Reserve Fund”), which shall be in an account or fund maintained at an official depository of the City and all moneys deposited therein (excluding earnings and income derived or received from deposits or investments which may be transferred to the System Fund referred to in Section 12 hereof during such periods as there is on deposit in the Reserve Fund the Required Reserve) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last of the Bonds Similarly Secured Outstanding.

In accordance with the provisions of the ordinances authorizing the issuance of the Previously Issued Bonds, the amount currently on deposit to the credit of the Reserve Fund will be stated in the Pricing Certificate (the “Current Reserve”). By reason of the issuance of the Bonds, the total amount required to be accumulated and maintained in said Fund is hereby determined to be as specified in the Pricing Certificate (the “Required Reserve”) which amount is hereby found to equal or exceed the Average Annual Debt Service for

the Bonds and the Previously Issued Bonds (calculated on a fiscal year basis as of the date the Bonds are to be delivered). If required, the difference between the Required Reserve and the Current Reserve will be accumulated by a deposit in the Reserve Fund of all or any part thereof in cash immediately after the delivery of the Bonds, or, at the option of the City, by the deposit of monthly installments, made on or before the 20th day of each month following the month of delivery of the Bonds, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Bonds.

As and when Additional Bonds are delivered or incurred, the Required Reserve shall be increased, if required, to an amount equal to not less than the Average Annual Debt Service (calculated on a fiscal year basis) for all Bonds Similarly Secured then Outstanding, as determined on the date each series of Bonds Similarly Secured are delivered or incurred, as the case may be. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit in the Reserve Fund of all or any part thereof in cash immediately after the delivery of the then proposed Additional Bonds, or, at the option of the City, by the deposit of monthly installments, made on or before the 20th day of each month following the month of delivery of the then proposed Additional Bonds, of not less than 1/60th of the additional amount to be maintained in said Fund by reason of the issuance of the Additional Bonds then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash).

Notwithstanding the above and foregoing, at such time as the Previously Issued Bonds are no longer outstanding, the Average Annual Debt Service shall also be calculated at the end of each fiscal year and the Required Reserve shall be adjusted accordingly.

When and so long as the cash and investments in the Reserve Fund total not less than the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve (other than as the result of the issuance of Additional Bonds as provided herein), the City covenants and agrees to cure the deficiency in the Required Reserve by resuming monthly deposits to said Fund from the Net Revenues of the System; such monthly deposits to be in amounts equal to not less than 1/60th of the then total Required Reserve to be maintained in said Fund and to be made on or before the 20th day of each month until the total Required Reserve then to be maintained in said Fund has been fully restored. The City further covenants and agrees that, subject only to the payments to be made to the Bond Fund, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amounts as required by the terms of this Ordinance and any other ordinance pertaining to the issuance of Bonds Similarly Secured.

During such time as the Reserve Fund contains the total Required Reserve, the City may, at its option, withdraw all surplus in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the System Fund. The City hereby designates its depository bank or banks as the custodian of the Reserve Fund.

#### Deficiencies; Excess Net Revenues.

- (a) If on any occasion there shall not be sufficient Net Revenues of the System to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available Net Revenues of the System, or from any other sources available for such purpose.
- (b) Subject to making the required deposits to the Bond Fund and the Reserve Fund when and as required by this Ordinance, or any ordinance authorizing the issuance of Bonds Similarly Secured, the excess Net Revenues may be used by the City for any lawful purpose.

Transfers for Payment of Bonds. While any of the Bonds are Outstanding, the City's Chief Financial Officer or Treasurer shall cause to be transferred to the Paying Agent/Registrar, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures or comes due by reason of redemption prior to maturity; such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the business day next preceding the date of payment for the Bonds.

#### Investments - Security of Funds.

(a) Money in any Fund required to be maintained in accordance with provisions of this Ordinance may, at the option of the City, be placed in time deposits or certificates of deposit secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, or may, at the option of the City, be invested in such manner and in such obligations as now and hereafter authorized by the laws of the State of Texas, including the Public Funds Investment Act of 1987, and in making such investments exercising a standard of care emphasizing safety of capital as well as probable income, but without speculation. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each fiscal year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of passage of each ordinance authorizing the issuance of Additional Bonds. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 14 hereof, be credited to and deposited in the System Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds Similarly Secured.

(b) Money in all Funds referenced in this Ordinance, to the extent not invested, shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds.

Issuance of Additional Obligations. Subject to the provisions hereinafter appearing as to conditions precedent which must be satisfied, the City reserves the right to issue, from time to time as needed, Additional Bonds for any lawful purpose. Such Additional Bonds may be issued in such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences of indebtedness or other instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the City reserves the right to employ the same in its financing arrangements provided only that the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

- (1) The Chief Financial Officer of the City (or other officer of the City then having the primary responsibility for the financial affairs of the City) shall have executed a certificate stating (a) that, to the best of his or her knowledge and belief, the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the City payable from and secured by a lien on and pledge of the Net Revenues of the System that would materially affect the security or payment of such obligations and (b) either (i) payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the System have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (ii) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.
- (2) The Additional Bonds shall be scheduled to mature or be payable as to principal on May 1 or November 1 (or both) in each year the same are to be outstanding or during the term thereof.
- (3) The City has secured a certificate or opinion of a Certified Public Accountant to the effect that, according to the books and records of the City, the Net Earnings, for the last completed fiscal year, or for 12 consecutive months out of the 15 months immediately preceding the month the ordinance authorizing the issuance of the Additional Bonds is adopted, are at least equal to (i) 1.25 times the Average Annual Debt Service for all Bonds Similarly Secured to be Outstanding after giving effect to the issuance of the Additional Bonds then being issued and (ii) 1.10 times the maximum annual Debt Service payments to be paid in a fiscal year for the Bonds Similarly Secured to be Outstanding after giving effect to the issuance of the Additional Bonds then being issued. In making a determination of the Net Earnings, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings of the System for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion.

As used in this Section, the term "Net Earnings" shall mean the Gross Revenues of the System after deducting the Maintenance and Operating Expenses of the System, but not depreciation charges or other expenditures which, under generally accepted accounting principles, are treated as capital expenditures.

Refunding Bonds. The City reserves the right to issue refunding bonds to refund all or any part of the Bonds Similarly Secured (pursuant to any law then available) upon such terms and conditions as the City Council of the City may deem to be in the best interest of the City and its inhabitants, and if less than all such Bonds Similarly Secured then outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Bonds) set forth in subparagraph (3) of Section 18 hereof shall be satisfied and the Accountant's certificate or opinion required in subparagraph (3) shall give effect to the Debt Service of the proposed refunding bonds (and shall not give effect to the Debt Service of the Bonds Similarly Secured being refunded following their cancellation or provision being made for their payment).

Obligations of Inferior Lien and Pledge. The City hereby reserves the right to issue obligations payable from and secured by a lien on and pledge of the Net Revenues of the System, junior and subordinate in rank and dignity to the lien and pledge securing the payment of the Bonds Similarly Secured, as may be authorized by the laws of the State of Texas.

Rates and Charges. For the benefit of the Holders of the Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Ordinance, the City hereby expressly stipulates and agrees, while any of the Bonds are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each fiscal year sufficient:

- (1) To pay Maintenance and Operating Expenses, depreciation charges and replacement and betterment costs,
- (2) To produce Net Revenues sufficient to pay the principal of and interest on the Bonds Similarly Secured and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Bonds Similarly Secured, and other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on and pledge of the Net Revenues of the System, and
- (3) To produce Net Revenues equal to at least 1.20 times the Average Annual Debt Service for the Bonds Similarly Secured then Outstanding.

Maintenance and Operation Insurance. The City shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost. While any Bonds are Outstanding, the City agrees to maintain casualty and other insurance on the System of a kind and in an amount customarily carried by municipal corporations owning and operating similar properties. Nothing

in this Ordinance shall be construed as requiring the City to expend any funds derived from sources other than the operation of the System, but nothing herein shall be construed as preventing the City from doing so.

Sale or Lease of Properties. The City, to the extent and in the manner authorized by law, may sell or exchange for consideration representing the fair value thereof, as determined by the City Council of the City, any property not necessary or required in the efficient operations of the System, or any equipment not necessary or useful in the operations thereof or which is obsolete, damaged or worn out or otherwise unsuitable for use in the operation of the System. The proceeds of any sale of properties of the System shall be deposited in the System Fund.

Records and Accounts. The City hereby covenants and agrees that so long as any of the Bonds or any interest thereon remain Outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Chapter 1502 or other applicable law. The Holder of any Bonds or any duly authorized agent or agents of such Holders shall have the right at all reasonable times to inspect such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The City further agrees that following the close of each fiscal year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the Accountant, shall particularly include the following:

- (1) A statement of the income and expenses of the System for such fiscal year.
- (2) A balance sheet for the System as of the end of such fiscal year.
- (3) A statement describing the sources and application of funds of the System for such fiscal year.
- (4) The Accountant's comments regarding the manner in which the City has carried out the requirements of this Ordinance and any other ordinance authorizing the issuance of Bonds Similarly Secured and his recommendations for any changes or improvements in the operations, records and accounts of the System.
- (5) A list of insurance policies in force at the end of the fiscal year covering the properties of the System, setting out as to each policy the amount thereof, the risk covered, the name of the insurer and the policy's expiration date.

Expenses incurred in making an annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses. Copies of each annual audit shall be furnished to the Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, and, upon request, to the initial purchasers of the Bonds and subsequent Holders of the Bonds. The audits herein required shall be made within 120 days following the close of each fiscal year insofar as is possible.

Special Covenants. The City further covenants and agrees by and through this Ordinance as follows:

- (1) It has the lawful power to pledge the Net Revenues of the System to the payment of the Bonds to the extent provided herein and has lawfully exercised said power under the Constitution and laws of the State of Texas, and that the Bonds issued hereunder, together with the Previously Issued Bonds and the Additional Bonds shall be ratably secured in such manner that no one bond shall have preference over any other bond of said issues
- (2) The Net Revenues of the System have not been in any manner pledged or encumbered to the payment of any debt or obligation of the City or the System, save and except for the Previously Issued Bonds and the Bonds.
- (3) To the extent that it legally may, the City will not grant any franchise or permit the acquisition, construction or operation of any competing facilities which might be used as a substitute for the facilities of the System, and the City will prohibit any such competing facilities.
- (4) The City will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorizations and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

Remedy in Event of Default. In addition to all rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (1) defaults in payments to be made to the Bond Fund or the Reserve Fund as required by this Ordinance or (2) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance, the Holder of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the City and its officers to observe and perform any covenant, condition or obligation prescribed in this Ordinance. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

Special Obligations. The Bonds are special obligations of the City payable from the pledged Net Revenues of the System and the holders thereof shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

## INVESTMENT POLICIES, PROCEDURES AND PORTFOLIOS

### Investments

The City invests available funds in investments authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA") and in accordance with investment policies approved by the City Council (see "APPENDIX A – Table 11– Current Investments"), which policies may provide a more restrictive list of authorized investments than those authorized by the PFIA. Both State law and the City's investment policies are subject to change.

### Investment Authority and Investment Practices of the City

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 investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this State that the investing entity 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 investing entity'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 investing entity appoints as the entity's custodian of the banking deposits issued for the entity'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 Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) (i) certificates of deposit and share certificates issued by a depository 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 its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) certificates of deposit where (a) the funds are invested by the City through (I) 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 (II) a depository institution that has its main office or a 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, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission 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 that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) 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 the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least 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 at least 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 U.S. or state bank; (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7; and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have 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 in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

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

Under Texas law, the City's 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 probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and 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 strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

Under Texas 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 family relationships 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, (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 transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements, (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (5) 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, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (8) provide specific investment training for the Treasurer, the Chief Financial Officer (if not the Treasurer) and the Investment Officer, (9) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

(REMAINDER OF PAGE IS INTENTIONALLY LEFT BLANK.)

## INSURANCE, PENSION PLANS AND DEFERRED COMPENSATION PLANS

### Self-Insurance

The City administers a Self-Insured Retention (“SIR”) program within its Risk Management Internal Service Fund in order to deal with potential liabilities. Claims in excess of the self-insured retention amounts are covered through third-party limited-coverage insurance policies. The City is self-insured with excess coverage in these areas: (a) general liability with a \$25,000 per occurrence retention and a \$2,000,000 per occurrence and a \$4,000,000 policy aggregate limit on coverage, (b) law enforcement liability with a \$50,000 per occurrence retention and a \$3,000,000 per occurrence and a \$6,000,000 policy aggregate limit on coverage, (c) errors and omissions with a \$50,000 per occurrence retention and a \$2,000,000 per occurrence and a \$4,000,000 policy aggregate limit on coverage, (d) worker’s compensation liability with a \$100,000 per occurrence retention and statutory limit on coverage, (e) property loss with \$25,000 per occurrence retention and a \$278,102,497 limit on coverage, (f) automobile liability with a \$50,000 per occurrence retention and a \$1,000,000 per occurrence limit on coverage, (g) automobile physical damage liability with a \$10,000 retention and an actual cash value or agreed value as a scheduled limit on coverage, and (h) cyber insurance – 7 towers with a \$10,000 to \$50,000 per occurrence depending on type and a \$50,000 to \$3,000,000 per tower and multiple aggregate sublimits.

All funds of the City participate in the program and make payments to the Risk Management Fund. In 2023, the City experienced its first line-of-duty peace officer death in which the cost of this incident is reflected in the Risk Fund. As of the end of fiscal year 2023, the loss reserve was \$1,228,468. During fiscal year 2023, there were claims and changes in estimates of \$1,350,944 and claim payments of \$1,335,262. (See “Note 10 – APPENDIX B – GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2023”).

### Employee Health Plan

The City maintains the Employee Health and Disability Fund for employees and dependents, which is self-insured by the City. Revenues are recognized from payroll deductions and from City contributions with long-term disability claims in excess of one year covered through the third-party insurance policies. In addition, excess insurance has been obtained for an individual employee’s health care claims exceeding \$225,000. At September 30, 2023, there was a liability of \$792,791 in such fund, which represents estimated claims incurred but not yet reported (see “Note 10 – APPENDIX B – GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2023”).

### Pension and Retirement Fund

The City provides pension benefits for all eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan administered by Texas Municipal Retirement System (“TMRS”), an agent, multiple-employer public employee retirement system. The City has adopted plan provisions among the options available in the 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 payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service, also known as the matching ratio, are 200% of the employee’s accumulated contributions and are only payable in the form of an annuity.

Beginning in 1993, the City granted on an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (“USC”) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee’s accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1993, the City provided on an annually repeating (automatic) basis cost of living adjustments (“COLA”) for retirees equal to a percentage of the change in the consumer price index (“CPI”).

A summary of plan provisions for the City are as follows:

Summary of plan provisions for the City:	
Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	75% Repeating
Annuity Increases to retirees	50% of CPI Repeating

Under State law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of

benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2022 valuation is effective for rates beginning January 1, 2024). If a change in plan provisions is elected by the City, this rate can change. Employees of the City of Carrollton were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2023, the City made contributions of 11.83% for the months in calendar year 2022 and for the months in calendar year 2023. The City provided for an additional voluntary contribution of 1.00 percentage points over the required contribution required of 10.83% for the months in 2022 and .99 percentage points over the actuarially required contribution of 10.84% for the months in 2023. During the 2023 fiscal year, employees contributed \$4,868,510 and the City contributed \$8,227,783, which was \$695,502 more than the actuarially required contribution.

As of December 31, 2022, the most recent actuarial valuation date, the plan was funded 91.12% on a General Accepted Accounting Principles (GAAP) basis and 95.8% on a funding basis. Asset values are smoothed on a funding basis as compared to asset value per GAAP which total \$469,473,589, resulting in higher funding basis. The actuarial accrued liability for benefits was \$515,220,132, and the actuarial value of assets on a funding basis was \$493,679,920, resulting in an unfunded actuarial accrued liability (“UAAL”) of \$21,540,212. The covered payroll (annual payroll of active employees covered by the plan) was \$67,868,310, and the ratio of the UAAL to the covered payroll was 31.74% (see “Note 7 – APPENDIX B – GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2023” and 2022 TMRS Actuarial Valuation Report-2022 at [www.tmrs.org](http://www.tmrs.org)).

### **Other Post-Employment Benefits**

In addition to the TMRS pension benefits, as required by State law and defined by City Policy, the City makes available health care benefits to all employees who retire from the City and who are receiving benefits from a City sponsored retirement program (TMRS, and/or a Section 457 Deferred Compensation Plan) through a single-employer defined benefit retiree healthcare plan. This healthcare plan provides lifetime insurance (or until age 65 if eligible for Medicare) to retirees, their spouses, and dependents through the City’s group health insurance plan, which covers both active and retired members. Benefit provisions are established by management.

All employees who, as of January 1, 2009, had 20 years or more of service, or were 60 years or more of age with five years or more of service, are eligible upon retirement to remain in the health plan at the total blended contribution rate for active and retiree participants (Retiree Health Existing Program). Effective January 1, 2022, the city reopened the plan to employees eligible to retire in the City. Employees 60 years of age and with at least 10 years of consecutive service with the City will be eligible to pay the same rates as those on the Retiree Existing Health Program.

A New Retiree Defined Contribution Program effective January 1, 2009 for active employees with less than 20 years of service or at 60 years or more of age with less than five years of service requires participants to pay an aged-based full-cost premium if they choose to remain on the City’s healthcare plan upon retirement. Eligible employees will receive contributions to a Retiree Health Savings (RHS) account early in each calendar year with first year starting after the completion of ten full years of continuous service with City Carrollton. The City has begun making scheduled contributions into a Retiree Health Savings (RHS) plan in the name of each employee who has ten years of service or more. Employees are 50% vested at 15 years of service with the City and 100% vested at 20 years of service.

Current retirees eligible for the Retiree Health Existing Program contribute the total blended premium for active and retired participants. The City contribution to the Retiree Health Existing Program consists of pay-as-you-go claims in excess of the retiree contributions for the year. Retiree contributions rates for fiscal year 2023 were \$8,542 to \$48,624 per year depending on coverage levels selected. In fiscal year 2023, total member contributions were \$327,078. Retiree contributions to the retiree health fund exceeded retiree expenses for fiscal year 2023.

As of December 31, 2022, the most recent measurement date based on actuarial valuation date of December 31, 2021, the total OPEB liability (TOL) for benefits was \$2,760,208, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) for fiscal year 2022 was \$66,497,002, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.15%. (See “Note 13 – APPENDIX B – GENERAL PURPOSE EXTERNAL FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2023”).

### **Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Mission Squared (Trustee). The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years with a 2.35% match for employees contributing minimum of 4.65%. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The total amount contributed by the City for fiscal year 2023 was \$1,077,569.

## INVESTMENT CONSIDERATIONS

### COVID-19 Pandemic

The City is now ending its fourth year of the COVID-19 pandemic. While certain revenues and expenses were initially negatively affected, ad-valorem property taxes and sales tax revenues have continued to experience growth, and funding was received through the Coronavirus Aid, Relief, and Economic Security (CARES) program and the American Rescue Plan (ARP) program up through fiscal year 2023. Additionally, other revenue negatively impacted in prior years are close to pre-pandemic levels. While these are positive signs, it is possible for a new variant to cause new cases to surge. These continuing impacts may reduce or otherwise negatively affect future property values and/or the collection of sales and other excise taxes, charges, and fees within the City, as well as the assets of City pension funds. See “INSURANCE, PENSION PLANS AND DEFERRED COMPENSATION PLANS.” The City remains cautious and with experience gained through previous surges is prepared to respond quickly to changing circumstances. However, the City can make no representation or give any assurance regarding the short or long-term impact that the outbreak of COVID-19 may have on the City or its finances.

### Global Economy and Potential Future Economic Issues

The overall cost of supplies, services and equipment continue to rise for local governments, as it has for all other businesses throughout the country. The City has responded by ordering products much further in advance, obtaining alternative sources and evaluating maintenance approaches to extend the life of existing vehicles, equipment and infrastructure. The City’s multi-year budgets include higher prices and annual escalators. The City’s capital improvement plan has been adjusted to reflect higher construction prices in the following years. While the strong Texas economy and growing revenues will help offset some of the impact, the City continues to comply with its financial policies to ensure capital needs are met in the future. However, the City can make no representation or give any assurance regarding the short or long-term impact that a fractured supply chain and rapidly escalating prices may have on the City or its finances.

### Cyber Security

The City continuously implements changes and initiatives to develop a resilient, adaptable IT environment in light of rapidly evolving technological capabilities and increasing cyber threats for all organizations. The City has taken a security first focus starting with staffing. All management positions within the IT department currently hold the Certified Information Systems Security Professional Certification. The City has upgraded all network and server infrastructure to a modern hyperconverged infrastructure that is software defined and resilient to failures. The City has established a secondary data center and replicated all data center infrastructure to this site for disaster recovery functions. The City requires cybersecurity training for all staff and conducts routine tests against the entire organization.

## RATINGS

The Bonds are rated “AAA” by S&P Global Ratings, a division of S&P Global Inc., and “AAA” by Fitch Ratings. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings.

The ratings reflect only the view of such organizations at the time such ratings were given and none of the City, the Underwriters, or the Financial Advisor makes any 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 said rating companies, if in the judgment of said rating companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. A credit rating on a security is not a recommendation to buy, sell or hold such securities and may be subject to revision or withdrawal at any time.

## PENDING LITIGATION

Various lawsuits pending against the City involve claims relating to general liability, automotive liability, workers’ compensation, civil rights actions, labor and employment, and various contractual matters. In the opinion of the City Attorney, the outcome of the pending litigation will not have a material adverse effect on the City’s financial condition or operations.

## LEGAL MATTERS

The City will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion 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 legal opinion of Bond Counsel (the “Bond Opinion”), to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “TAX MATTERS” herein. The customary closing papers, including a certificate of the City to the effect that no litigation of any nature has been filed or is then pending to restrain 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 to the Underwriters. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any

responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions “THE BONDS” (except the subcaption “Sources and Uses of Funds”), “RECORD DATE FOR INTEREST PAYMENT”, “REGISTRATION, TRANSFER AND EXCHANGE”, “SELECTED PROVISIONS OF THE ORDINANCE”, “LEGAL MATTERS” (except the last sentence of the first paragraph thereof), “TAX MATTERS”, “LEGAL INVESTMENTS IN TEXAS”, “REGISTRATION AND QUALIFICATION OF BONDS FOR SALE” and “CONTINUING DISCLOSURE” (except for the subcaption “Compliance with Prior Undertakings”) excluding any material that may be treated as included under such captions or subcaptions by cross references or reference to other documents or sources, and such firm is of the opinion that insofar as such statements expressly summarize certain provisions of the Bonds and the Ordinance or set out content of the Bond Opinion, such statements are accurate in all material respects. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinions 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. Certain matters will be passed on by Cantu Harden Montoya LLP, Dallas, Texas, as counsel to the Underwriters, whose fee is contingent upon the sale and delivery of the Bonds.

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 an 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 from the transaction.

### **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

## **LEGAL INVESTMENTS IN TEXAS**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are (i) negotiable instruments, (ii) an investment security to which Chapter 8, Texas Business and Commerce Code applies and (iii) 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 PFIA, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "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 a 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 a 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.

## **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); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the Securities Act 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.

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

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 and unaudited information contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

### **FORWARD LOOKING STATEMENTS DISCLAIMER**

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

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

### **UNDERWRITING**

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price of \$8,121,222.43 (representing the par amount of \$7,460,000 plus a reoffering premium of \$703,738.90, less an underwriting discount of \$42,516.47). The Underwriters' obligations are subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

### **FINANCIAL ADVISOR**

PFM Financial Advisors LLC is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement.

### **CONTINUING DISCLOSURE**

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

## **Annual Reports**

The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the City ending in or after 2024, financial information and operating data with respect to the City of the general type included in this Official Statement in Appendix A, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in Appendix B hereto or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in the Official Statement, and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall 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.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information 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 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB via EMMA.

## **Notice of Certain Events**

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (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, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by SEC Rule 15c2-12 (the "Rule"), which includes certain debt, debt-like, and debt-related obligations) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such 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 any such financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

As used above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the City Council and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. The City intends the words used in the immediately preceding items (15) and (16) to have the meanings ascribed to them the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

## **Availability of Information**

The City has agreed to provide the foregoing information only as described above. The information will be available free of charge via the EMMA system 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 specified 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 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.

**CONCLUDING STATEMENT**

This Official Statement has been prepared under the direction of the City Council of the City by City Staff. The Pricing Certificate approves the Official Statement and authorizes its use and distribution by the Underwriters in connection with its offering of the Bonds.

/s/ Diana K. Vaughn  
Pricing Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX A**  
**FINANCIAL INFORMATION REGARDING THE SYSTEM**

[THIS PAGE INTENTIONALLY LEFT BLANK]

**TABLE 1**  
**WATERWORKS AND SEWER SYSTEM REVENUE BONDS**  
**OUTSTANDING DEBT SERVICE REQUIREMENTS**

Fiscal Year Ended 30-Sep	Outstanding Debt Service			Plus: The Bonds			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2024	\$ 515,000	\$ 301,800	\$ 816,800	\$ -	\$ -	\$ -	\$ 816,800
2025	540,000	281,200	821,200	275,000	322,231	597,231	1,418,431
2026	560,000	259,600	819,600	235,000	359,250	594,250	1,413,850
2027	585,000	231,600	816,600	245,000	347,500	592,500	1,409,100
2028	615,000	202,350	817,350	260,000	335,250	595,250	1,412,600
2029	645,000	171,600	816,600	270,000	322,250	592,250	1,408,850
2030	675,000	145,800	820,800	285,000	308,750	593,750	1,414,550
2031	700,000	118,800	818,800	300,000	294,500	594,500	1,413,300
2032	730,000	90,800	820,800	315,000	279,500	594,500	1,415,300
2033	755,000	61,600	816,600	330,000	263,750	593,750	1,410,350
2034	785,000	31,400	816,400	350,000	247,250	597,250	1,413,650
2035				365,000	229,750	594,750	594,750
2036				385,000	211,500	596,500	596,500
2037				405,000	192,250	597,250	597,250
2038				420,000	172,000	592,000	592,000
2039				445,000	151,000	596,000	596,000
2040				465,000	128,750	593,750	593,750
2041				490,000	105,500	595,500	595,500
2042				515,000	81,000	596,000	596,000
2043				540,000	55,250	595,250	595,250
2044				565,000	28,250	593,250	593,250
Totals	<u>\$ 7,105,000</u>	<u>\$ 1,896,550</u>	<u>\$ 9,001,550</u>	<u>\$ 7,460,000</u>	<u>\$ 4,435,481</u>	<u>\$ 11,895,481</u>	<u>\$ 20,897,031</u>

Average Annual Debt Service Requirements (2024 - 2044) \$ 995,097

Maximum Annual Debt Service Requirement (2025) \$ 1,418,431

**TABLE 2**  
**WATER AND WASTERWATER SYSTEM OPERATING STATEMENT AND**  
**REVENUE BONDS COVERAGE**

	Fiscal Year Ending September 30				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Revenues</b> <sup>1</sup>	\$ 56,763,268	\$ 52,627,371	\$ 49,234,955	\$49,848,279	\$ 46,192,294
Expenses:					
Personnel Services	4,886,490	3,714,564	3,765,284	3,983,596	4,320,610
Supplies and Services	34,109,046	31,718,521	30,287,031	30,109,494	29,152,264
Utilities	1,035,456	906,878	885,921	1,011,379	937,553
Allocations	1,679,902	1,202,288	1,033,616	774,800	859,139
Provision for Doubtful accounts	-	-	89,923	89,923	103,091
Transfers Out	5,381,519	5,423,162	4,919,956	4,552,223	4,497,117
<b>Total Expenses</b>	<u>47,092,413</u>	<u>42,965,413</u>	<u>40,981,731</u>	<u>40,521,415</u>	<u>39,869,774</u>
<b>Net Available for Debt Service</b>	<u>\$ 9,670,855</u>	<u>\$ 9,661,958</u>	<u>\$ 8,253,224</u>	<u>\$ 9,326,864</u>	<u>\$ 6,322,520</u>
 <b>Customer Count</b>					
<b>Water/Sewer</b>	36,730	37,138	36,902	39,300	37,482
 <b>Average Annual Debt Service</b>	818,323	890,296	986,773	\$ 1,070,043	\$ 1,142,303
 <b>Coverage</b>	11.82 x	10.85 x	8.36 x	8.72 x	5.53 x
 Average Annual Debt Service, including the Bonds - FY2024 - FY2044			\$ 995,097		
Coverage of Average Annual Debt Service at 9/30/2023 Net Available			9.72 x		
 Maximum Annual Debt Service, including the Bonds - 2024/2034			\$ 1,418,431		
Coverage of Maximum Annual Debt Service at 9/30/23 Net Available			6.82 x		

<sup>(1)</sup> Fiscal Year 2023 does not include the \$11 million transfer from the General Fund to the Utility Funds as they do not meet the definition of operating revenue for bond debt service coverage.

**TABLE 3**  
**FUND BALANCES**

Reserve Fund	\$ 818,323
Interest and Sinking Fund	<u>340,333</u>
<b>Total Fund Balances</b>	<u><b>\$ 1,158,656</b></u>

*\*As of September 30, 2023*

**TABLE 4**  
**WATER AND WASTEWATER SYSTEM OPERATING FUND**  
**SUMMARY OF BUDGETED REVENUES AND EXPENDITURES**

	<b>2022-2023</b>	<b>2023-24</b>
	<b>Actual <sup>(1)</sup></b>	<b>Adopted Budget <sup>(1)(2)</sup></b>
<b><u>Beginning Operating Funds</u></b>	\$ 19,815,928	\$ 16,380,726
<b><u>Revenues</u></b>		
Water Sales & Charges	32,620,416	29,943,351
Sewer Sales & Charges	21,527,999	21,708,908
Rate Increase	-	4,538,743
Tag & Reconnect Fees	369,480	450,000
Industrial Surcharge	153,271	315,000
Backflow Prevention Charges	224,554	220,000
Investment Income	501,796	500,210
Miscellaneous	160,540	175,000
Transfers In	-	-
<b>Total Revenues</b>	<b>\$ 55,558,056</b>	<b>\$ 57,851,212</b>
<b><u>Total Funds Available</u></b>	<b>\$ 75,373,984</b>	<b>\$ 74,231,938</b>
<b><u>Expenditures</u></b>		
Personnel Services	3,900,609	4,836,778
Supplies and Services	33,564,874	37,287,419
Utilities	1,028,928	1,052,608
Allocations	5,844,683	6,333,165
Capital Outlay	-	33,592
Transfers Out	9,814,677	11,263,527
<b>Total Expenditures</b>	<b>\$ 54,153,771</b>	<b>\$ 60,807,089</b>
<b><u>Ending Operating Funds</u></b>	<b>\$ 21,220,213</b>	<b>\$ 13,424,849</b>

<sup>(1)</sup>Budget basis.

<sup>(2)</sup>Includes a projected average increase of 11.7% on water and sewer rates effective 1/1/2024.

**TABLE 5**  
**UTILITY PLANT IN SERVICE**

Land	\$ 1,382,918
Utility Plant	299,338,667
Equipment and Intangibles <sup>(1)</sup>	9,737,783
Construction in Progress	509,594
<b>Total Capital Assets</b>	<b>\$ 310,968,962</b>
Less Accumulated Depreciation	(183,851,745)
<b>Net Utility Plant in Service</b>	<b>\$ 127,117,217</b>

<sup>(1)</sup> Reflective of SBITA assets beginning in FY2023.

*\*As of September 30, 2023.*

**TABLE 6**  
**WATER AND WASTEWATER SYSTEM FUND CITY'S EQUITY IN SYTEM**

	Fiscal Year Ending September 30				
	<u>2023</u> <sup>1</sup>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Water & Wastewater					
System in Service	\$ 310,968,962	\$ 300,619,285	\$ 289,667,747	\$ 280,501,602	\$ 277,572,913
Reserve for Depreciation	<u>(183,851,745)</u>	<u>(177,584,728)</u>	<u>(171,743,760)</u>	<u>(166,255,601)</u>	<u>(160,575,142)</u>
Net plant in Service	127,117,217	123,034,557	117,923,987	114,246,001	116,997,771
Construction Funds Net Position	<u>31,875,262</u>	<u>21,546,082</u>	<u>19,657,568</u>	<u>21,556,852</u>	<u>19,722,465</u>
Net Plant in Service and Coming on Line	<u>158,992,479</u>	<u>144,580,639</u>	<u>137,581,555</u>	<u>135,802,853</u>	<u>136,720,236</u>
Plus Other Assets/Deferred Outflows of Resources	2,060,328	1,588,675	301,981	319,467	2,089,151
Plus Operating Working Capital	<u>21,220,449</u>	<u>18,199,375</u>	<u>16,799,770</u>	<u>14,811,155</u>	<u>12,287,310</u>
Assets and Deferred Outflows of Resources Net of Current Liabilities and Debt Reserves	<u>182,273,256</u>	<u>164,368,689</u>	<u>154,683,306</u>	<u>150,933,475</u>	<u>151,096,697</u>
Long Term Debt	7,357,133	7,858,502	9,318,940	11,287,068	13,153,490
Less Debt Reserves	<u>(818,323)</u>	<u>(890,296)</u>	<u>(986,773)</u>	<u>(1,070,043)</u>	<u>(1,142,303)</u>
Net Long Term Debt	6,538,810	6,968,206	8,332,167	10,217,025	12,011,187
Plus Other Liabilities/ Deferred Inflows of Resources	<u>4,153,764</u>	<u>2,211,785</u>	<u>934,752</u>	<u>572,148</u>	<u>2,876,023</u>
Total Obligations and Deferred Inflows of Resources	10,692,574	9,179,991	9,266,919	10,789,173	14,887,210
City's Equity in System	<u>\$ 171,580,682</u>	<u>\$ 155,188,698</u>	<u>\$ 145,416,387</u>	<u>\$ 140,144,302</u>	<u>\$ 136,209,487</u>
% Equity	94.13%	94.42%	94.01%	92.85%	90.15%

<sup>(1)</sup> Includes SBITA assets & liabilities.



**TABLE 7**  
**TOP TEN WATER CUSTOMERS**  
**(As of September 30, 2023)**

<u>Name</u>	<u>Type</u>	<u>Revenues</u>	<u>% of Total Water Revenues<sup>(1)</sup></u>
1. Carrollton-Farmers Branch ISD	School District	\$ 813,710	2.49%
2. Lewisville ISD	School District	401,905	1.23%
3. Rudy's Tortillas	Manufacturing	411,355	1.26%
4. Western Extrusions INC.	Manufacturing	585,839	1.80%
5. Frankel Family Trust	Apartments	397,999	1.22%
6. Sreit Castle Hills LLC	Apartments	359,792	1.10%
7. Bellavista	Apartments	368,289	1.13%
8. Post Greentree, LLC	Apartments	367,877	1.13%
9. Creekside 121	Apartments	358,132	1.10%
10. Mansions at Sunset Ridge, LP	Apartments	337,491	1.03%
<b>TOTAL</b>		<b><u>\$ 4,402,389</u></b>	<b><u>13.50%</u></b>

<sup>(1)</sup> Total water revenues from October 1, 2022 through September 30, 2023 was \$32,620,416.  
Source: City of Carrollton Utility Customer Service Department.

**TABLE 8**  
**WATER USAGE**

<u>Fiscal Year Ended 9/30</u>	<u>Average Daily Use In Gallons</u>	<u>Maximum Daily Use In Gallons</u>	<u>Total Gallons for Year</u>
2014	18,890,000	32,262,000	6,954,726,000
2015	19,548,000	41,609,000	7,151,918,000
2016	19,524,000	35,439,000	7,126,366,000
2017	19,753,000	29,339,000	7,209,845,000
2018	20,711,000	37,720,000	7,578,297,000
2019	19,203,000	37,735,000	7,410,532,000
2020	21,698,000	38,799,000	7,953,874,000
2021	21,792,000	37,337,000	7,962,892,000
2022	24,218,000	48,423,000 <sup>(1)</sup>	8,864,496,000
2023	23,651,000	43,253,000	8,679,414,000

Source: City of Carrollton Water Distribution Department.

<sup>(1)</sup> Fiscal Year 2022 daily use increase as a result of unseasonably dry weather throughout the spring and summer.

**TABLE 9**  
**WATER AND WASTEWATER RATES<sup>(1)</sup>**

**Monthly Water Rates:**

**Minimum monthly charge, including the first 2,000 gallons of use:**

Single-family residential domestic and irrigation use	\$	15.51
Commercial (including apartments and portable meters), industrial and commercial irrigation use:		
5/8" meter	\$	15.81
1" meter		24.36
1.5" meter		38.65
2" meter		55.78
3" meter		101.44
4" meter		152.82
6" meter		295.58
8" meter		466.89
10" meter		666.75
Fire Line regardless of size		76.38

**Use over the 2,000 gallons included in the minimum monthly charge:**

Single-family residential domestic use:		
Meter Readings from October through April:		
All Over 2,000 gallons (per 1,000 gallons)	\$	3.67
Meter Readings from May through September:		
Next 8,000 gallons (per 1,000 gallons)		3.67
All Over 15,000 gallons (per 1,000 gallons)		4.93
All Over 25,000 gallons (per 1,000 gallons)		6.15
Irrigation use, over the 2,000 gallons included in the minimum charge:		
Next 23,000 gallons (per 1,000 gallons)	\$	3.91
Next 25,000 gallons (per 1,000 gallons)		4.66
Next 50,000 gallons (per 1,000 gallons)		5.28
Next 100,000 gallons (per 1,000 gallons)		5.94
All use over 200,000 gallons (per 1,000 gallons)		6.63
Commercial use (including apartments and portable meters), over the 2,000 gallons included in the minimum charge:		
All use over 2,000 gallons (per 1,000 gallons)	\$	2.66
Industrial use, over 2,000 gallon included in the minimum charge:		
All use over 2,000 gallons (per 1,000 gallons)	\$	2.35

Industrial use rates for water service will apply to customers in the business of assembly or manufacturing of goods and for which water usage equals or exceed 750,000 gallons per month for nine out of twelve months in the year:

**Monthly Sewer Rates:**

Residential use:		
First 2,000 gallons, minimum	\$	17.15
All use over 2,000 gallons (per 1,000 gallons)		3.99
Commercial (including apartments), Industrial and Irrigation minimum monthly charges, including the first 2,000 gallons of use:		
5/8" meter	\$	17.30
1" meter		25.06
1.5" meter		37.92
2" meter		53.32
3" meter		94.48
4" meter		141.14
6" meter		269.21
8" meter		423.43
10" meter		603.32
Commercial and Industrial use:		
All use over 2,000 gallons (per 1,000 gallons)	\$	4.06

<sup>(1)</sup> Rates effective January 1, 2024.

**TABLE 10**  
**COMPARATIVE WATER AND WASTEWATER SYSTEM OPERATING STATEMENT**

	Fiscal Year Ending September 30				
	2023	2022	2021	2020	2019
Operating revenues:					
Charges for services	\$ 55,045,831	\$ 53,318,611	\$ 48,800,547	\$ 48,870,110	\$ 45,058,318
Miscellaneous	421,105	384,501	337,653	297,912	263,300
Total operating revenues	<u>55,466,936</u>	<u>53,703,112</u>	<u>49,138,200</u>	<u>49,168,022</u>	<u>45,321,618</u>
Operating expenses:					
Personal services	4,886,490	3,714,564	3,765,284	3,983,596	4,320,610
Supplies and Services	34,109,046	31,718,521	30,287,030	30,109,494	29,255,355
Utilities	1,035,456	906,878	885,921	1,011,379	937,553
Allocations	1,679,902	1,202,288	1,123,539	864,723	859,139
Depreciation	6,437,241	5,981,781	5,968,356	5,758,477	6,645,933
Total operating expenses	<u>48,148,135</u>	<u>43,524,032</u>	<u>42,030,130</u>	<u>41,727,669</u>	<u>42,018,590</u>
Income (loss) from operations	<u>7,318,801</u>	<u>10,179,080</u>	<u>7,108,070</u>	<u>7,440,353</u>	<u>3,303,028</u>
Nonoperating revenues (expenses):					
Investment earnings net of change in fair value	1,296,332	(1,075,741)	96,755	680,257	870,676
Gain on sale/retirement of capital assets	59,350	38,830	99,209	14,826	94,551
Interest expense	(268,972)	(225,120)	(311,618)	(375,564)	(250,672)
Total nonoperating revenues (expenses)	<u>1,086,710</u>	<u>(1,262,031)</u>	<u>(115,654)</u>	<u>319,519</u>	<u>714,555</u>
Income (loss) before contributions and transfers	8,405,511	8,917,049	6,992,416	7,759,872	4,017,583
Capital contributions	296,688	5,578,424	3,199,625	727,166	923,476
Transfers in	13,071,304	700,000		-	-
Transfers out	(5,381,519)	(5,423,162)	(4,919,956)	(4,552,223)	(4,497,117)
Change in net position	16,391,984	9,772,311	5,272,085	3,934,815	443,942
Net position at beginning of year, as previously reported	155,188,698	145,416,387	140,144,302	136,209,487	135,765,545
Net position at beginning of year, as restated	<u>155,188,698</u>	<u>145,416,387</u>	<u>140,144,302</u>	<u>136,209,487</u>	<u>135,765,545</u>
Net position at end of year	<u>\$ 171,580,682</u>	<u>\$ 155,188,698</u>	<u>\$ 145,416,387</u>	<u>\$ 140,144,302</u>	<u>\$ 136,209,487</u>

**TABLE 11**  
**CURRENT INVESTMENTS**

As of January 31, 2024 the following percentages of the City's investable funds were invested in the following investment categories and the weighted average maturity of the total City portfolio was 1.02 years.

<u>Type of Investment</u>	<u>Fair Market Value</u>	<u>Percentage</u>
Coupon Agencies	\$ 188,578,419	41.05%
Municipal Bonds	99,572,652	21.67%
Treasury Notes	52,599,783	11.45%
Discount Agencies	-	0.00%
Banks & Government Pools <sup>(1)</sup>	<u>118,638,548</u>	<u>25.83%</u>
Total Securities	<u>\$ 459,389,401</u>	<u>100.00%</u>

<sup>(1)</sup>The City's government pool investments are in the Texas Local Government Investment Pools ("TexPool") the Local Government Investment Cooperative ("LOGIC"), the Texas Cooperative Liquid Assets Securities System Trust ("TexasCLASS") and the Texas Range Local Government Investment Pool ("TexasDaily"). All investment pools are rated AAAM by S&P and operate in a manner consistent with Chapter 2256, Texas Government Code referred to as the Public Funds Investment Act.

**APPENDIX B**

**GENERAL PURPOSE EXTERNAL FINANCIAL  
STATEMENTS FROM THE CITY OF CARROLLTON, TEXAS  
WITH REPORT OF EXAMINATION FOR THE YEAR ENDED  
SEPTEMBER 30, 2023 BY FORVIS LLP,  
CERTIFIED PUBLIC ACCOUNTANTS, DALLAS, TEXAS  
AS EXCERPTED FROM THE SEPTEMBER 30, 2023  
ANNUAL COMPREHENSIVE FINANCIAL REPORT**

[THIS PAGE INTENTIONALLY LEFT BLANK]



# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2023



**CARROLLTON**  
TEXAS

*Where Connections Happen*

City of Carrollton  
1945 E. Jackson Road  
Carrollton, Texas 75006

**972-466-3000 • [cityofcarrollton.com](http://cityofcarrollton.com)**





# ADOPTED ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year October 1, 2022 – September 30, 2023



Council (L-R): Jason Carpenter, Councilmember; Nancy S. Cline, Mayor Pro Tem; Dr. Andrew Palacios, Councilmember; Richard Fleming, Councilmember; Steve Babick, Mayor; Erin Rinehart, City Manager; HA “Rusty” Pendleton, Deputy Mayor Pro Tem; Daisy Palomo, Councilmember; Christopher Axberg, Councilmember

**Prepared By:**

Diana Vaughn, CPA, Chief Financial Officer    Melissa Everett, MS, Finance Director

Shena Washington, MBA, Controller

Joel Valverde, Sr. Accountant

Demetria Glosson, Sr. Accountant

James Kim , Sr. Accountant

Juan Aguilar, MPA, Sr. Budget Analyst

# CITY OF CARROLLTON, TEXAS

## ANNUAL COMPREHENSIVE FINANCIAL REPORT YEAR ENDED SEPTEMBER 30, 2023 TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION (unaudited)	
Letter of Transmittal	I-VII
List of Principal Officials	IX
Organizational Chart	X
GFOA Certificate of Achievement	XI
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis (unaudited)	5-19
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25-26
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual- General Fund	27
Proprietary Funds:	
Statement of Net Position	28
Statement of Revenues, Expenses and Changes in Net Position	29
Statement of Cash Flows	30-32
Notes to Basic Financial Statements Required	33-75



February 01, 2024

The Honorable Mayor and Members of the City Council  
City of Carrollton  
Carrollton, Texas

The Finance Department and City Manager's Office are pleased to submit the Annual Comprehensive Financial Report for the City of Carrollton, Texas for the fiscal year ending September 30, 2023.

This report provides the City Council, City staff, our residents, bondholders, and other interested parties with detailed information concerning the financial position and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operation of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

FORVIS, LLP, Certified Public Accountants, has issued "unmodified" clean opinions on the City's financial statements for the fiscal year ended September 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and the two should be read in conjunction with each other.

#### CITY PROFILE

##### Location

Located in northwest Dallas, southeast Denton, and southwest Collin counties, Carrollton is only 14 miles north of downtown Dallas and 10 miles northeast of the Dallas-Fort Worth International Airport. Carrollton is readily accessible via Interstate 35E on the west, the Dallas North Tollway on the east, the President George Bush Turnpike flows east to west through the City, State Highway 121 is to the north, and Interstate Highway 635 is only two miles south of the city limits. The City encompasses approximately 37 square miles with 36 square miles of developable land which is approximately 96% developed.



The City is a home rule city operating under the Council-Manager form of government. The City Council is comprised of the Mayor and seven Council members who enact laws, determine policies, and adopt the annual budget. The City Council also appoints the City Manager. The Basic Financial Statements of the City include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standard Board. Based on these criteria, no other governmental organizations are included in this report.

#### Services Provided

The City provides to its citizens, at the least cost, those services that have proven to be necessary and meaningful. Major services provided under general government and enterprise functions include: police and fire protection, emergency ambulance service, developmental and environmental services, water and sewer services, sanitation services, library services, park and recreational facilities, street and drainage improvements, and general administrative services. The City also offers a 36-hole golf course and an aggressive economic development service. Internal services of the City, accounted for on a cost reimbursement basis, are fleet services, risk management, and employee health and disability coverage.

#### Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets; and (3) compliance with all applicable rules, regulations, and contractual requirements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, (2) the evaluation of costs and benefits requires estimates and judgments by management, and (3) the preciseness of estimates must be balanced with the timeliness of financial reporting.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.



The City Charter provides that the City Council shall adopt the annual budget prepared by City Management. The budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that increase the total appropriations of any fund must be approved by the City Council.

Budgetary control has been established at the individual fund level. Financial reports are produced showing budget and actual expenditures by line item and are posted electronically for City management each month.

Individual line items are reviewed and analyzed for budgetary compliance. Personnel expenditures are monitored and controlled at a position level, and capital expenditures are monitored and controlled item by item. Revenue budgets are reviewed monthly.

#### ECONOMIC OUTLOOK AND FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

##### Regional Economy

According to the Federal Reserve's Beige Book (November 2023) Texas continues to expand, however the region is showing signs of slowing. Manufacturing output continued to grow, while services and retail sales did not. There continues to be a strain on credit conditions which has resulted in a decrease in loans and home sales. Employment in the DFW areas was up an annualized 3.2 percent and trended above the state's annualized increase of 2.6 percent, however, wages are beginning to stabilize in the region. In their December update, the Federal Reserve Bank of Dallas reported the following:

<b>Job Growth Annualized (Aug-Oct 22)</b>	<b>Unemployment Rates</b>	<b>Average Hourly Wages</b>	<b>Average Hourly Wage Growth (Year Over Year)</b>
+3.2%	3.4%	\$ 34.40	+2.5%

##### Carrollton's Position in the Region

Carrollton is home to a diversified group of manufacturing and distribution firms. Products manufactured range from oil well equipment to high-tech components. Distribution and service operations are equally diversified. This diversification is evident in the fact that the top ten taxpayers represent less than 4.75% of the total assessed valuation in the City.



The City also benefits from a well-educated and affluent workforce. According to U.S. Census Bureau’s 2021 American Community Survey, Carrollton’s median household income of \$92,734 compares favorably to \$76,919 for DFW and \$72,284 for Texas. Also, according to the survey, the workforce is educated with 44.1% of the population having a bachelor’s degree or more, compared to 36.8% for DFW and 33.9% for Texas.

The following facts reflect Carrollton’s economic condition and outlook:

Carrollton ranks as one of the top cities in the region in corporate investment, job creation, and population growth. Its central location within the region, its proximity to the DFW Airport, Love Field, Downtown Dallas, and the connectivity created by its three DART stations, make Carrollton a preferred location to live, work, and play. Carrollton’s City Council has cut property taxes for nine years in a row while maintaining one of the highest ratings in the delivery of municipal services in the DFW Metroplex. Carrollton’s 44.9-million square feet of manufacturing and distribution space generates consistently increasing property and business-to-business sales tax revenue for the City, resulting in a well-balanced business-to-residential tax base.

Carrollton ranks high in the state for a quality of work environment. As of September 2023, Carrollton’s unemployment was 3.4%, well below the state's rate.

Carrollton has five major business parks – Valwood Industrial Park, Frankford Trade Center, Austin Ranch, International Business Park and Trinity Mills Industrial Park. Valwood Industrial Park and the Frankford Trade Center are among the premier industrial parks in the Dallas Fort Worth area. As of the third calendar quarter of 2023, the City currently had a 96.3% occupancy rate of its industrial business areas in the city.



Total certified taxable value, not including estimated value for property under protest, for all residential and commercial property in the City was valued at approximately \$21.3 billion for **tax year 2023**, a 11.42% increase from the previous year.

Sales tax collections, which includes mix-drink sales tax, totaled \$50,596,808 in fiscal year 2023, a 3.9% increase from the previous year. This number is a result of a strong economy over the last twelve months. Additionally, DART entered into a contract with its member cities to return



excess sales tax to those cities to fund projects and that benefit the DART system. The City of Carrollton is contracted to received around \$12.6 million and that money is being used to help fund the parking garages in the Trinity Mills Station development.

### Future Economic Outlook

The implementation of the Comptroller's change to rule 3.334, which would redistribute sales tax dollars, was delayed due to a lawsuit which was ruled in favor of the municipalities that filed it. However, the necessary changes were made by the Comptroller to come in compliance with the lawsuit findings, and the rule change has been refiled, and cities continue to be in litigation. The city continues to budget conservatively in fiscal year 2024 in preparation for the implementation of the proposed changes. The city's sales tax budget for fiscal year 2023 was increased by 18.83% during the mid-year re-estimated budget for fiscal year 2023 as the city performed 29.31% better than projected through June 30, 2023. By the end of fiscal year 2023, the city came in 28.14% over its original budgeted revenue and 7.92% over the revised estimate. The City recognizes its exposure to sales tax volatility and has adopted a sales tax mitigation strategy whereby a portion of sales tax is dedicated to non-recurring capital expenditures.

For fiscal year 2024, property valuations increased 10.88% with a 14.16% increase in residential property and 9.39% increase in commercial and industrial properties. Carrollton has approximately 939 acres of vacant land ready for future development with 710 of those acres currently zoned for commercial and industrial use. This bodes well for the City as these uses generally require a lower level of City services while providing a higher level of revenue to the City, as compared to the typical residential development.

Carrollton's economic future is not without challenges. The City is no longer an outer ring suburb that can simply rely on construction on vacant land to fuel growth in tax base and the economy. As it approaches single family residential build out and vacant commercial tracts become scarce, the City must invest more than ever to keep Carrollton an attractive place to live and work. The City Council, recognizing these trends, has adopted strategic goals that create a vision for the City's future. To obtain this vision, the City has:

- Maintained conservative financial policies and strong financial position that will allow it to react quickly to development opportunities as well as withstanding economic downturns.
- Continuously evaluated the workforce for possible reductions. The savings from continuous evaluation of the workforce has been reinvested in the community through increased capital expenditure, increased code enforcement, and neighborhood reinvestment programs.
- Aggressively pursued transit-oriented development related to the light rail which arrived in the City in December 2010. DART's Silver Line project has continued construction with an



expectation of operation in late 2025. This 26 mile line will provide DFW a connection from east to west, through Carrollton, to the Dallas-Fort Worth International Airport. Carrollton's multiple rail lines will allow it to eventually become one of the three mass transit rail hubs in the Metroplex. In Fall 2023, construction of the first phase of the Trinity Mills Station Transit Oriented Development master plan commenced. Completion of the first multi-family complex is anticipated by 2025.

### Long-term Financial Planning

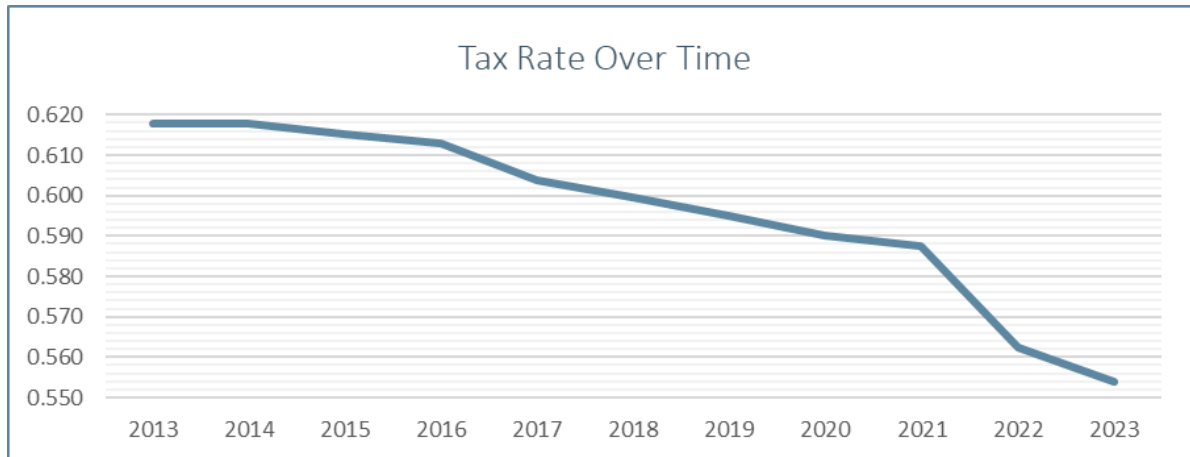
The City Council has adopted a series of financial standards and policies for operating and debt management. Management of the City has made every effort to comply with these standards and policies and believe we are currently in compliance.

Sales tax is the City's second largest General Fund revenue and is also one of its most volatile. It has been the City's experience that rapid increases in sales tax revenues are often followed by rapid declines. Creating a "cap" for the amount of sales tax that can be used in a given year for operating purposes allows the City to manage this volatility, promotes a healthy pay-as-you-go infrastructure re-investment program, and protects the City from rapid revenue declines during times of economic downturns. For fiscal year 2023, sales tax exceeded the "cap" for operating purposes by over \$22.1 million. This excess will be used for one-time non-recurring purposes in the fiscal year 2024 and fiscal year 2025 budget cycles.

Annually, a Multi-year Budget is presented to the City Council as part of the budget process. This document forecasts the operating, debt service, and fleet replacement fund operations for the upcoming five years. Additionally, a multi-year Capital Plan is prepared and presented to the City Council as part of the annual budget process.

Carrollton continues its focus to be a city that businesses and families want to call home. For tax year 2023, the City reduced its tax rate to 0.553750 per \$100 assessed value due to the strong growth of its tax base. The City also increased its senior exemption in tax year 2023 to \$87,000. The City has also continued its focus on the investment in infrastructure throughout its boundaries. In fiscal year 2024, the city budgeted over \$120 million in capital funding for new projects funded from debt issuance, non-recurring sources, and tax revenue.





In addition, the City has recognized the long-term financial implications of its pension and retiree health benefits. Regarding pensions, the city has significantly stepped up funding to ensure the long-term sustainability of the plan. The city maintains a healthy fund balance in our Employee Health Fund and continues its regular review of its financial status throughout the year.

#### OTHER INFORMATION

##### Independent Audit

Article II, Section 2.18 of the City Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. This requirement has been complied with, and the Report of the Independent Auditor's Report has been included in this report.

Additionally, the City's Audit, Finance, and Governance Committee serves as a subcommittee of the City Council and functions as an audit committee to hear and review all recommendations made by the independent auditors.

##### Certificate of Achievement - Information is updated - Need to confirm receipt.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.



In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report (ACFR), whose contents conform to program standards. Such ACFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 33 consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Appreciation is expressed to City employees throughout the organization, especially those employees who were instrumental in the successful completion of this report.

We would like to thank members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Erin Rinehart".

Erin Rinehart  
City Manager

A handwritten signature in blue ink, appearing to read "Diana Vaughn".

Diana Vaughn, CPA  
Chief Financial Officer

A handwritten signature in blue ink, appearing to read "Melissa Everett".

Melissa Everett, MS  
Finance Director

A handwritten signature in blue ink, appearing to read "Shena Washington".

Shena Washington, MBA  
Controller

# **CITY OF CARROLLTON, TEXAS**

## **City Council**

Steve Babick, Mayor

Nancy S. Cline, Mayor Pro Tem, Place 5

H.A. "Rusty" Pendleton, Deputy Mayor Pro Tem, Place 7

Christopher Axberg  
Place 1

Jason Carpenter  
Place 2

Richard Fleming  
Place 3

Dr. Andrew Palacios  
Place 4

Daisy Palomo  
Place 6

## **City Manager**

Erin Rinehart

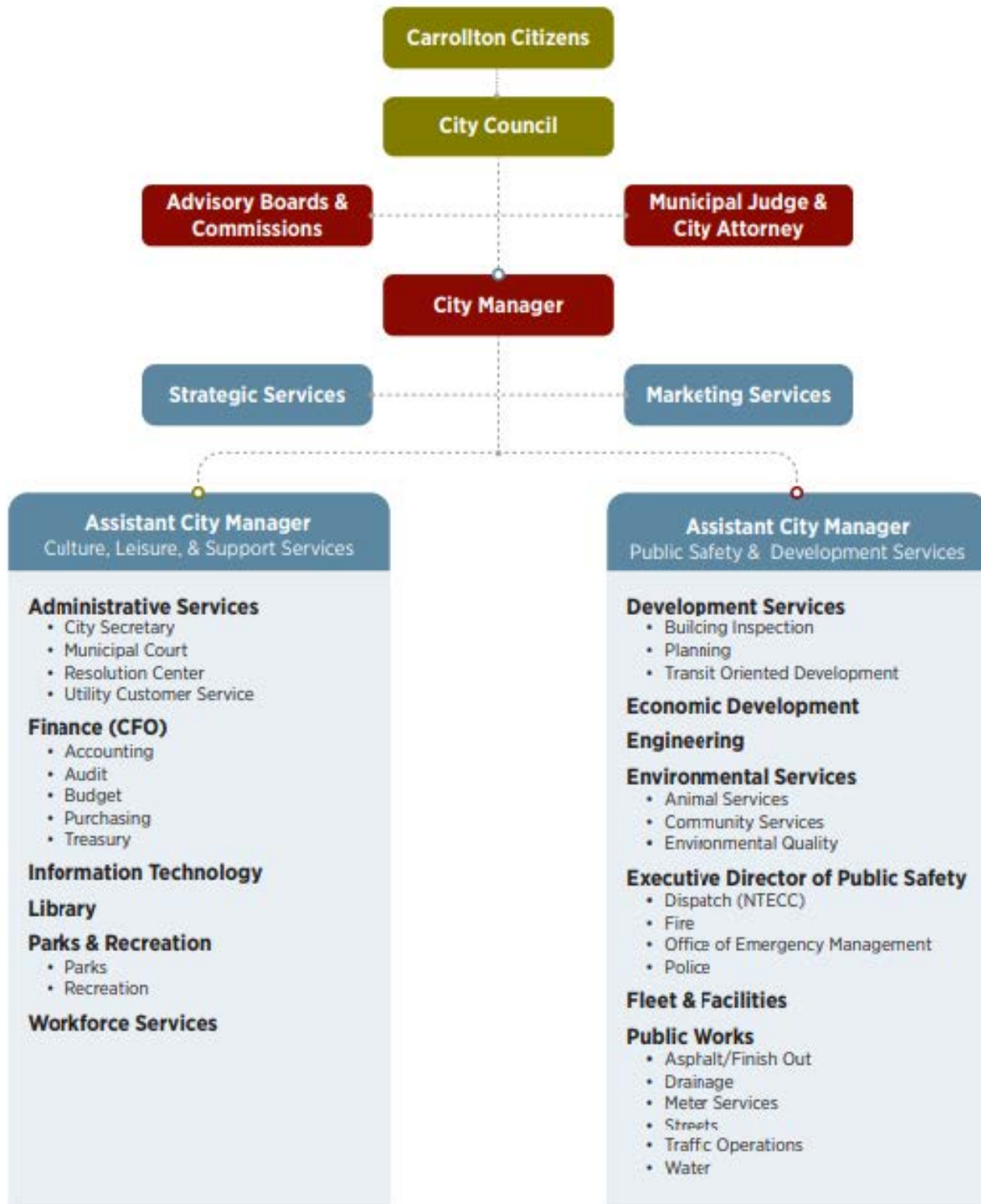
## **Assistant City Manager**

Chrystal Davis

## **Chief Financial Officer**

Diana Vaughn, CPA

# Organizational Chart





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Carrollton  
Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2022

*Christopher P. Morill*

Executive Director/CEO



**CARROLLTON**  
**T E X A S**



14241 Dallas Parkway, Suite 1100 / Dallas, TX 75254

P 972.702.8262 / F 972.702.0673

[forvis.com](http://forvis.com)

## Independent Auditor's Report

The Honorable Mayor and Members of City Council  
City of Carrollton, Texas  
Carrollton, 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 Carrollton, Texas (City), as of and for the year ended September 30, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Emphasis of Matter**

As discussed in *Note 16* to the financial statements, in fiscal year 2023, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 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 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 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 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.



Management has omitted the pension and other postemployment benefit information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statement is not affected by this missing information.

***Other Information***

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

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

**FORVIS,LLP**

**Dallas, Texas  
February 1, 2024**



**CARROLLTON**  
**T E X A S**

## CITY OF CARROLLTON, TEXAS

Management's Discussion and Analysis  
For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
(Unaudited)

February 01, 2024

As management of the City of Carrollton (City), we offer this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended September 30, 2023. In the broadest context, the financial well-being of the government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically. This allows the City's tax base, service levels, assets and desirability to be maintained, not just for the current year, but well into the future. Financial reporting is limited in its ability to provide this "big picture" but rather focuses on financial position and changes in financial position. In other words, are revenues and or expenses/expenditures higher or lower than the previous year? Has net position (containing both short and long-term assets and liabilities) or fund balances (the current "spendable" assets less current liabilities) of the government been maintained? We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (pages I-VII ), the statistical section (pages 129-150), as well as information on the City's Council's Strategic Goals, the annual budget and other community information found on the City's website at [www.cityofcarrollton.com](http://www.cityofcarrollton.com). It should be noted from the Report of the Independent Auditor's association with various sections of this report and that all of the additional information from the website and other City sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

### IN BRIEF

- The net position of the City at the close of the most recent fiscal year was \$798,817. This number must be viewed in the context that the vast majority of the City's net position of \$435,154 (54.5%) is the net investment in capital assets, and that most capital assets in a government do not directly generate revenue nor can they be sold to generate liquid capital. The net position restricted for specific purposes totals \$10,204 (1.3%). The remaining \$353,459 (44.2%) is the unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. Unrestricted net position increased by \$82,525 in fiscal year 2023.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$325,487. Within this total \$48,863 is restricted by specific legal requirements (such as by debt covenants), \$1,768 is nonspendable for prepaid items and \$211,863 has been committed and assigned to specific types of expenditures. The remaining \$62,993 is an unassigned fund balance in the General Fund and can be used for any lawful purpose.
- The City's long-term liabilities increased by \$56,151 due primarily to the increase of the City's net pension liability caused by a lower-than-expected market performance through the measurement date of December 31, 2022, an increase in bonds payable, and the implementation of GASB 96.

## CITY OF CARROLLTON, TEXAS

Management's Discussion and Analysis  
For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
(Unaudited)

The City continued to see growth in property tax and sales tax revenues. The Economic Factors and Next Year's Budget section on the last page of this discussion provide additional information on the subject.

### 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 four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information which includes this management's discussion and analysis and multi-year funding progress on the City's pension plan and retiree health plan. In addition to the basic financial statements, this report also contains other supplementary information as listed in the Table of Contents.

**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 private-sector business.

The Statement of Net Position presents information on all the City's assets, deferred outflows of resources, liabilities and deferred inflows 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 between 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 and administration, public safety, development services, and cultural recreation. The business-type activities of the City include water and sewer, golf course and sanitation operations. The government-wide financial statements can be found on pages 20-21 of this report.

**Fund financial statements** – A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds are also the primary focus of the annual budget process. All of the funds of the City can be divided into two categories – governmental funds and proprietary funds.

## CITY OF CARROLLTON, TEXAS

Management's Discussion and Analysis  
For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
(Unaudited)

**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. Nonfinancial assets such as governmental buildings, roads, drainage ways, park land and long-term liabilities such as bonds payable or long-term liabilities that will not be paid with current assets are excluded. Such information may be useful in evaluating a government's near-term financial 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 financial 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 this comparison between governmental funds and governmental activities.

The City maintains twelve governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Debt Service, Streets and Drainage, and General and Public Facilities funds, all of which are considered to be major funds. Data from the other eight funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the Annual Comprehensive Financial Report. The basic governmental funds financial statements can be found on pages 22-26.

**Proprietary Funds** – The City maintains two 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 sewer, golf and sanitation operations. 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 fleet services, risk management and employee health and disability programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within government-wide financial statements.

## **CITY OF CARROLLTON, TEXAS**

Management's Discussion and Analysis  
For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
(Unaudited)

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Golf Course, and Sanitation funds, since all are considered major funds of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in the Annual Comprehensive Financial Report. The basic proprietary fund financial statements can be found on pages 28-32 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-75

**Other Information** – In addition to the basic financial statements, information required by the Governmental Accounting Standards Board is included herein, including this discussion and analysis and information concerning the City's progress in funding its obligation to provide pension and retiree health benefits to its employees.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position, and, especially net position by category, may serve over time as a useful indicator of a government's financial position. The City's net position was \$798,817 as of September 30, 2023.

The largest portion of the City's net position \$435,154 (54.5%) reflects its investments in capital assets (e.g., land, building, equipment, improvements and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets into the future. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF CARROLLTON, TEXAS**

Management’s Discussion and Analysis  
For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
(Unaudited)

An additional portion of the City’s net position of \$10,204 (1.3%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$353,459 (44.2%) may be used to meet the government’s ongoing obligations to citizens and creditors.

<b>CITY OF CARROLLTON'S NET POSITION</b>						
<b>(Amounts in Thousands)</b>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>
Current and other assets	\$ 377,756	\$ 379,885	\$ 54,045	\$ 66,079	\$ 431,800	\$ 445,964
Lease and SBITA assets (Capital)		7,238		2,028		
Capital assets, net	<u>485,020</u>	<u>509,527</u>	<u>127,729</u>	<u>129,418</u>	<u>612,749</u>	<u>638,945</u>
<b>Total Assets</b>	<u><u>862,776</u></u>	<u><u>896,650</u></u>	<u><u>181,774</u></u>	<u><u>197,525</u></u>	<u><u>1,044,549</u></u>	<u><u>1,084,910</u></u>
Deferred outflows of resources	<u>10,783</u>	<u>43,865</u>	<u>458</u>	<u>2,060</u>	<u>11,241</u>	<u>45,926</u>
Long-term liabilities	245,918	299,669	10,010	12,410	255,928	312,079
Other liabilities	<u>17,635</u>	<u>17,896</u>	<u>8,329</u>	<u>7,753</u>	<u>25,965</u>	<u>25,649</u>
<b>Total Liabilities</b>	<u><u>263,553</u></u>	<u><u>317,565</u></u>	<u><u>18,339</u></u>	<u><u>20,163</u></u>	<u><u>281,893</u></u>	<u><u>337,728</u></u>
Deferred inflows of resources	<u>40,096</u>	<u>3,445</u>	<u>1,637</u>	<u>113</u>	<u>41,732</u>	<u>3,558</u>
<b>Net Position:</b>						
Net investment in capital assets	308,108	315,120	117,112	120,034	425,220	435,154
Restricted	33,991	9,385	2,021	818	36,012	10,204
Unrestricted	<u>227,812</u>	<u>295,001</u>	<u>43,123</u>	<u>58,458</u>	<u>270,934</u>	<u>353,459</u>
<b>Total Net Position</b>	<u><u>\$ 569,910</u></u>	<u><u>\$ 619,507</u></u>	<u><u>\$ 162,256</u></u>	<u><u>\$ 179,310</u></u>	<u><u>\$ 732,166</u></u>	<u><u>\$ 798,817</u></u>

**CITY OF CARROLLTON, TEXAS**

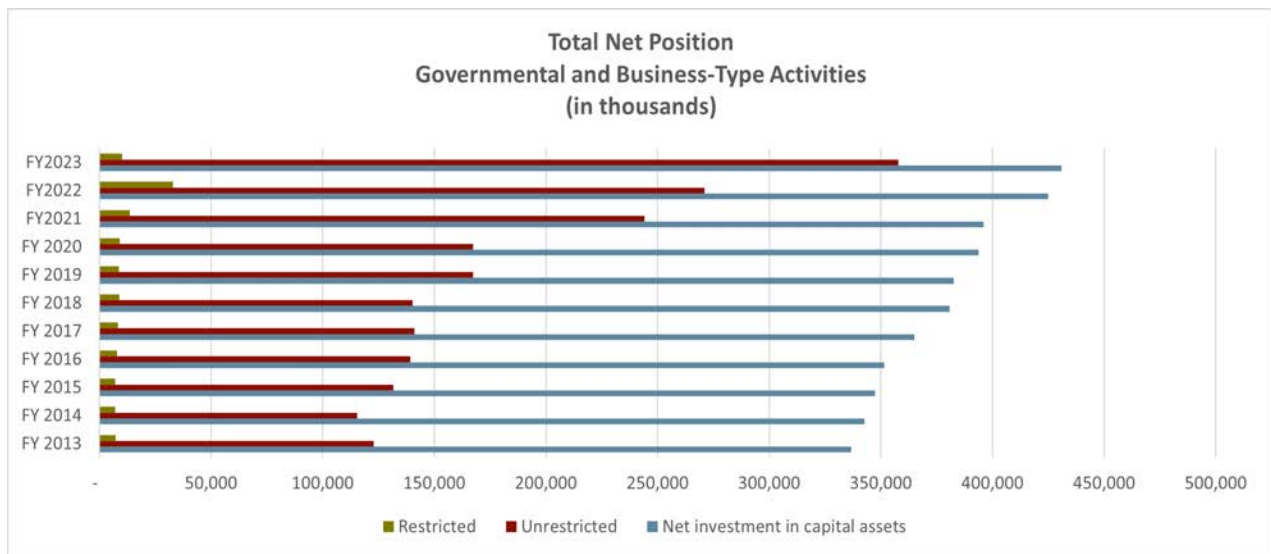
Management’s Discussion and Analysis  
 For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
 (Unaudited)

As of September 30, 2023, the City has positive balances in all three categories of net position: both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Effective October 1, 2022 the City implemented GASB no. 96. Subscription Assets related to this implementation are included in current and other assets in the table above.

Comparative 2022 information presented herein has not been restated for the adoption of GASB96 and GASB94 because the basic financial statements present fiscal year 2022 only.



The current and other assets increased in the Governmental activities by \$2,129 and increased in the Business-type activities by \$12,034. Increase in the Governmental activities assets is primarily due to unspent proceeds from issuance of debt. The increase in current and other assets in Business-type activities are primarily due to cash transfers in for future capital outlay.

The City’s long-term liabilities increased by \$56,151 due primarily to the increase of the City's net pension liability caused by a lower-than-expected market performance through the measurement date of December 31, 2021, an increase in bonds payable, and the implementation of GASB 96.

**Analysis of the City’s Operations** – Overall the City had an increase in net position of \$66,650 or 9.1%.

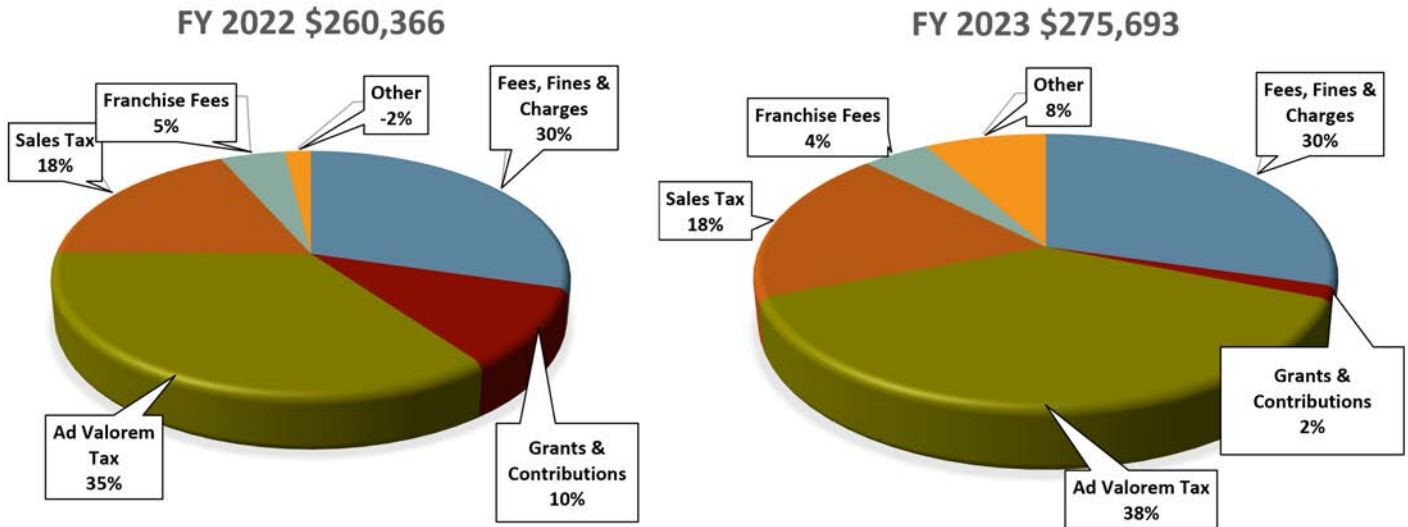


**CITY OF CARROLLTON, TEXAS**

Management’s Discussion and Analysis  
 For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
 (Unaudited)

**Changes in Net Position  
 Revenue by Major Category  
 Governmental and Business-Type Activities**



Governmental Activities: Governmental activities net position increased by \$49,598. Net investment in capital assets increased by \$7,013 or 2.28% due to the number of contracts that were in design in fiscal year 2023 and will begin construction in fiscal year 2024. Restricted net position decreased by \$24,606 or (72.4)%. Unrestricted net position increased by \$67,189 or 29.49%.

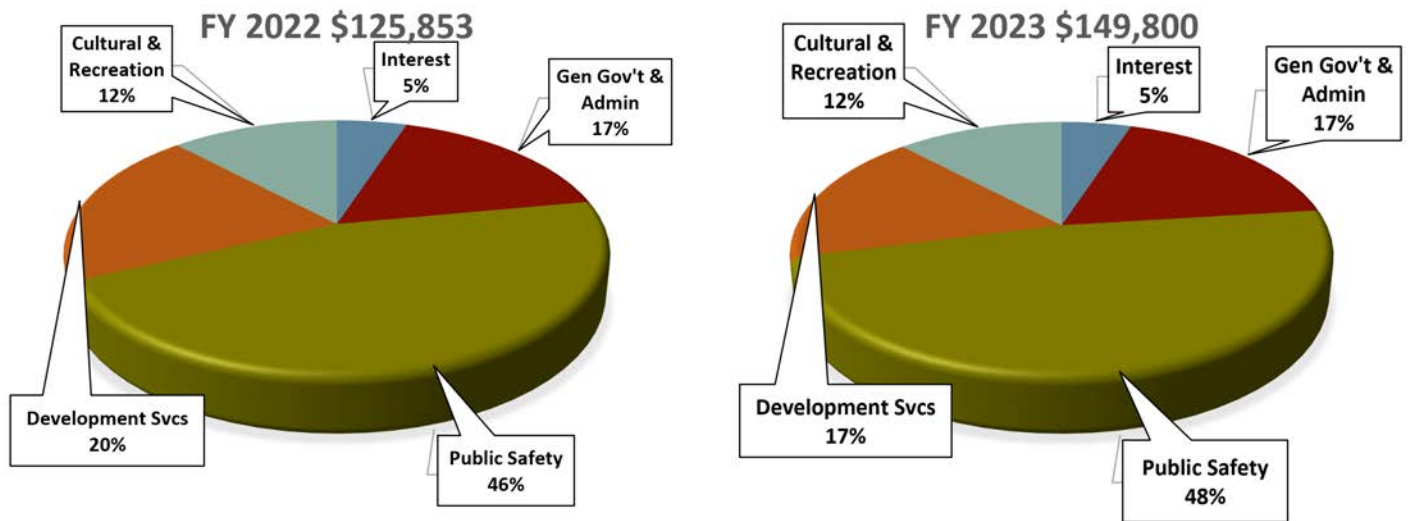
Excluding transfers from business-type activities, total revenues for governmental activities increased from the previous year by \$2,935. General revenue (excluding transfers) had a net increase of \$35,833 or 23.54%. Ad valorem tax experienced an increase of \$8,167 due to growth in assessed valuations from both new construction and increases in existing values. Additionally, an increase was seen in sales taxes of \$1,891. Other general revenues increased by \$25,776, primarily due to an increase in investment income and a reimbursement of sales tax dollars from DART. Program revenues had a net decrease of \$32,898 primarily due to the receipt of one-time federal American Rescue Plan Act funding in Fiscal Year 2022, not experienced in 2023. Net transfers to the business-type activities to governmental activities increased by \$12,387 from the previous year due to capital contributions from the General Fund for automated meter infrastructure.

**CITY OF CARROLLTON, TEXAS**

Management’s Discussion and Analysis  
For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
(Unaudited)

**Expenses by Type  
Governmental Activities**



Total expenses for governmental activities increased by \$23,967 or 19.04% primarily due to changes in the GASB 68 Report of TMRS as of December 31, 2022 and technology refreshes throughout the organization.

Business-type Activities: Net position from business-type activities increased by \$17,054 or 10.51% from \$162,255 to \$179,310. Net investment in capital assets increased by \$2,922 or 0.02%. Restricted net position decreased by \$1,203 or (59.51)%. Program revenues for business-type activities decreased by \$3,077 primarily due to a decrease in developer contributions.

**CITY OF CARROLLTON, TEXAS**

Management’s Discussion and Analysis  
For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
(Unaudited)

The following table provides a summary of the City’s operations for year ended September 30, 2023 with comparative totals for year ended September 30, 2022. Figures shown for 2022 have not been restated for new GASB implementations for Fiscal Year 2023.

**CITY OF CARROLLTON'S CHANGES IN NET POSITION**  
(Amounts in Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2022	2023	2022	2023	2022	2023
<b>Revenues</b>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 14,545	13,024	\$ 66,165	\$ 68,371	\$ 80,710	\$ 81,394
Operating Grants and Contributions	13,222	2,222	-	-	13,222	2,222
Capital Grants and Contributions	9,027	1,674	5,578	297	14,605	1,970
General Revenues:						
Ad Valorem Taxes	96,925	105,092	-	-	96,925	105,092
Sales Tax	48,706	50,597	-	-	48,706	50,597
Occupancy Tax	174	594	-	-	174	594
Franchise Fees	12,390	12,247	-	-	12,390	12,247
Investment Earnings:						
Net of change in fair value of investments	(7,768)	12,087	(1,134)	1,424	(8,902)	13,511
Gain on Sale of Capital Assets	326	428	39	85	365	514
Miscellaneous	1,501	7,043	670	510	2,171	7,553
<b>Total Revenues</b>	<b>\$ 189,048</b>	<b>\$ 205,006</b>	<b>\$ 71,318</b>	<b>\$ 70,686</b>	<b>\$ 260,366</b>	<b>\$ 275,693</b>
<b>Expenses</b>						
General Government and Administration						
Administration	\$ 21,531	\$ 26,458	\$ -	\$ -	\$ 21,531	\$ 26,458
Public Safety	57,636	71,523	-	-	57,636	71,523
Development Services	25,031	26,063	-	-	25,031	26,063
Cultural and Recreational	15,601	18,747	-	-	15,601	18,747
Interest on Long-Term Debt	6,055	7,031	-	-	6,055	7,031
Water and Sewer	-	-	43,754	48,239	43,754	48,239
Golf	-	-	667	616	667	616
Sanitation	-	-	10,112	10,365	10,112	10,365
<b>Total Expenses</b>	<b>125,855</b>	<b>149,822</b>	<b>54,534</b>	<b>59,221</b>	<b>180,387</b>	<b>209,041</b>
Increase in Net Position before Transfers						
Transfers	63,193	55,185	16,784	11,466	79,977	66,650
Transfers	6,799	(5,588)	(6,799)	5,588	-	-
Increase in Net Position	69,993	49,597	9,984	17,054	79,976	66,650
Net Position October 1	499,917	569,910	152,270	162,256	652,187	732,166
<b>Net Position September 30</b>	<b>\$ 569,910</b>	<b>\$ 619,507</b>	<b>\$ 162,255</b>	<b>\$ 179,310</b>	<b>\$ 732,163</b>	<b>\$ 798,816</b>

**CITY OF CARROLLTON, TEXAS**

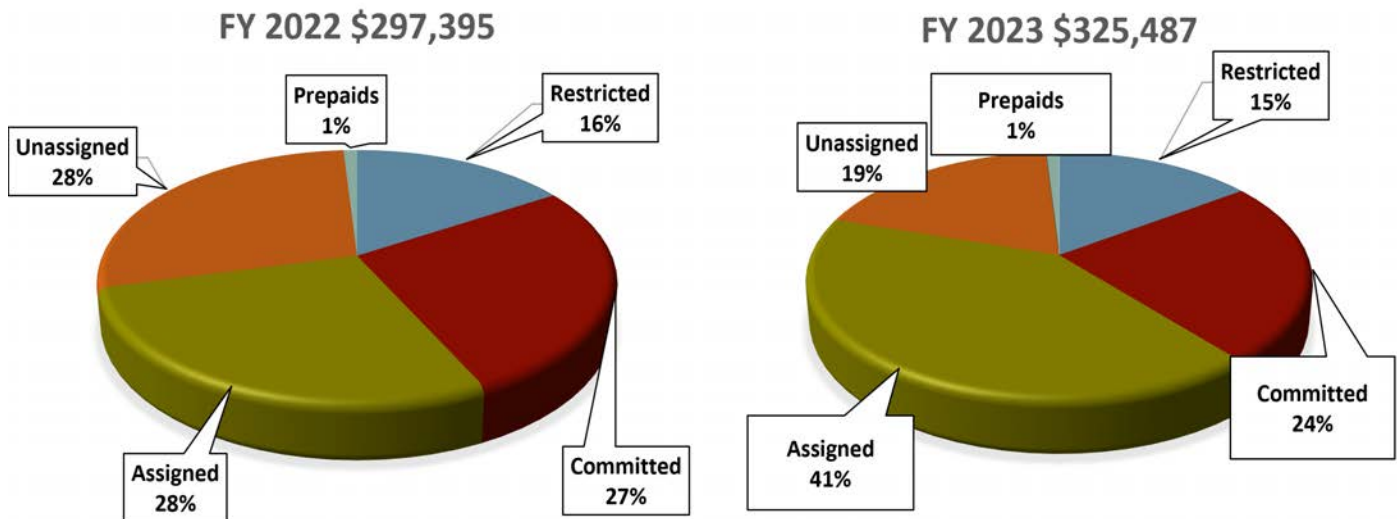
Management’s Discussion and Analysis  
For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
(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 available for spending in the next fiscal year.

**Fund Balances by Type  
Governmental Activities**



At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$325,487. Within this total, \$48,863 is restricted by specific legal requirements, such as by debt covenants, \$1,768 for prepaid expenditures, and \$211,863 has been committed or assigned to specific types of expenditure. The remaining \$62,993 is unassigned fund balance in the General Fund and can be used for any lawful purpose.

One of the City’s financial policies is to maintain fund balance in the General Fund equal to 60 days expenditures. When those balances significantly exceed the 60-day target, the excess is transferred to capital project funds to fund pay-as-you-go capital expenditures. During the year, the City experienced a growth in sales tax revenue, the General Fund’s second largest revenue. The nature of sales tax in Texas is discussed in note 6 on pages 55-56 of this report. In order to manage this volatile revenue source, the city council adopted a

## CITY OF CARROLLTON, TEXAS

Management's Discussion and Analysis  
For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
(Unaudited)

financial policy to transfer sales tax received in excess of the amount budgeted for recurring purposes to capital projects funds to be used for one-time capital expenditures. The fund balance exceeding the City's financial policy of 60 days was addressed during the fiscal year with significant transfers to other funds.

Debt service fund balance decreased in 2023 by \$210. Streets and Drainage Capital Projects fund balance increased by \$10,977 primarily due to the issuance of general obligation bonds and the receipt of transfers in from other funds partiall offset by capital outlay expenditures. The General and Public Facilities Capital Projects fund balance increased by \$26,444 primarily due to new parks general obligation bonds and transfers in that will be expended on future capital outlays.

**Proprietary funds** – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the respective enterprise funds is \$55,057 for Water and Sewer, \$2,858 for Golf Course, and \$201 for Sanitation. The total of all enterprise funds' unrestricted net position of \$58,117 is decreased by \$341 for the consolidation of the internal service fund activities related to enterprise funds to equal the total unrestricted net position for business-type activities in the entity-wide statements of \$58,458. Change in net position for enterprise funds in 2023 were \$16,392 in the Water and Sewer Fund, \$442 in the Golf Course Fund and \$24 in the Sanitation Fund.

**General Fund Budgetary Highlights** – Actual revenues collected exceeded management's original estimate of the General Fund's revenues by \$14,565 or 10.63% due primarily to the sales tax and investment income performing above budgetary amounts, conservative budgets practices and the expectation that Rule Change 3.334 would go into effect which would have lowered sales tax revenue. Additionally, expenditures were less than budget primarily due to vacancies reflected in personnel costs.

## PENSIONS AND RETIREE HEALTHCARE

Pensions and retiree health care continue to receive negative media attention as governments around the nation struggle to fund these commitments. The City is committed to providing programs in these areas that are fair to both employees and taxpayers and that can be sustained over the long term.

Effective for fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions," an amendment of GASB Statement No. 27, created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous uniform measure that can be used to compare the City's pension liabilities to other governments from around the nation. The funding valuation is important as the actuarial methods used (including strategies for repaying any unfunded actuarial accrued liabilities) combined with the City's history of making those contributions provides insights regarding the city's commitment to and the

**CITY OF CARROLLTON, TEXAS**

Management’s Discussion and Analysis  
For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
(Unaudited)

effectiveness of its funding strategy. Information contained in the financial statements themselves, including the first schedule of Required Supplementary Information (RSI), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation. On a reporting basis, the City’s financial statements reflect a Net pension Liability (NPL) as of September 30, 2023 of \$45,747 which is 68.71% of the City’s annual covered payroll of \$66,582. The NPL increased by \$72,323 from the previous year primarily due to lower than expected investment return. The sizable amount of fiduciary net position invested for the City by TMRS combined with the natural volatility of investment returns from year to year make both the NPL and pension expense volatile.

Effective January 1, 2022, the City re-opened the plan to employees eligible to retire in the City. Employees 60 years of age and with at least ten years of consecutive service with the city will be eligible to pay the same rates as those on the closed retiree health program. This change was made in response to the unaffordability of age-based rates combined with the highest claimant leaving the closed plan. The Total OPEB Liability (TOL) recorded as of September 30, 2023 is \$2,760,208.

**CAPITAL ASSETS**

The City’s investment in capital assets net of accumulated depreciation for its governmental and business-type activities as of September 30, 2023, amounts to \$638,945 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, intangibles, improvements, and infrastructure and construction in progress. The total increase in the City’s investment in capital assets, net of accumulated depreciation, for the current fiscal year was 4.28% (5.05% increase for governmental activities and 1.32% increase in business-type activities.) Accurately estimating useful lives for purposes of depreciation can be difficult particularly for infrastructure.

<b>Capital Assets at Year-End Net of Accumulated Depreciation</b>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>
Land	\$ 100,125	\$ 100,125	\$ 2,378	\$ 2,378	\$ 102,503	\$ 102,503
Buildings	33,085	30,085	1,867	1,568	34,952	31,653
Equipment	19,599	19,532	2,828	2,803	22,426	22,335
Intangibles	2,769	2,019	39	30	2,808	2,048
Improvements	32,273	34,529	3,303	2,793	35,577	37,322
Infrastructure	287,225	305,057	111,278	119,337	398,503	424,394
Construction in Progress	9,944	18,181	6,036	510	15,980	18,690
<b>Total</b>	<u>\$ 485,020</u>	<u>\$ 509,527</u>	<u>\$ 127,729</u>	<u>\$ 129,418</u>	<u>\$ 612,748</u>	<u>\$ 638,945</u>

**CITY OF CARROLLTON, TEXAS**

Management’s Discussion and Analysis  
 For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
 (Unaudited)

Leased and subscription assets are not included in this schedule. Details on leased and subscription assets can be found in Note 4: Capital Assets.

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

- Acquisition of vehicles and equipment totaling \$5.5 million, including \$1.7 million of public safety equipment and vehicles, \$1.8 million of parks equipment and \$239 thousand of public works equipment.
- Parks and recreation improvements totaling \$3.8 million including: \$1.8 million for improvements at McInnish Park, \$1.6 million for Rosemeade Gym and \$186 thousand for Hebron Park along with other Parks improvements.
- Water and sewer infrastructure improvements totaling \$7.3 million, including \$4.0 million for Don Cline Pump Station and \$1.7 million for Nob Hill along other water and sewer improvements.
- Street and Alley Improvements of \$25.9 million, including \$15.0 million in Residential Street replacements, \$1.1 million in street and sidewalk panel replacements, \$2.3 million in alley improvements, and \$7.5 million in arterial, collector, sidewalk and traffic improvements.
- Drainage Improvements of \$3.4 million, including \$1.5 million in storm water improvements for the Denton Drive area, \$500 thousand for Trinity Mills Station and Crosby Road, in addition to other stormwater infrastructure improvements.

Additional information on the City’s capital assets can be found in note 4 on pages 44-45 of this report.

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the City had a total bonded debt of \$224,455 including unamortized premiums. Of this amount, \$216,583 comprises bonded debt backed by the full faith and credit of the government, and \$7,872 represents bonds secured solely by water and sewer revenues.

	<b>Outstanding Debt at Year End</b>					
	<b>Bonds Payable</b>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>
General Obligation Bonds	\$ 208,946	\$ 216,583	\$ -	\$ -	\$ 208,946	\$ 216,583
Revenue Bonds	-	-	9,342	7,872	9,342	7,872
<b>Total</b>	<b>\$ 208,946</b>	<b>\$ 216,583</b>	<b>\$ 9,342</b>	<b>\$ 7,872</b>	<b>\$ 218,288</b>	<b>\$ 224,455</b>

**CITY OF CARROLLTON, TEXAS**

Management’s Discussion and Analysis  
For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
(Unaudited)

During the fiscal year, the City’s total debt increased by \$6,167 or 2.83% due to issuance of \$32,097 (including premium) of a new General Obligation Bond new money issue offset by existing debt retirements of \$24,460 and revenue bond retirements of \$1,470.

As a water distribution and sewer collection utility, the City does not have any debt outstanding related to water and sewer treatment. However, it does have long-term contracts with its regional suppliers that have outstanding debt related to the provision of these services. Table 14, “Direct and Contractually Obligated - Property Tax and Revenue Debt,” found on page 131, lists the City’s pro-rata share of debt that is contractually obligated.

The City's General Obligation and Waterworks and Sewer System Revenue Bond ratings are listed below.

	<u>Standard &amp; Poor’s</u>	<u>Fitch</u>
General Obligation Bonds	AAA	AAA
Revenue Bonds	AAA	AAA

Additional information on the City’s long term-debt can be found in note 5 on pages 46-49 of this report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS**

In the fiscal year 2024 Budget, General Fund recurring revenues are budgeted to increase by 3.70% from the fiscal year 2023 budget with ad valorem taxes making up 54.54% of General Fund budgeted revenues. The certified assessed values for the City increased by 10.66% for the fiscal year 2024 budget, and included over \$1.9 million in value as a result of new construction. The City Council reduced the tax rate by 1.5%. The city maintains the ability to use an unused tax increment in the next budget year which would allow it to raise the tax rate over the 3.5% cap without requiring an election, if needed.

Sales taxes continues to perform above budgetary expectations. The State of Texas proposed a new rule change that could impact the amount of sales tax that the city could receive from its local businesses. The city reduced its Sales and Use Tax budget to accomodate for this potential decrease.

The City continues to develop commercially. The new Trinity Mills Station Urban Development site broke ground in 2023 and will host an additional transit rail station, office buildings, mixed use, commercial and residential buildings. The city also maintains a strong warehouse district that continues to be rented at capacity due to the close proximity to the airport, major highways and the railway.

The Water and Sewer Operating Fund will see 5% increase in rates for fiscal year 2024 as the city continues its planning for increased debt needs and the implementation of Automated Meter Infrastructure(AMI). The commerical pilot of the AMI is scheduled for implementation in 2024. In December 2023, Fitch maintained its AAA rating of the city's Water and Sewer bonds.



**CITY OF CARROLLTON, TEXAS**

Management's Discussion and Analysis  
For the Year Ended September 30, 2023

Amounts in Thousands Unless Stated Otherwise  
(Unaudited)

**REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the Department of Finance, Attn: Finance Director, at P.O. Box 110535, Carrollton, Texas 75011-0535, e-mail at [Accounting@cityofcarrollton.com](mailto:Accounting@cityofcarrollton.com) or call (972) 466-3110.

CITY OF CARROLLTON, TEXAS

Government-Wide Statement of Net Position  
September 30, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash, cash equivalents, and investments	\$ 279,039,132	\$ 51,050,099	\$ 330,089,231
Receivables (net of allowance for doubtful accounts):			
Ad valorem taxes	111,044	-	111,044
Sales taxes	8,784,000	-	8,784,000
Franchise fees	3,217,072	-	3,217,072
Accounts	-	8,719,978	8,719,978
Accrued interest	1,538,253	268,117	1,806,370
Other	12,107,638	193,808	12,301,446
Public Improvement District assessment	10,364,180	-	10,364,180
Due from other governments	25,703	-	25,703
Internal balances	(340,972)	340,972	-
Lease assets, net of accumulated amortization (Capital)	4,036,745	-	4,036,745
SBITA Assets, net of accumulated amortization (Capital)	3,201,686	2,027,924	5,229,610
Inventories	98,487	-	98,487
Prepays items	1,888,815	1,206,866	3,095,681
Equity interest in joint venture	4,395,839	-	4,395,839
Land held for redevelopment	3,824,754	-	3,824,754
<b>Restricted assets:</b>			
Cash, cash equivalents, and investments	54,831,320	4,299,403	59,130,723
<b>Capital assets:</b>			
Land	100,124,774	2,377,918	102,502,692
Buildings	89,816,169	19,998,757	109,814,926
Equipment	59,760,869	9,783,303	69,544,172
Intangibles	10,756,801	828,392	11,585,193
Improvements	64,114,444	16,169,676	80,284,120
Infrastructure	453,598,641	281,265,481	734,864,122
Construction in progress	18,180,600	509,594	18,690,194
Accumulated depreciation	(286,824,855)	(201,515,187)	(488,340,042)
<b>Total assets</b>	<b>896,651,139</b>	<b>197,525,101</b>	<b>1,094,176,240</b>
Deferred outflows of resources			
Difference in expected and actual OPEB experience	9,322	26,676	35,998
Difference in expected and actual pension experience	6,914,411	294,006	7,208,417
Pension contributions after measurement date	5,990,685	266,560	6,257,245
Difference in projected and actual earnings on pension assets	30,950,966	1,473,086	32,424,052
<b>Total deferred outflows of resources</b>	<b>43,865,384</b>	<b>2,060,328</b>	<b>45,925,712</b>
Liabilities			
Accounts payable	16,461,549	4,486,754	20,948,303
Accrued interest	1,119,007	125,750	1,244,757
Unearned revenue	315,443	-	315,443
Customer deposits payable	-	3,140,747	3,140,747
<b>Noncurrent liabilities:</b>			
Due within one year	24,049,719	1,083,864	25,133,583
Due in more than one year	275,618,822	11,325,678	286,944,500
<b>Total liabilities</b>	<b>317,564,540</b>	<b>20,162,793</b>	<b>337,727,333</b>
Deferred inflows of resources			
Deferred charges on refunding	565,566	-	565,566
Difference in expected and actual pension experience	1,945,359	92,449	2,037,808
Changes in actuarial assumptions used to determine pension liability	-	224	224
Deferred inflows related to leases	482,047	-	482,047
Changes in actuarial assumptions used to determine OPEB liability	452,140	20,118	472,258
<b>Total deferred inflows of resources</b>	<b>3,445,112</b>	<b>112,791</b>	<b>3,557,903</b>
Net position			
Net investment in capital assets	315,120,145	120,033,950	435,154,095
Restricted for:			
Debt service	5,237,181	818,323	6,055,504
Capital projects	1,589,948	-	1,589,948
Special revenue, public safety	2,558,349	-	2,558,349
Unrestricted	295,001,248	58,457,572	353,458,820
<b>Total net position</b>	<b>\$ 619,506,871</b>	<b>\$ 179,309,845</b>	<b>\$ 798,816,716</b>

See accompanying notes to basic financial statements.

**CITY OF CARROLLTON, TEXAS**

Government-Wide Statement of Activities  
For the Year Ended September 30, 2023

<b>Program Activities</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expenses) Revenue and Changes in Net Position</b>		
		<b>Fees, Fines, and Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Governmental activities:</b>							
General government and administration	\$ 26,457,923	\$ 235,170	\$ 981,038	\$ -	\$ (25,241,715)	\$ -	\$ (25,241,715)
Public safety	71,523,237	8,405,815	448,019	-	(62,669,403)	-	(62,669,403)
Development services	26,062,521	1,655,177	792,683	1,673,577	(21,941,084)	-	(21,941,084)
Cultural and recreational	18,747,089	2,727,384	-	-	(16,019,705)	-	(16,019,705)
Interest and fiscal charges	7,031,007	-	-	-	(7,031,007)	-	(7,031,007)
<b>Total governmental activities</b>	<b>149,821,777</b>	<b>13,023,546</b>	<b>2,221,740</b>	<b>1,673,577</b>	<b>(132,902,914)</b>	<b>-</b>	<b>(132,902,914)</b>
<b>Business-type activities:</b>							
Water and Sewer	48,239,139	55,045,831	-	296,688	-	7,103,380	7,103,380
Golf	616,188	883,646	-	-	-	267,458	267,458
Sanitation	10,365,281	12,441,234	-	-	-	2,075,953	2,075,953
<b>Total business-type activities</b>	<b>59,220,608</b>	<b>68,370,711</b>	<b>-</b>	<b>296,688</b>	<b>-</b>	<b>9,446,791</b>	<b>9,446,791</b>
<b>Total government</b>	<b>\$ 209,042,385</b>	<b>\$ 81,394,257</b>	<b>\$ 2,221,740</b>	<b>\$ 1,970,265</b>	<b>(132,902,914)</b>	<b>9,446,791</b>	<b>(123,456,123)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Ad valorem					105,091,592	-	105,091,592
Sales					50,596,808	-	50,596,808
Occupancy					594,040	-	594,040
Franchise fees based upon gross receipts					12,247,092	-	12,247,092
Investment earnings net of change in fair value of investments					12,086,664	1,424,011	13,510,675
Gain on sale of capital assets					428,391	85,210	513,601
Miscellaneous					7,042,950	509,722	7,552,672
Transfers					(5,588,059)	5,588,059	-
					<b>182,499,478</b>	<b>7,607,002</b>	<b>190,106,480</b>
					<b>49,596,564</b>	<b>17,053,793</b>	<b>66,650,357</b>
					<b>569,910,307</b>	<b>162,256,052</b>	<b>732,166,359</b>
Net position at beginning of year					<b>\$ 619,506,871</b>	<b>\$ 179,309,845</b>	<b>\$ 798,816,716</b>
Net position at end of year							

See accompanying notes to basic financial statements.

CITY OF CARROLLTON, TEXAS

Balance Sheet  
 Governmental Funds  
 September 30, 2023

	General	Debt Service	Streets and Drainage	General and Public Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 56,180,983	\$ 5,100,311	\$ 117,057,196	\$ 65,863,800	\$ 67,599,664	\$ 311,801,954
Receivables (net, where applicable, of allowance for doubtful accounts):						
Ad valorem taxes	-	111,044	-	-	-	111,044
Sales taxes	8,784,000	-	-	-	-	8,784,000
Franchise fees	3,217,072	-	-	-	-	3,217,072
Accrued interest	357,708	25,826	541,211	232,391	272,831	1,429,967
Other	2,640,413	-	-	7,973,833	482,868	11,097,114
Due from other governments	-	-	-	-	25,703	25,703
Prepaid items	1,676,061	-	-	-	92,387	1,768,448
Land held for redevelopment	-	-	-	3,824,754	-	3,824,754
<b>Total assets</b>	<u>\$ 72,856,237</u>	<u>\$ 5,237,181</u>	<u>\$ 117,598,407</u>	<u>\$ 77,894,778</u>	<u>\$ 68,473,453</u>	<u>\$ 342,060,056</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 6,630,487	\$ -	\$ 4,741,591	\$ 1,319,233	\$ 1,554,069	\$ 14,245,380
Unearned revenue	22,126	-	72,000	-	221,317	315,443
<b>Total liabilities</b>	<u>6,652,613</u>	<u>-</u>	<u>4,813,591</u>	<u>1,319,233</u>	<u>1,775,386</u>	<u>14,560,823</u>
<b>Deferred inflows of resources</b>						
Deferred inflows related to leases	4,464	-	-	20,806	456,777	482,047
Unavailable revenue	1,530,150	-	-	-	-	1,530,150
<b>Total deferred inflows of resources</b>	<u>1,534,614</u>	<u>-</u>	<u>-</u>	<u>20,806</u>	<u>456,777</u>	<u>2,012,197</u>
<b>Fund balances:</b>						
<b>Nonspendable for:</b>						
Prepaid items	1,676,061	-	-	-	92,387	1,768,448
<b>Restricted for:</b>						
Debt service	-	5,237,181	-	-	-	5,237,181
Streets and drainage	-	-	16,036,584	-	-	16,036,584
Public facilities	-	-	-	5,919,661	-	5,919,661
Other capital projects	-	-	-	-	19,254,771	19,254,771
Other purposes	-	-	-	-	2,414,906	2,414,906
<b>Committed to:</b>						
Street rehabilitation	-	-	49,518,355	-	-	49,518,355
Capital projects	-	-	-	-	27,974,883	27,974,883
<b>Assigned to:</b>						
Streets and drainage	-	-	47,229,877	-	-	47,229,877
Public facilities	-	-	-	70,635,078	-	70,635,078
Other capital projects	-	-	-	-	15,494,260	15,494,260
Other purposes	-	-	-	-	1,010,083	1,010,083
<b>Unassigned</b>	<u>62,992,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,992,949</u>
<b>Total fund balances</b>	<u>64,669,010</u>	<u>5,237,181</u>	<u>112,784,816</u>	<u>76,554,739</u>	<u>66,241,290</u>	<u>325,487,036</u>
<b>Total liabilities and fund balances</b>	<u>\$ 72,856,237</u>	<u>\$ 5,237,181</u>	<u>\$ 117,598,407</u>	<u>\$ 77,894,778</u>	<u>\$ 68,473,453</u>	<u>\$ 342,060,056</u>

See accompanying notes to basic financial statements.

**CITY OF CARROLLTON, TEXAS**

Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position  
September 30, 2023

Total fund balance - total governmental funds	\$	325,487,036
Amounts reported for governmental activities in the statement of net position are different because:		
PID Assessment Receivable is not a current financial resource and therefore is not reported in governmental funds balance sheet.		10,364,180
Equity investment in Joint Venture is not a current financial resource and therefore is not reported in the governmental funds balance sheet.		4,395,839
Leased and subscription assets are not a current financial resource.		7,238,431
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Includes capital assets of Internal Service Funds.		509,527,443
Deferred outflows of resources are not reported in the governmental funds:		
Pension contributions after measurement date	5,990,685	
Difference in expected and actual Pension Experience	6,914,411	
Difference in actual OPEB experience	9,322	
Difference in pension investment returns	<u>30,950,966</u>	43,865,384
Internal service funds are used by management to charge the cost of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position (net of amount allocated to business-type activities, capital assets, and long-term liabilities). Internal Service Fund balances are not included in other reconciling items.		
Current assets	\$ 23,406,162	
Accounts payable	(2,202,428)	
Net amount allocated to business-type activities	<u>(340,972)</u>	20,862,762
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(1,119,007)
Long-term liabilities are not due and payable in the current period, therefore, they are not reported in the governmental funds balance sheet. Does include Internal Service Funds' noncurrent liabilities.		
Due within one year	\$ 24,063,460	
Due in more than one year	<u>275,618,822</u>	(299,682,282)
Deferred inflows for unavailable revenues are not reported in governmentwide statements.		1,530,150
Deferred inflows of resources are not reported in the governmental funds:		
Difference in expected and actual pension experience	(1,945,359)	
Charges on refunding	(565,566)	
OPEB assumption change	<u>(452,140)</u>	<u>(2,963,065)</u>
Net position of governmental activities	\$	<u>619,506,871</u>

See accompanying notes to basic financial statements.

CITY OF CARROLLTON, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended September 30, 2023

	General	Debt Service	Streets and Drainage	General and Public Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
<b>Taxes:</b>						
Ad valorem	\$ 69,709,454	\$ 27,428,890	\$ 2,947,214	\$ -	\$ 4,306,119	\$ 104,391,677
Penalty and interest	634,408	65,507	-	-	-	699,915
Sales	50,596,808	-	-	-	-	50,596,808
911 fees	1,078,814	-	-	-	-	1,078,814
Occupancy	-	-	-	-	594,040	594,040
Franchise fees	12,052,115	-	-	194,977	-	12,247,092
Assessments	-	-	-	-	133,271	133,271
Charges for services	5,667,796	-	-	-	282,908	5,950,704
Intergovernmental	1,416,013	-	-	269,717	1,131,150	2,816,880
Licenses and permits	2,644,583	-	-	-	9,225	2,653,808
Fines and forfeitures	2,651,485	-	-	60,130	401,449	3,113,064
Investment earnings net of change in fair value of investments	4,783,473	41,716	3,495,102	1,150,610	1,914,813	11,385,714
PID assessment revenue	-	-	-	-	1,193,769	1,193,769
Miscellaneous	314,776	-	-	6,676,893	216,942	7,208,611
<b>Total Revenues</b>	<b>151,549,725</b>	<b>27,536,113</b>	<b>6,442,316</b>	<b>8,352,327</b>	<b>10,183,686</b>	<b>204,064,167</b>
<b>Expenditures</b>						
<b>Current:</b>						
General government and administration	21,488,582	-	-	-	-	21,488,582
Public safety	69,954,555	-	-	-	439,784	70,394,339
Development services	9,818,879	-	-	-	-	9,818,879
Cultural and recreational	14,601,481	-	-	-	977,665	15,579,146
PID Development Reimbursement	-	-	-	-	1,193,770	1,193,770
Capital outlay	2,535,812	-	28,876,832	12,782,681	9,441,100	53,636,425
<b>Debt service:</b>						
Principal retirement	1,518,395	16,855,000	-	159,840	-	18,533,235
Interest and fiscal charges	757,981	8,276,872	-	1,569	-	9,036,422
<b>Total Expenditures</b>	<b>120,675,685</b>	<b>25,131,872</b>	<b>28,876,832</b>	<b>12,944,090</b>	<b>12,052,319</b>	<b>199,680,798</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>30,874,040</b>	<b>2,404,241</b>	<b>(22,434,516)</b>	<b>(4,591,763)</b>	<b>(1,868,633)</b>	<b>4,383,369</b>
<b>Other financing sources (uses):</b>						
SBITA issued	2,535,812	-	-	-	-	2,535,812
Bonds issued	-	2,956,835	14,133,165	1,000,000	10,050,000	28,140,000
Premium on bonds issued	-	-	4,227,254	-	-	4,227,254
Payment to refunded bond escrow agent	-	(5,571,060)	-	-	-	(5,571,060)
Transfers in	7,047,425	-	15,050,977	30,435,304	3,007,000	55,540,706
Transfers out	(60,763,608)	-	-	(400,000)	-	(61,163,608)
<b>Total other financing sources (uses)</b>	<b>(51,180,371)</b>	<b>(2,614,225)</b>	<b>33,411,396</b>	<b>31,035,304</b>	<b>13,057,000</b>	<b>23,709,104</b>
Net change in fund balances	(20,306,331)	(209,984)	10,976,880	26,443,541	11,188,367	28,092,473
Fund balances at beginning of year	84,975,341	5,447,165	101,807,936	50,111,198	55,052,923	297,394,563
<b>Fund balances at end of year</b>	<b>\$ 64,669,010</b>	<b>\$ 5,237,181</b>	<b>\$ 112,784,816</b>	<b>\$ 76,554,739</b>	<b>\$ 66,241,290</b>	<b>\$ 325,487,036</b>

See accompanying notes to basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2023

Net change in fund balances - total governmental funds \$ 28,092,473

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

The City's share of net gain from investment in joint venture is not reflected in fund financial statements 1,019,964

Revenue from court warrants for the City not recognized in fund financial statements on the modified accrual basis is recognized in the government-wide financial statements on the accrual basis 112,502

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital, leased and subscription assets in the current period. 46,940,779

The net effect of various transactions involving capital assets

Capital contributions	\$ 1,078,437	
Asset retirements/disposals/adjustments	<u>(424,402)</u>	654,035

Principal payments on leases		722,360
Amortization of lease assets		<u>(738,746)</u>

SBITA Payment		1,661,788
SBITA Amortization		<u>(1,167,425)</u>

Depreciation expense on capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds. (23,003,486)

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 the 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.

SBITA Issued	(2,535,812)	
Bonds issued	(28,140,000)	
Premium on bonds issued	(4,227,254)	
Bond principal retirement	16,855,000	
Payment to refunding bond escrow agent	5,571,060	
Change in accrued interest on Bonds Payable	(80,246)	
Amortization of bond premiums	2,350,289	
Amortization of deferred charges on refundings	<u>100,023</u>	(10,106,940)

Expenditures are recognized in the governmental funds when paid or due for items not normally paid with available financial resources. However, the Statement of Activities is presented on an accrual basis and expenses are reported when incurred. This amount is the net effect of these differences.

Compensated absences expenses	\$ 1,063,800	
Pension costs & OPEB, net	<u>(1,287,832)</u>	(224,032)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities net of amount allocated to business-type activities and depreciation expense.

Change in net position	\$ 3,032,679	
------------------------	--------------	--

See accompanying notes to basic financial statements.

Net of amount allocated to business activities	195,079	
Depreciation expense	<u>2,405,534</u>	<u>5,633,292</u>
Change in net position of governmental activities		<u>\$ 49,596,564</u>

See accompanying notes to basic financial statements.



CITY OF CARROLLTON, TEXAS

General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 For the Year Ended September 30, 2023

	<u>Budgeted Amounts</u>		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
Revenues:						
Taxes:						
Ad valorem	\$ 72,896,665	\$ 73,459,398	\$ 69,709,454	\$ -	\$ 69,709,454	\$ (3,749,944)
Penalty and interest	300,000	300,000	634,408	-	634,408	334,408
Sales	39,486,402	46,881,859	50,596,808	-	50,596,808	3,714,949
911 fees	1,061,408	1,061,408	1,078,814	-	1,078,814	17,406
Franchise fees	11,264,869	11,674,409	12,052,115	-	12,052,115	377,706
Charges for services	5,203,328	5,208,351	5,667,796	-	5,667,796	459,445
Intergovernmental	-	-	1,416,013	-	1,416,013	1,416,013
Licenses and permits	2,392,124	2,315,601	2,644,583	-	2,644,583	328,982
Fines and forfeitures	3,244,269	2,985,071	2,651,485	-	2,651,485	(333,586)
Investment earnings						
Net of change in fair value of investments	394,221	2,749,415	4,783,473	1,242,954	6,026,427	3,277,012
Miscellaneous	741,000	1,077,046	314,776	-	314,776	(762,270)
<b>Total revenues</b>	<b>136,984,286</b>	<b>147,712,558</b>	<b>151,549,725</b>	<b>1,242,954</b>	<b>152,792,679</b>	<b>5,080,121</b>
Expenditures:						
Current:						
General government and administration	33,286,996	32,856,016	21,488,582	39,521	21,528,103	11,327,913
Public safety	79,751,263	81,646,496	69,954,555	316,828	70,271,383	11,375,113
Development services	20,746,294	18,054,334	9,818,879	84,562	9,903,441	8,150,893
Cultural and recreational	19,369,352	19,035,957	14,601,481	63,974	14,665,455	4,370,502
Capital outlay	-	-	2,535,812	-	2,535,812	(2,535,812)
Principal retirement	-	-	1,518,395	-	1,518,395	(1,518,395)
Interest and fiscal charges	-	-	757,981	-	757,981	(757,981)
<b>Total expenditures</b>	<b>153,153,905</b>	<b>151,592,803</b>	<b>120,675,685</b>	<b>504,885</b>	<b>121,180,570</b>	<b>30,412,233</b>
Excess (deficiency) of revenues over (under) expenditures	<b>(16,169,619)</b>	<b>(3,880,245)</b>	<b>30,874,040</b>	<b>738,069</b>	<b>31,612,109</b>	<b>35,492,354</b>
Other financing sources (uses):						
SBITA issued	-	-	2,535,812	-	2,535,812	2,535,812
Transfers in	2,795,726	2,795,726	7,047,425	-	7,047,425	4,251,699
Transfers out	(54,734,021)	(62,604,021)	(60,763,608)	-	(60,763,608)	1,840,413
<b>Total other financing sources (uses)</b>	<b>(51,938,295)</b>	<b>(59,808,295)</b>	<b>(51,180,371)</b>	<b>-</b>	<b>(51,180,371)</b>	<b>8,627,924</b>
Net change in fund balances	(68,107,914)	(63,688,540)	(20,306,331)	738,069	(19,568,262)	44,120,278
Fund balances at beginning of year	84,975,341	84,975,341	84,975,341	-	84,975,341	-
Fund balances at end of year	<u>\$ 16,867,427</u>	<u>\$ 21,286,801</u>	<u>\$ 64,669,010</u>	<u>\$ 738,069</u>	<u>\$ 65,407,079</u>	<u>\$ 44,120,278</u>

See accompanying notes to basic financial statements.

CITY OF CARROLLTON, TEXAS

Statement of Net Position  
 Proprietary Funds  
 September 30, 2023

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Golf Course	Sanitation	Total	
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 48,332,010	\$ 2,685,422	\$ 32,667	\$ 51,050,099	\$ 22,068,498
Receivables (net where applicable of allowance for doubtful accounts)					
Accounts	7,364,427	-	1,355,551	8,719,978	-
Accrued interest	251,956	7,345	8,816	268,117	108,286
Other	-	193,808	-	193,808	1,010,524
Inventories	-	-	-	-	98,487
Prepaid items	1,206,866	-	-	1,206,866	120,367
<b>Restricted assets:</b>					
Cash and cash equivalents	3,481,080	-	-	3,481,080	-
<b>Total current assets</b>	<b>60,636,339</b>	<b>2,886,575</b>	<b>1,397,034</b>	<b>64,919,948</b>	<b>23,406,162</b>
<b>Noncurrent assets:</b>					
<b>Restricted assets:</b>					
Cash and cash equivalents	818,323	-	-	818,323	-
SBITA Asset	2,541,322	-	-	2,541,322	-
SBITA-accumulated amortization	(513,398)	-	-	(513,398)	-
<b>Capital assets:</b>					
Land	1,382,918	995,000	-	2,377,918	-
Buildings	18,073,186	1,925,571	-	19,998,757	176,409
Equipment	6,881,467	1,441,533	1,460,303	9,783,303	26,708,914
Intangibles	828,392	-	-	828,392	104,714
Improvements	-	16,169,676	-	16,169,676	-
Infrastructure	281,265,481	-	-	281,265,481	-
Construction in progress	509,594	-	-	509,594	-
Accumulated depreciation	(183,851,745)	(16,203,139)	(1,460,303)	(201,515,187)	(17,045,087)
<b>Total capital assets, net of     accumulated depreciation</b>	<b>125,089,293</b>	<b>4,328,641</b>	<b>-</b>	<b>129,417,934</b>	<b>9,944,950</b>
<b>Total noncurrent assets</b>	<b>127,935,540</b>	<b>4,328,641</b>	<b>-</b>	<b>132,264,181</b>	<b>9,944,950</b>
<b>Total assets</b>	<b>188,571,879</b>	<b>7,215,216</b>	<b>1,397,034</b>	<b>197,184,129</b>	<b>33,351,112</b>
<b>Deferred outflows of resources</b>					
Pension contributions after measurement date	266,560	-	-	266,560	-
Difference in projected and actual earnings on pension assets	1,473,086	-	-	1,473,086	-
Difference in expected / actual pension experience	294,006	-	-	294,006	-
Difference in expected and actual OPEB experience	26,676	-	-	26,676	-
<b>Total deferred outflows of resources</b>	<b>2,060,328</b>	<b>-</b>	<b>-</b>	<b>2,060,328</b>	<b>-</b>
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable	3,262,695	28,508	1,195,551	4,486,754	2,202,428
Estimated health claims payable	-	-	-	-	792,791
Customer deposits payable	3,140,747	-	-	3,140,747	-
Due within one year-SBITA	421,946	-	-	421,946	-
Revenue bonds payable	515,000	-	-	515,000	-
Compensated absences	74,490	-	-	74,490	-
Accrued interest	125,750	-	-	125,750	-
<b>Total current liabilities</b>	<b>7,540,628</b>	<b>28,508</b>	<b>1,195,551</b>	<b>8,764,687</b>	<b>2,995,219</b>
<b>Noncurrent liabilities:</b>					
Revenue bonds payable	7,357,133	-	-	7,357,133	-
Net pension liability	1,950,523	-	-	1,950,523	-
Total OPEB liability	107,867	-	-	107,867	-
Compensated absences	533,745	-	-	533,745	53,191
Due in more than a year-SBITA	1,448,838	-	-	1,448,838	-
Long-term risk liability	-	-	-	-	1,228,468
<b>Total noncurrent liabilities</b>	<b>11,398,106</b>	<b>-</b>	<b>-</b>	<b>11,398,106</b>	<b>1,281,659</b>
<b>Total liabilities</b>	<b>18,938,734</b>	<b>28,508</b>	<b>1,195,551</b>	<b>20,162,793</b>	<b>4,276,878</b>
<b>Deferred inflows of resources</b>					
Difference in expected and actual pension experience	92,449	-	-	92,449	-
Changes in actuarial assumptions used to determine pension liability	224	-	-	224	-
Deferred Inflow OPEB experience	20,118	-	-	20,118	-
<b>Total deferred inflows of resources</b>	<b>112,791</b>	<b>-</b>	<b>-</b>	<b>112,791</b>	<b>-</b>
<b>Net Position</b>					
Net investment in capital assets	115,705,309	4,328,641	-	120,033,950	9,944,950
Restricted for:					
Revenue bond retirement	818,323	-	-	818,323	-
Unrestricted	55,057,050	2,858,067	201,483	58,116,600	19,129,284
<b>Total net position</b>	<b>\$ 171,580,682</b>	<b>\$ 7,186,708</b>	<b>\$ 201,483</b>	<b>\$ 178,968,873</b>	<b>\$ 29,074,234</b>
<b>Reconciliation to government-wide statement of net position:</b>					
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				340,972	
<b>Net position of business-type activities</b>				<b>\$ 179,309,845</b>	

**CITY OF CARROLLTON, TEXAS**

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended September 30, 2023

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Golf Course	Sanitation	Total	
Operating revenues:					
Charges for services	\$ 55,045,831	\$ 972,263	\$ 12,441,234	\$ 68,459,328	\$ 21,971,288
Miscellaneous	421,105	-	-	421,105	-
Total operating revenues	<u>55,466,936</u>	<u>972,263</u>	<u>12,441,234</u>	<u>68,880,433</u>	<u>21,971,288</u>
Operating expenses:					
Personnel services	4,886,490	-	-	4,886,490	992,802
Supplies and services	34,109,046	-	10,219,560	44,328,606	16,599,336
Utilities	1,035,456	12,877	-	1,048,333	32,159
Allocations	1,679,902	6,328	162,189	1,848,419	56,610
Depreciation and amortization	6,437,241	597,626	-	7,034,867	2,405,534
Total operating expenses	<u>48,148,135</u>	<u>616,831</u>	<u>10,381,749</u>	<u>59,146,715</u>	<u>20,086,441</u>
Income (loss) from operations	<u>7,318,801</u>	<u>355,432</u>	<u>2,059,485</u>	<u>9,733,718</u>	<u>1,884,847</u>
Nonoperating revenues (expenses):					
Investment earnings net of change in fair value of investments	1,296,332	61,079	66,600	1,424,011	700,950
Gain on sale/retirement of capital assets	59,350	25,860	-	85,210	412,039
Interest expense	(268,972)	-	-	(268,972)	-
Total nonoperating revenues (expenses)	<u>1,086,710</u>	<u>86,939</u>	<u>66,600</u>	<u>1,240,249</u>	<u>1,112,989</u>
Income/(Loss) before contributions and transfers	<u>8,405,511</u>	<u>442,371</u>	<u>2,126,085</u>	<u>10,973,967</u>	<u>2,997,836</u>
Capital contributions	296,688	-	-	296,688	-
Transfers in	13,071,304	-	-	13,071,304	1,000,000
Transfers out	(5,381,519)	-	(2,101,726)	(7,483,245)	(965,157)
Change in net position	<u>16,391,984</u>	<u>442,371</u>	<u>24,359</u>	<u>16,858,714</u>	<u>3,032,679</u>
Net position at beginning of year	<u>155,188,698</u>	<u>6,744,337</u>	<u>177,124</u>		<u>26,041,555</u>
Net position at end of year	<u>\$ 171,580,682</u>	<u>\$ 7,186,708</u>	<u>\$ 201,483</u>		<u>\$ 29,074,234</u>
Reconciliation to government-wide statement of activities:					
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				195,079	
Change in net position of business-type activities				<u>\$17,053,793</u>	

See accompanying notes to basic financial statements.

**CITY OF CARROLLTON, TEXAS**

Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended September 30, 2023

	Business -Type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Golf Course	Sanitation	Total	
Cash flows from operating activities:					
Cash received from customers for services	\$ 57,920,215	\$ 960,316	\$ 11,858,019	\$ 70,738,550	\$ -
Cash received from employees for services	-	-	-	-	2,489,588
Cash received from other funds for services	-	-	-	-	19,614,281
Cash received from loss claim recoveries	-	-	-	-	1,204,993
Other operating cash receipts	237,733	-	-	237,733	-
Cash payments to suppliers for goods and services	(42,220,506)	20,966	(10,364,074)	(52,563,614)	(8,701,558)
Cash payments to employees for services	(4,139,838)	-	-	(4,139,838)	(276,700)
Cash payment for loss claims	-	-	-	-	(10,833,864)
Cash payments to other funds for services	(561,331)	(6,327)	(162,189)	(729,847)	-
Net cash provided by operating activities	<u>11,236,273</u>	<u>974,955</u>	<u>1,331,756</u>	<u>13,542,984</u>	<u>3,496,740</u>
Cash flows from noncapital financing activities:					
Transfers out	(5,381,519)	-	(2,101,726)	(7,483,245)	(965,156)
Net cash provided by (used in) noncapital financing activities	<u>(5,381,519)</u>	<u>-</u>	<u>(2,101,726)</u>	<u>(7,483,245)</u>	<u>(965,156)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(7,744,223)	(231,583)	-	(7,975,806)	(2,200,397)
Transfer in for capital purposes	13,071,304	-	-	13,071,304	-
Proceeds from sale of capital assets	59,350	25,860	-	85,210	417,274
Interest paid on bonds	(342,000)	-	-	(342,000)	-
Transfers in	-	-	-	-	1,000,000
Retirement of bonds	(1,340,000)	-	-	(1,340,000)	-
Interest payments on SBITA liability	(122,412)	-	-	(122,412)	-
Payments on SBITA liability	(670,539)	-	-	(670,539)	-
Retirement of intrafund loan	-	-	-	-	-
Capital contributions	141,230	-	-	141,230	-
Net cash provided by (used in) capital and related financing activities	<u>3,052,710</u>	<u>(205,723)</u>	<u>-</u>	<u>2,846,987</u>	<u>(783,123)</u>
Cash flows from investing activities:					
Investment return on cash and cash equivalents	1,210,876	55,991	62,025	1,328,892	655,874
Net increase (decrease) in cash and cash equivalents	10,118,340	825,223	(707,945)	10,235,618	2,404,335
Cash and cash equivalents, October 1	42,513,073	1,860,199	740,612	45,113,884	19,664,163
Cash and cash equivalents, September 30	<u>\$ 52,631,413</u>	<u>\$ 2,685,422</u>	<u>\$ 32,667</u>	<u>\$ 55,349,502</u>	<u>\$ 22,068,498</u>

(Continued)

See accompanying notes to basic financial statements.

**CITY OF CARROLLTON, TEXAS**

Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended September 30, 2023

	Business -Type Activities- Enterprise Funds				Governmental Activities- Internal Service Funds
	Water and Sewer	Golf Course	Sanitation	Total	
Reconciliation of income (loss) from operations to net cash provided by operating activities:					
Income from operations	\$ 7,318,801	\$ 355,432	\$ 2,059,485	\$ 9,733,718	\$ 1,884,847
Adjustments to reconcile income from operations to net cash provided by operating activities:					
Depreciation and amortization	6,437,241	597,626	-	7,034,867	2,405,534
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(1,450,038)	-	10,119	(1,439,919)	
(Increase) decrease in other receivables	-	7,485	-	7,485	(1,010,524)
(Increase) decrease in due from other governments	-	-	-	-	-
(Increase) decrease in inventories	-	-	-	-	2,011
(Increase) decrease in prepaid items	(1,206,866)	-	-	(1,206,866)	-
(Increase) decrease in pension related deferred outflows	(154,210)	-	-	(154,210)	-
(Increase) decrease in OPEB related deferred outflows	11,573	-	-	11,573	-
Increase (decrease) in accounts payable	157,586	14,412	(737,848)	(565,850)	192,779
Increase (decrease) in estimated health claims payable	-	-	-	-	4,295
Increase (decrease) in customer deposits payable	(10,351)	-	-	(10,351)	-
Increase (decrease) in net pension liability	3,080,962	-	-	3,080,962	-
Increase (decrease) in net OPEB liability	(20,411)	-	-	(20,411)	-
Increase (decrease) in liability for compensated absences	69,012	-	-	69,012	2,116
Increase (decrease) in long-term risk liability	-	-	-	-	15,682
Increase (decrease) in OPEB related deferred inflows	(330,895)	-	-	(330,895)	-
Increase (decrease) in pension related deferred inflows	(2,666,131)	-	-	(2,666,131)	-
Net cash provided by (used in) operating activities	<u>\$ 11,236,273</u>	<u>\$ 974,955</u>	<u>\$ 1,331,756</u>	<u>\$ 13,542,984</u>	<u>\$ 3,496,740</u>

Noncash investing, capital and financing activities:

During the past year, the Enterprise Funds received \$155,458 of noncash capital contributions from developers consisting of water and sewer infrastructure. Retainage payable as of 9/30/2023 equals \$1,175,832

Reconciliation of total cash and cash equivalents:

Current assets:					
Cash and cash equivalents	\$ 48,332,010	\$ 2,685,422	\$ 32,667	\$ 51,050,099	\$ 22,068,498
Restricted assets - cash and cash equivalents	3,481,080	-	-	3,481,080	-
Noncurrent assets:					
Restricted assets - cash and cash equivalents	818,323	-	-	818,323	-
Total cash and cash equivalents	<u>\$ 52,631,413</u>	<u>\$ 2,685,422</u>	<u>\$ 32,667</u>	<u>\$ 55,349,502</u>	<u>\$ 22,068,498</u>

See accompanying notes to basic financial statements.



**CARROLLTON**  
**T E X A S**

## CITY OF CARROLLTON, TEXAS

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### A. General Statement

Incorporated on June 14, 1913, the City of Carrollton operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, development services, culture, recreation and waterworks.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the City are described below.

#### B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including legally separate organizations as component units within the City's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Based on this criterion, the City has no component units.

#### C. Basis of Presentation

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges from the City's water, sewer and sanitation functions and various other functions. Elimination of these charges would distort the direct costs reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operation or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

## CITY OF CARROLLTON, TEXAS

### Notes to Basic Financial Statements For Year Ended September 30, 2023

#### Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

#### *General Fund*

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

#### *Debt Service Fund*

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 fund balance of the Debt Service Fund is restricted exclusively for debt service expenditures.

#### *Streets and Drainage Fund*

Streets and Drainage Fund is used to account for funds received and expended for the construction and renovation of thoroughfares, arterial streets, and drainage improvements in the City.

#### *General and Public Facilities Fund*

General and Public Facilities Fund is used to account for funds received and expended for construction, renovation, expansion, and major improvement of various City facilities, acquisition of land, and other large nonrecurring projects.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determination of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

#### *Water and Sewer Fund*

Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water



## CITY OF CARROLLTON, TEXAS

### Notes to Basic Financial Statements For Year Ended September 30, 2023

and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary, to ensure integrity of the funds.

#### *Golf Course Fund*

Golf Course Fund is used to account for payments received from the contractor and improvements made to the City's golf course; including administration, operation and maintenance. The City has designated it as a major fund.

#### *Sanitation Fund*

Sanitation Fund is used to account for billing, collection, and payment for solid waste collection and disposal services. All costs are financed through charges to sanitation customers. The City has designated it as a major fund.

Additionally, the City reports the Internal Service Funds, which are used to account for the fleet management services, self-funded property and casualty insurance provided to the departments of the City and self-funded health and disability insurance provided to employees of the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) and all deferred inflows and outflows of resources are included on the Statement of Net Position. The operating statements present increases (revenues) and decreases (expenses) in net unbilled water and sewer services, which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers most

## CITY OF CARROLLTON, TEXAS

### Notes to Basic Financial Statements For Year Ended September 30, 2023

revenues as available if they are collected within 45 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences, are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, intergovernmental revenues and court fines and fees. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received as they are deemed immaterial. Taxes, franchise fees, and court fines and fees are deemed available if they are collected within 45 days of the year end. Sales taxes are deemed available if they are collected within 60 days of the year end.

#### E. Budgetary Control

Annual budgets are adopted for all governmental funds except for the capital projects funds, which adopt project-length budgets.

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year after which the City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 1.

Upon receipt of the budget estimates, the Council holds a public hearing on the proposed budget. Information about the Budget ordinance is then published in the official newspaper of the City.

At least ten days prior to October 1, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between line items and department within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original appropriations, which were adopted. Budget amendments that occurred throughout the year ensured proper recording of expenditures in appropriate funds. In addition, the major budget adjustments during mid-year re-estimates to reflect an increase to expected sales tax revenue and capital contribution to the Utility Fund. The statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results, except for the effect of encumbrances and unrealized investment gains and losses, which are adjusted to the actual results for this comparison.

## CITY OF CARROLLTON, TEXAS

### Notes to Basic Financial Statements For Year Ended September 30, 2023

#### F. Cash, Cash Equivalents, and Investments

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's equity in the pooled cash accounts is available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with maturity of ninety days or less are also considered to be "cash equivalents". Negative balances incurred in pooled cash at year-end are treated as interfund receivables of the General fund and interfund payables of the deficit fund.

Investments in government pools are recorded at amortized cost or NAV. All other investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

#### G. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

#### H. Inventories

The inventories in the Internal Service Funds consist of fuel supplies and are recorded at cost using the first-in/first-out method.

#### I. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

#### J. Equity Interest in Joint Venture and Shared Radio System

During Fiscal year 2014, the Town of Addison, City of Carrollton, City of Coppell, and City of Farmers Branch (the "Cities") formed a joint venture, the North Texas Emergency Communications Center, Inc. (NTECC), to establish and operate a joint public safety dispatch center. The cities are responsible for funding capital and operating costs of NTECC. The City of Carrollton's equity interest in NTECC of \$4,395,839 as of September 30, 2023, is recorded as Equity Interest in Joint Venture in the Governmental Activities on the Government-wide Statement of Net Position. Audited financial statements for NTECC can be obtained from the Finance Department at 1945 E. Jackson Rd, Carrollton, TX 75006, by calling 972-466-3110 or by email at [Accounting@cityofcarrollton.com](mailto:Accounting@cityofcarrollton.com).

Additionally, the Cities have also entered into an interlocal agreement to jointly procure a public safety radio system. While this agreement did not include the formation of a separate legal joint

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

venture entity, NTECC has been contracted to manage all shared aspects of the radio system. The Cities are each responsible for funding a portion of the radio system. The City of Carrollton’s portion of the system costs as of September 30, 2023 is included in the costs for the dispatch center.

K. Land Held for Redevelopment

Land held for redevelopment is valued at the lower of estimated realizable value or historical acquisition cost.

L. Restricted Assets

Certain cash and investments balances are restricted by various legal and contractual obligations.

The following table summarizes the restricted cash and investments:

<b>Restricted Cash and Investments</b>	
<b>Governmental Activities:</b>	
Debt Service Fund	\$ 5,100,311
Bond Construction Account	39,875,162
Other Capital Project Funds	6,900,939
Special Revenue Funds	2,954,908
	54,831,320
<b>Business-Type Activities:</b>	
Revenue Bond Accrued Interest Payable	125,750
Current Maturities of Revenue Bonds	214,583
Reserve for Revenue Bond Retirement	818,323
Customer Deposits	3,140,747
	4,299,403
<b>Total Restricted Cash and Investments</b>	<b>\$ 59,130,723</b>

M. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Leased and Subscription assets are discussed in Note 4.

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

Outlays for capital assets are capitalized as projects are constructed. Infrastructure assets begin depreciating at the end of year in which costs are incurred. Other constructed capital assets begin depreciating when the asset is placed in service.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$250,000 or more. Right to use assets have a capitalization threshold of \$25,000. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20 – 50 Years
Equipment	2.5 – 12 Years
Leased Equipment	2 - 10 Years
Intangibles	4 – 20 Years
Improvements	10 – 40 Years
Infrastructure	20 – 40 Years

**Subscription Assets**

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

**N. Pensions & OPEB**

For purposes of measuring the net pension liability/(asset), pension-related deferred outflows and inflows of resources, and pension expense, City-specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS), and additions to/deductions from the City’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. Information regarding the City’s Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Codification Section P20 – Pension Activities.

For the purpose of measuring the total other post-employment benefits (OPEB) liability, OPEB-related deferred outflows and inflows of resources, and OPEB expense in the City’s defined benefit health plan (Plan) have been determined on the same basis as they are reported by the plan. For this purpose, plan benefits are recognized when due and payable in accordance with the benefit terms. The City’s Total OPEB Liability is obtained through a report prepared for the City by

## CITY OF CARROLLTON, TEXAS

### Notes to Basic Financial Statements For Year Ended September 30, 2023

consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Codification Section P50 - Post-employment Benefits Other than Pensions .

#### O. Compensated Absences

The City's policy allows employees to accumulate unused sick leave on an unlimited basis and vacation leave up to 432 hours for Fire Shift Civil Service employees and up to 288 hours for all other employees. Upon termination, employees are entitled to be paid for accumulated leave as follows:

##### Vacation Leave:

- Civil Service employees who have completed six full months of service and Non-Civil Service employees hired on or before January 1, 2011, will be paid any accumulated vacation leave.
- Non-Civil Service employees hired after January 1, 2011, who have completed six full months of service will be paid for accumulated vacation leave up to a maximum of 120 hours.

##### Sick Leave:

- Civil Service Fire Shift employees who have completed one full year of service will be paid for accumulated sick leave up to 1,440 hours.
- All other Civil Service employees who have completed one full year of service, and Non-Civil Service employees hired on or before January 1, 2010, will be paid for accumulated sick leave up to 960 hours.
- Non-Civil Service employees hired after January 1, 2010 will not be paid for accumulated sick leave.

#### P. Nature and Purpose of Classifications of Fund Balances

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws, or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on Council direction.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

#### Q. Minimum Fund Balance Policy

It is the desire of the City to maintain adequate General Fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial standard to maintain a General Fund minimum fund balance of 60 days budgeted expenditures.

## CITY OF CARROLLTON, TEXAS

### Notes to Basic Financial Statements For Year Ended September 30, 2023

#### R. Net Position

Net Position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources in the proprietary funds and in the government-wide statements. Net investment in capital assets consists of capital, lease, and subscription assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net position restricted for revenue bond retirement in the Water and Sewer Fund is a reserve required by revenue bond covenants.

The City utilizes bond funds (restricted) before unrestricted funds.

#### S. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

The City allocates to the Proprietary funds a predetermined allocated amount for administrative services for budget purposes. During the year ended September 30, 2023, the City allocated \$4,410,803 as a budgetary transfer.

#### T. Deferred Outflows/Inflows of Resources

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

- Pension/OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Differences between actuarial assumptions used and actual experience for determination of OPEB liability – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

## CITY OF CARROLLTON, TEXAS

### Notes to Basic Financial Statements For Year Ended September 30, 2023

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

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Difference in expected and actual pension or OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine OPEB liability – This difference is deferred amortized over the estimated average remaining lives of all member determined as of the measurement date.
- Deferred inflows related to leases – This amount is deferred and amortized over the life of lease term.
- Unavailable revenue (governmental fund level only) - deferred inflow of resources that represents amounts earned, but which are not available.



**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

U. Accounts payable at September 30, 2023 for the government's individual major funds, which have payables, and non-major in the aggregate are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Streets and Drainage</u>	<u>General and Public Facilities</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Accounts payable</b>						
Retainage payable	\$ -	\$ -	\$ 1,761,446	\$ -	\$ 192,957	\$ 1,954,403
Accrued payroll liabilities	3,916,546	-	12,214	845	11,461	3,941,066
Accounts payable	<u>2,713,941</u>	<u>-</u>	<u>2,967,931</u>	<u>1,318,388</u>	<u>1,349,651</u>	<u>8,349,911</u>
Total accounts payable	\$ 6,630,487	\$ -	\$ 4,741,591	\$ 1,319,233	\$ 1,554,069	\$ 14,245,380

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities</u>
	<u>Water and Sewer</u>	<u>Golf Course</u>	<u>Sanitation</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>Accounts payable</b>					
Retainage payable	\$ 1,175,832	\$ -	\$ -	\$ 1,175,832	\$ -
Accrued payroll liabilities	84,451	-	-	84,451	1,716,924
Accounts payable	<u>2,002,412</u>	<u>28,508</u>	<u>1,195,551</u>	<u>3,226,471</u>	<u>485,504</u>
Total accounts payable	\$ 3,262,695	\$ 28,508	\$ 1,195,551	\$ 4,486,754	\$ 2,202,428

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

**(2) BUDGET BASIS OF ACCOUNTING:**

The City prepares its annual budget on a basis (budget basis) which differs from a GAAP basis. The budget and all transactions are presented in accordance with the City’s method (budget basis) in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund to provide a meaningful comparison of actual results with the budget. The differences between budget and GAAP basis in the General Fund are that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to an assignment of fund balance (GAAP). Unrealized investment gain (loss) is recognized for GAAP basis only and interfund loan transactions treated as transfers for budget basis.

Adjustments necessary to convert the General Fund’s net change in fund balances on the budget basis to a GAAP basis are as follows:

Net change in fund balance - budget basis	\$ (19,568,262)
Beginning of year adjustment for encumbrances recognized as expenditures	(2,485,696)
End of year adjustment for encumbrances not recognized as expenditures	504,673
Unrealized investment gain recognized for GAAP basis only	<u>1,242,954</u>
Net change in fund balance - GAAP basis	<u><u>\$ (20,306,331)</u></u>

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
 For Year Ended September 30, 2023

**(3) DEPOSITS AND INVESTMENTS:**

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations, or its agencies and instrumentalities, or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. All deposits of the City that exceeded the federal depository insurance coverage level of \$250,000 per account were covered by collateral held by BNY Mellon, N.A. Bank in the City’s name under a joint safekeeping agreement with Frost Bank. The market value of the collateral held at BNY Mellon, N.A. in the City’s name at fiscal year-end was \$9,449,308.

At September 30, 2023, the carrying amount of the City's deposits was a deficit of \$940,926 and the respective bank balances totaled \$801,451, and the City’s cash on hand totaled \$9,520 for petty cash and change funds. The city monitors bank balances on a daily basis and transfers funds as needed to maximize investment earnings.

Investments – State statutes, City investment policy, City bond ordinances, and City resolutions authorize the City’s investments. The City is authorized to invest in the following: U.S. Government obligations and its agencies or instrumentalities; direct obligation of this state or its agencies and instrumentalities, including the Federal Home Loan Bank; collateralize mortgage obligations directly issued by a federal agency or instrumentality of the United States with ten years or less stated final maturity (cannot be an inverse floater, a principal only, or an interest only); 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 no less than A or its equivalent rating; bonds issued, assumed or guaranteed by the State of Israel; no-load SEC registered mutual funds with a weighted average stated maturity of less than two years that are invested in allowable securities, obligations of Texas and its agencies; fully collateralized repurchase agreements and reverse repurchase agreements; prime domestic commercial paper; prime domestic bankers’ acceptances; guaranteed investment contracts; securities lending program consisting of authorized investments by the City’s investment policy; insured or collateralized certificated of deposit; government pools; and no-load SEC registered money-market funds consisting of any of these securities listed with a dollar-weighted average stated maturity of 90 days or less and with an investment objective of a stable net asset value of \$1 for each share. For additional information, see the City of Carrollton Investment Policy at [www.cityofcarrollton.com](http://www.cityofcarrollton.com).

The City’s investments balances as of September 30, 2023, were:

<b>Investments:</b>	<b>Fair Market Value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Credit Risk</b>
Coupon Agencies	\$ 189,591,867	0.65	AA+ - AAA
Municipal Bonds	92,194,740	0.42	A+ -AAA
Treasuries	43,483,359	0.15	AA+
Government Pools	64,881,394	0.02	AAAm
<b>Total Fair Market Value</b>	<b>\$ 390,151,360</b>		
Portfolio Weighted Average Maturity		1.24	

## CITY OF CARROLLTON, TEXAS

### Notes to Basic Financial Statements For Year Ended September 30, 2023

Following the criteria for GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, TexPool uses amortized cost and LOGIC, Texas CLASS, and Texas Term use NAV to value portfolio assets. As is legally permissible for municipalities and school districts in the state, TexPool and TexasTerm Daily invest in a high-quality portfolio of debt securities, and Texas Class and LOGIC invest in a high-quality portfolio of short-term investments.

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

As of September 30, 2023, the City has the recurring fair value measurements for coupon, treasury notes and municipal bonds of \$325,269,966 valued using quoted prices for similar assets in active markets. (Level 2 inputs.) Investments in local government investment pools valued at amortized cost or NAV as of September 30, 2023 total \$64,881,394 .

Interest Rate Risk – In compliance with the City’s Investment Policy, as of September 30, 2023, the City minimized the interest rate risk in the portfolio, related to current market events, by: limiting the weighted average maturity to a maximum of four years; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in short-term securities, money market mutual funds, or similar government investment pools.

Concentration of Credit Risk – In compliance with the City’s Investment Policy, as of September 30, 2023, the City minimized concentration of credit risk, by: limiting investments in specific local governmental pools to no more than 40 percent of the investment portfolio; staggering maturities and potential call dates; and limiting investments to no more than 5% of the investment portfolio in commercial paper and bankers’ acceptances of a single issuer. As of September 30, 2023, 5% or more of the City’s total investment are in: Treasury Bonds (11.15%), Federal Home Loan Bank (14.89%), Federal Farm Credit Bank (7.14%), Federal National Mortgage Association (8.96%), Federal Home Loan Mortgage Corporation (9.82%), TexasClass (5.84%), and Federal Agricultural Mortgage Corp (5.46%).

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

**(4) CAPITAL, LEASE, AND SUBSCRIPTION ASSETS**

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

	<u>Balance October 1</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance September 30</u>
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Land	\$ 100,124,774	\$ -	\$ -	\$ 100,124,774
Construction in Progress	9,944,149	9,033,962	(797,511)	18,180,600
<i>Total Capital Assets not being depreciated</i>	<u>110,068,923</u>	<u>9,033,962</u>	<u>(797,511)</u>	<u>118,305,374</u>
Capital Assets being depreciated:				
Buildings	89,816,169	-	-	89,816,169
Equipment	56,200,647	4,986,741	(1,426,519)	59,760,869
Intangibles	10,716,123	40,678	-	10,756,801
Improvements	60,045,822	4,068,623	-	64,114,445
Infrastructure	423,251,635	30,347,005	-	453,598,640
<i>Total Capital Assets being depreciated</i>	<u>640,030,396</u>	<u>39,443,048</u>	<u>(1,426,519)</u>	<u>678,046,924</u>
Less accumulated depreciation for:				
Buildings	(56,731,378)	(2,999,353)	-	(59,730,731)
Equipment	(36,602,093)	(4,885,419)	1,258,400	(40,229,112)
Intangibles	(7,947,397)	(790,539)	-	(8,737,936)
Improvements	(27,772,396)	(1,812,871)	-	(29,585,267)
Infrastructure	(136,026,505)	(12,515,304)	-	(148,541,809)
<i>Total accumulated depreciation</i>	<u>(265,079,769)</u>	<u>(23,003,486)</u>	<u>1,258,400</u>	<u>(286,824,855)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>374,950,627</u>	<u>16,439,562</u>	<u>(168,119)</u>	<u>391,222,069</u>
<i>Governmental Activities Capital Assets, net</i>	<u>\$ 485,019,550</u>	<u>\$ 25,473,524</u>	<u>\$ (965,630)</u>	<u>\$ 509,527,443</u>
	<u>Balance October 1</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance September 30</u>
<b>Business-Type Activities</b>				
Capital Assets not being depreciated:				
Land	\$ 2,377,918	\$ -	\$ -	\$ 2,377,918
Construction in Progress	6,035,769	332,310	(5,858,485)	509,594
<i>Total Capital Assets not being depreciated</i>	<u>8,413,687</u>	<u>332,310</u>	<u>(5,858,485)</u>	<u>2,887,512</u>
Capital Assets being depreciated:				
Buildings	19,998,757	-	-	19,998,757
Equipment	9,530,042	634,366	(381,105)	9,783,303
Intangibles	828,392	-	-	828,392
Improvements	16,169,676	-	-	16,169,676
Infrastructure	267,650,112	13,615,369	-	281,265,481
<i>Total Capital Assets being depreciated</i>	<u>314,176,979</u>	<u>14,249,735</u>	<u>(381,105)</u>	<u>328,045,609</u>
Less accumulated depreciation for:				
Buildings	(18,131,810)	(299,447)	-	(18,431,257)
Equipment	(6,702,353)	(658,667)	381,105	(6,979,915)
Intangibles	(789,019)	(9,850)	-	(798,869)
Improvements	(12,866,276)	(510,569)	-	(13,376,845)
Infrastructure	(156,371,966)	(5,556,333)	-	(161,928,299)
<i>Total accumulated depreciation</i>	<u>(194,861,424)</u>	<u>(7,034,866)</u>	<u>381,105</u>	<u>(201,515,186)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>119,315,555</u>	<u>7,214,870</u>	<u>-</u>	<u>126,530,423</u>
<i>Business-Type Activities Capital Assets, net</i>	<u>\$ 127,729,242</u>	<u>\$ 7,547,180</u>	<u>\$ (5,858,485)</u>	<u>\$ 129,417,935</u>

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

Depreciation expense was charged as direct expense to programs of the primary government as follows:

<b>Depreciation Expense</b>	
<b>Governmental Activities:</b>	
General Government and Administration	\$ 3,771,358
Public Safety	2,634,978
Development Services	13,205,086
Cultural and Recreational	3,392,064
<b>Total Depreciation Expense</b>	<b>\$ 23,003,486</b>
<b>Business-Type Activities:</b>	
Water and Sewer	\$ 6,437,241
Golf Course	597,625
Sanitation	-
<b>Total Depreciation Expense</b>	<b>\$ 7,034,866</b>

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

	<b>Balance October 1</b>	<b>Additions/ Completions</b>	<b>Retirements/ Adjustments</b>	<b>Balance September 30</b>
<b>Governmental Activities</b>				
Lease assets	\$ 5,466,890	\$ -	\$ -	\$ 5,466,890
<b>Total leased assets being amortized</b>	<b>5,466,890</b>	<b>-</b>	<b>-</b>	<b>5,466,890</b>
<b>Less accumulated amortization for:</b>				
Lease assets	(691,388)	(738,756)	-	(1,430,144)
<b>Total accumulated amortization</b>	<b>(691,388)</b>	<b>(738,756)</b>	<b>-</b>	<b>(1,430,144)</b>
<b>Total lease assets being amortized, net</b>	<b>\$ 4,775,502</b>	<b>\$ (738,756)</b>	<b>\$ -</b>	<b>\$ 4,036,745</b>

Amortization expense was charged as direct expense to programs of the primary government as follows:

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

<b>Amortization Expense</b>	
<b>Governmental Activities:</b>	
General Government and Administration	\$ 57,168
Public Safety	523,866
Development Services	157,722
Cultural and Recreation	-
<b>Total Amortization Expense</b>	<b>\$ 738,756</b>

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

	<b>Balance</b>			<b>Balance</b>
	<b>Restated</b>	<b>Additions/</b>	<b>Retirements/</b>	<b>Balance</b>
	<b>October 1</b>	<b>Completions</b>	<b>Adjustments</b>	<b>September 30</b>
<b>Governmental Activities</b>				
Subscription assets	1,849,070	2,520,041	-	4,369,111
<b>Business Activities</b>				
Subscription assets	2,541,322	-	-	2,541,322
<b>Total subscription assets being amortized</b>	<b>4,390,392</b>	<b>2,520,041</b>	<b>-</b>	<b>6,910,433</b>
<b>Less accumulated amortization for:</b>				
<b>Governmental Activities</b>				
Subscription assets	-	(1,167,425)	-	(1,167,425)
<b>Business Activities</b>				
Subscription assets	-	(513,398)	-	(513,398)
<b>Total accumulated amortization</b>	<b>-</b>	<b>(1,680,823)</b>	<b>-</b>	<b>(1,680,823)</b>
<b>Total subscription assets being amortized, net</b>	<b>\$ 4,390,392</b>	<b>\$ 839,218</b>	<b>\$ -</b>	<b>\$ 5,229,610</b>

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

Amortization expense was charged as direct expense to programs of the primary government as follows:

<b>Amortization Expense</b>	
<b>Governmental Activities:</b>	
	\$
General Governmental and Administration	1,112,535
Cultural and Recreation	54,890
	<u>1,167,425</u>
<b>Business Activities:</b>	
Utilities	513,398
	\$
Total Amortization Expense	1,680,823

**(5) LONG-TERM DEBT AND LIABILITIES:**

General Obligation Bonds

General obligation bonds provide funds for the acquisition and construction of major capital equipment and facilities. General obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General obligation bonds require the City to compute, at the time property taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

Due to favorable interest rates, during the year, General Obligation (GO) Improvement and Refunding Bonds Series 2023 of \$32,097,267 including premium, were issued for capital improvements for \$28,140,000 and to refund \$5,525,000 par value of the City's previously issued and outstanding 2013 GO Improvement Bonds with unamortized premiums of \$269,986 for a total carrying value of \$5,794,986. As the transaction was completed within 90 days of the call date of the refunded bonds, it is considered a "current refunding" under federal tax law. However, because proceeds were placed in escrow and invested until the call date of the refunded debt, GASB defines the transaction as an advance refunding. As a result, advance refunding accounting was used to calculate the related gain on refunded. Issuance costs associated with these bonds were \$291,405.

The proceeds were used to deposit cash in a bond escrow fund with the U.S Bank National Association designated as the escrow agent. The net carrying amount of the old debt exceeded the reacquisition price of the old debt by \$223,926, which is being amortized over the remaining life of the refunded debt. Under the escrow reserve agreement, the escrow fund is irrevocable pledged to the payment of principal and interest on the refunded bonds. As a result, the refunded



**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

obligations are considered to be defeased and the liability for those bonds has been removed from the City's financial statements.

As a result of the refunding, the City reduced its aggregate debt service payments to maturity by \$1,028,986 and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$500,060. On September 30, 2023, \$5,525,000 of General Obligation Improvement, Series 2013 outstanding bonds are considered defeased.

At September 30, 2023, general obligation bonds currently outstanding are as follows:

	Interest Rate	Issue Date	Maturity Date	Outstanding at Par
	%			
Improvement, Series 2014	3 - 4	4/15/2014	8/15/2034	12,895,000
Improvement and Refunding, Series 2015	2 - 5	5/1/2015	8/15/2035	17,970,000
Improvement and Refunding, Series 2016	3 - 5	5/15/2016	8/15/2031	15,975,000
Improvement, Series 2017	2 - 5	4/1/2017	8/15/2032	12,775,000
Improvement, Series 2018	3 - 5	5/1/2018	8/15/2033	14,280,000
Improvement and Refunding, Series 2019	3 - 5	5/1/2019	8/15/2034	29,730,000
Improvement, Series 2020	3 - 5	6/4/2020	8/15/2035	16,660,000
Improvement and Refunding, Series 2021	2 - 5	6/1/2021	8/15/2036	21,785,000
Improvement and Refunding, Series 2022	3.25 - 5	6/1/2022	8/15/2037	20,260,000
Improvement and Refunding, Series 2023	5	5/1/2023	8/15/2038	28,140,000
				<u>\$ 190,470,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

General Obligation Bonds			
Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2024	17,615,000	8,612,033	26,227,033
2025	18,335,000	7,422,808	25,757,808
2026	17,970,000	6,628,828	24,598,828
2027	17,370,000	5,764,228	23,134,228
2028	16,690,000	4,981,078	21,671,078
2029-2033	72,335,000	14,457,313	86,792,313
2034-2038	30,155,000	2,863,598	33,018,598
<b>Total</b>	<u>\$ 190,470,000</u>	<u>\$ 50,729,886</u>	<u>\$ 241,199,886</u>

Revenue Bonds –

Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system.

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

The revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used, first, to pay operating and maintenance expenses of the system, and second, to establish and maintain the revenue bond funds. Remaining revenues may then be used for any lawful purpose. For fiscal year 2023, net revenue available for debt service was 11.8 times the average annual debt service requirement. The ordinances also contain provisions, which, among other items, restrict amounts and certain financial ratios are met. Management of the City believes that it is in compliance with all significant financial requirements as of September 30, 2023.

At September 20, 2023, revenue bonds currently outstanding are as follows:

	Interest Rate %	Issue Date	Maturity Date	Outstanding at Par
Waterworks and Sewer System Revenue Improvement, Series 2019	2 - 4	5/1/2019	5/1/2034	7,105,000
				<u>\$ 7,105,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

<b>Revenue Bonds</b>			
	<b>Business-Type Activities</b>		
<b>Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	515,000	301,800	816,800
2025	540,000	281,200	821,200
2026	560,000	259,600	819,600
2027	585,000	231,600	816,600
2028	615,000	202,350	817,350
2029-2033	3,505,000	588,600	4,093,600
2034	785,000	31,400	816,400
<b>Total</b>	<u>\$ 7,105,000</u>	<u>\$ 1,896,550</u>	<u>\$ 9,001,550</u>

**Bonds Authorized and Unissued** – At September 30, 2023, the City has \$94,255,000 in general obligation bonds which were authorized and unissued.

**Net Pension Liability** – The net pension liability represents the actuarially-determined liability for employees’ projected pension benefit payments to be provided to current active and inactive employees; that is attributed to those employees’ past periods of service, less the pension plan’s fiduciary net position. The City allocates pension items between governmental activities and business type activities on the basis of employee payroll funding.

**Compensated Absences** – Compensated absences represent the estimated liability for employees’ accrued vacation and sick leave for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General fund, Enterprise Funds, and Internal Service Funds based on the assignment of an employee at termination.

## **CITY OF CARROLLTON, TEXAS**

### Notes to Basic Financial Statements For Year Ended September 30, 2023

Health Claims Liability – Health claims liability represents an estimate of self-insured claims liability outstanding of the Employee and Disability Internal Service Fund. All health claims are expected to be paid within one year.

Long-term Risk Liability – The long-term risk liability is related to the City's self-insured retention program accounted for in the Risk Management Internal Service Fund.

The Total OPEB Liability/(TOL) – The TOL represents an actuarially determined present value liability for retiree health benefits earned to date for active and retiree members of the closed defined benefit retiree health plan. The City includes OPEB items within the governmental and business-type activities on the basis of employee payroll funding.

Note Payable in Governmental Funds – Represents the amount owed for the Castle Hills Public Improvement District (PID) to the developer that will be paid by PID collections from property owners within the PIDS. Amount owed is contingent upon collection from property owners. Each PID has a maturity of 20 years, but individual parcel owners may pay off their PID assessment without a prepayment penalty.

Changes in long-term liabilities – On the next schedule, the additions to the General Obligation Bonds in the Governmental Type Activities represent the issuance of \$28,140,000 of General Obligation Improvement Bonds and Refunding, Series 2023.

Lease Liabilities - Represents the obligation to make lease payments and is measured at the present value of future lease payments.

Subscription Liabilities - Represents the obligation to make subscription payments and is measured at the present value of future subscription payments.

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

Transactions for the year ended September 30, 2023 are summarized as follows:

	<b>Restated Balance October 1</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance September 30</b>	<b>Due within one year</b>
<b>Governmental Activities</b>					
Bonds Payable:					
General Obligation Bonds	\$ 184,710,000	\$ 28,140,000	\$ (22,380,000)	\$ 190,470,000	\$ 17,615,000
Premiums	24,235,914	3,957,267	(2,080,302)	26,112,879	2,278,384
<b>Total Bonds Payable</b>	<u>208,945,914</u>	<u>32,097,267</u>	<u>(24,460,302)</u>	<u>216,582,879</u>	<u>19,893,384</u>
Compensated Absences	16,298,683	1,278,255	(212,340)	17,364,598	1,233,216
Health Claims Liability	788,496	4,295		792,791	792,791
Other Postemployment Benefits Liability	3,111,064	-	(458,723)	2,652,341	-
Pension Liability		43,796,220		43,796,220	
Lease Liability	4,839,656		(722,360)	4,117,296	684,449
SBITA Liability	1,895,745	2,535,812	(1,661,789)	2,769,768	1,445,879
PID Notes Payable	10,772,063	-	(407,883)	10,364,180	-
Long-Term Risk Liability	1,212,786	15,682		1,228,468	-
<b>Total Governmental Activities</b>	<u>247,864,407</u>	<u>79,727,531</u>	<u>(27,923,397)</u>	<u>299,668,541</u>	<u>24,049,719</u>
<b>Business-Type Activities</b>					
Bonds Payable:					
Revenue Bonds	\$ 8,445,000	\$ -	\$ (1,340,000)	\$ 7,105,000	\$ 515,000
Premiums	897,307	-	(130,174)	767,133	72,428
<b>Total Bonds Payable</b>	<u>9,342,307</u>	<u>-</u>	<u>(1,470,174)</u>	<u>7,872,133</u>	<u>587,428</u>
Compensated Absences	539,223	85,925	(16,912)	608,236	74,490
Pension Liability		1,950,523		1,950,523	
SBITA Liability	2,541,322	-	(670,539)	1,870,783	421,946
Other Postemployment Benefits Liability	128,278		(20,411)	107,867	-
<b>Total Business-Type Activities</b>	<u>12,551,130</u>	<u>2,036,448</u>	<u>(2,178,036)</u>	<u>12,409,542</u>	<u>1,083,864</u>
<b>Total Government</b>	<u>\$ 260,415,537</u>	<u>\$ 81,763,979</u>	<u>\$ (30,101,433)</u>	<u>\$ 312,078,083</u>	<u>\$ 25,133,583</u>

## CITY OF CARROLLTON, TEXAS

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

### **(6) PROPERTY AND SALES TAXES:**

Property tax is levied each October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the City. Taxable assessed value represents the appraisal value, less applicable exemptions, authorized by the City Council or required by State Law. Appraised values are established by the Appraisal Board of Review at 100% for estimated fair market value.

Taxes are due on October 1, the levy date, and are delinquent after the following January 31. Tax liens are automatic on January 1 each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent (February 1). The city usually waits until after May 1 and July 1 to file suits on business personal property and real property, respectively. As of July 1, 20% collection costs may be added to all delinquent accounts. Current tax collections for the year ended September 30, 2023 were 99.36% of the tax levy.

Property taxes at the fund level are recorded as receivables at the time the taxes are levied. Revenues are recognized as the related ad valorem taxes are collected, including those collected 45 days after year-end.

The City Charter does not provide for a debt limit; therefore, no computation can be made. However, at September 30, 2023, the City had a tax margin of approximately \$1.94 for every \$100 valuation based upon a maximum ad valorem tax of \$2.50 for every \$100 valuation imposed by Texas Constitutional law.

In Texas, central appraisal districts are required under the Property Tax Code to assess all property within its respective county on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed at least every three years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this legislation, the City continues to set City tax rates on property within its boundaries. However, if the effective tax rate, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the maintenance and operating tax rate to no more than 8% above the effective tax rate of the previous year. In the 2019 fiscal year, the state legislature passed a tax reform measure that among other things made a rollback election mandatory if property tax revenue will be more than 3.5% more than the “no new revenue rate” formerly known as the effective rate.

Sales and use tax is authorized under state law with the City's levy equal to one percent of taxable sales and uses. The Texas Comptroller of Public Accounts collects all sales and use taxes on behalf of the City; remitting to the City, on a monthly basis, all taxes collected less a 2% service fee.

## CITY OF CARROLLTON, TEXAS

### Notes to Basic Financial Statements For Year Ended September 30, 2023

The State of Texas utilizes origin-based sourcing for most municipal sales transactions. Under this approach, sales tax is sourced to the taxing jurisdiction in which the selling business is located regardless of where in the State the purchaser resides, or the product is shipped. Origin sourcing can produce large individual sales and use taxpayers to specific jurisdictions. As a result, sales and use tax can fluctuate, not only due to general economic factors, but also due to relocations of businesses between taxing jurisdictions. The Comptroller revised Texas Administrative Code Section 3.334 which sets forth how sales tax is handled: origin based or destination-based. This change was to be effective October 1, 2021 but has been challenged by several cities, including Carrollton. The identity of and the amount paid by individual sales and use tax payers is strictly confidential under state law.

Use tax relates to sales of goods or services shipped into the State by sellers without a physical presence in the State. Use tax is generally on a destination basis.

#### **(7) EMPLOYEE BENEFIT PLANS:**

##### **A. Texas Municipal Retirement System (TMRS)**

###### Plan Description:

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 an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.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 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.

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Member may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits, also known as the matching ratio, are 200% of the employee’s accumulated contributions and are only payable in the form of an annuity.

Beginning in 1993, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee’s accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1993, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	75% Repeating
Annuity Increase to retirees	50% of CPI Repeating

The City's employees do not participate in Social Security.

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

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

Retirees or beneficiaries currently receiving benefits	812
Inactive employees entitled to but not yet receiving benefits	761
Active employees	843
	<u>2,416</u>

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City of Carrollton were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2023, the city made contributions of 11.83% for the months in calendar year 2022 and 11.83% for the months in calendar year 2023. The City provided for an additional voluntary contribution of 1.00 percentage points over the required contribution of 10.83% for the months in 2022 and 0.99 percentage points over the actuarially required contribution of 10.84% for the months in 2023. During the 2023 fiscal year, employees contributed \$4,868,510 and the City contributed \$8,227,783 which was \$695,502 more than the actuarially required contribution.

Net Pension Liability:

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

Actuarial assumptions –

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



## CITY OF CARROLLTON, TEXAS

### Notes to Basic Financial Statements For Year Ended September 30, 2023

Inflation	2.5% 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 the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, health retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set forward for males and a 3-year set forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
 For Year Ended September 30, 2023

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public & Private Market	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
<b>Total</b>	<b>100.0%</b>	

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 contributions will remain at the current 7% 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.

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

Changes in the Net Pension Liability/(Asset) –

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability/(Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a)-(b)</b>
<b>Balance at 12/31/2021</b>	\$ 492,353,030	\$ 518,929,532	\$ (26,576,502)
Charges for the year:			
Service Cost	10,260,287	-	10,260,287
Interest	32,762,856	-	32,762,856
Difference between expected and actual experience	4,059,028	-	4,059,028
Change in assumptions	-	-	-
Contributions - Employer	-	7,876,648	(7,876,648)
Contributions - Employee	-	4,660,713	(4,660,713)
Net Investment Income	-	(37,841,597)	37,841,597
Benefit Payments, including refunds of employee contributions	(24,215,069)	(24,215,069)	-
Administrative Expense	-	(327,791)	327,791
Other Changes	-	391,152	(391,152)
Net Changes	<u>22,867,102</u>	<u>(49,455,943)</u>	<u>72,323,046</u>
<b>Balance at 12/31/2022</b>	<u>\$ 515,220,132</u>	<u>\$ 469,473,589</u>	<u>\$ 45,746,543</u>

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/(asset) 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:

	<b><u>1% Decrease in Discount Rate</u></b>	<b><u>Current Discount Rate</u></b>	<b><u>1% Increase in Discount Rate</u></b>
City's net pension liability / (asset) \$	114,930,435	\$ 45,746,543	\$ (11,249,803)

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

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, 2023, the City recognized pension expense of \$14,763,980. This amount is included as part of Personal Services decrease on expenses within the functional program activities, and such decrease was due to vacancy.

At September 30, 2023, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions after measurement date	\$ 6,257,245	\$ -
Net difference in projected and actual earnings on pension assets	32,424,052	-
Changes in actuarial assumptions used to determine pension liability	-	224
Difference in expected and actual pension experience	7,208,417	2,037,808
<b>Total</b>	<b>\$ 45,889,714</b>	<b>\$ 2,038,032</b>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$6,257,245 will be recognized as a decrease of the net pension liability for the measurement year ending December 31, 2023 (i.e. recognized in the city’s financial statements September 30, 2024). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Measurement Year ended December 31</b>	
2023	3,850,112
2024	10,031,241
2025	9,139,440
2026	14,573,868
2027	-
<b>Total</b>	<b>\$ 37,594,661</b>

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

**B. Deferred Compensation Plan**

The City offers all employees a deferred compensation plan through Mission Squared (Trustee) in accordance with Internal Revenue Code Section 457. The ICMA-RC 457 plan provides employees the option to supplement their TMRS retirement benefits by making pre-tax contributions to their plan. If employees contribute at least 4.65% of their gross pay per pay period the City will match 2.35%. The 457 Plan contribution maximums for 2023 are: \$22,500; \$30,000 for age 50 catch-up and \$45,000 for the regular catch-up provision. Employees may enroll in the plan and /or change their contribution amounts at any time. The total amount contributed by the City for Fiscal Year 2023 was \$1,077,569.

**(8) INTERFUND ACTIVITY:**

Interfund transfers during the year ended September 30, 2023, were as follows:

	<u>Transfers In/Internal Contribution</u>						<u>Total</u>
	<u>General Fund</u>	<u>Streets and Drainage</u>	<u>General and Public Facilities</u>	<u>Non-Major Governmental</u>	<u>Internal Service Fund</u>	<u>Water and Sewer Capital Fund</u>	
<b><u>Transfers Out</u></b>							
General Fund	\$ -	\$ 13,850,000	\$ 30,235,304	\$ 3,007,000	\$ 1,000,000	\$ 12,671,304	60,763,608
Internal Service	965,157	-	-	-	-	-	965,157
General and Public Facilities			-			400,000	400,000
Water and Sewer Sanitation	5,181,519	-	200,000	-	-	-	5,381,519
	900,749	1,200,977	-	-	-	-	2,101,726
<b>Total</b>	<u>\$ 7,047,425</u>	<u>\$ 15,050,977</u>	<u>\$ 30,435,304</u>	<u>\$ 3,007,000</u>	<u>\$ 1,000,000</u>	<u>\$ 13,071,304</u>	<u>\$ 69,612,010</u>

Transfers are primarily used to move funds from:

- Sanitation Fund to the General Fund and Streets and Drainage capital project fund for alleys.
- The Proprietary Funds to the General Fund for a budgeted allocation amount.
- The General Fund to various funds for capital projects in accordance with budgetary authorizations.
- The Public Facilities fund to the Water and Sewer Capital Fund for capital projects.

**(9) WATER PURCHASE AND WASTEWATER TREATMENT CONTRACTS:**

The City has a contract with Dallas Water Utilities (DWU) to purchase substantially all of the City’s potable water. Under the contract, the City pays DWU a rate based on a fixed demand charge, plus

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

water usage. The rates charged are subject to minimum annual contract payments. Water expense for the year ended September 30, 2023 was \$16,939,832.

The City has a contract with Trinity River Authority (TRA) whereby the TRA has agreed to provide a wastewater treatment and disposal system for the benefit of the City and any “additional member City” as defined. Each member city pays an “annual payment”, as defined, as its pro rata share of operating expenses and debt service of TRA’s Central Regional Wastewater System (CRWS). The City’s annual expense for the year ended September 30, 2023 was \$14,284,392. To provide the above mentioned services, TRA CRWS issues revenue bonds repayable solely from revenues generated from the member city contracts with TRA CRWS. As such, the City is an obligated party on all outstanding TRA CRWS debt.

**(10) SELF-INSURANCE**

The City administers a self-insured retention program (SIR) within the Risk management Internal Service Fund in order to deal with potential liabilities. Claims in excess of the self-insured retention amounts are covered through third-party limited-coverage insurance policies. The City is self-insured with excess coverage in these areas:

<u>Policy</u>	<u>Retention</u>	<u>Limits on Liability</u>
General Liability	\$25,000 per occurrence	\$2,000,000 per occurrence and \$4,000,000 policy aggregate
Law Enforcement Liability	\$50,000 per occurrence	\$3,000,000 per occurrence and \$6,000,000 policy aggregate
Errors and Omissions	\$50,000 per occurrence	\$2,000,000 per occurrence and \$4,000,000 policy aggregate
Workers’ Compensation	\$100,000 per occurrence	Statutory
Property Loss	\$25,000 per occurrence	\$ 278,102,497
Automobile Liability	\$50,000 per occurrence	\$1,000,000 per occurrence
Automobile Physical Damage	\$10,000 per occurrence	Actual cash value or agreed value as scheduled
Cyber Insurance - 7 Towers	\$10,000 to \$50,000 per occurrence depending on type	\$50,000 to \$3,000,000 per tower, multiple aggregate sublimits

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

All funds of the City participate in the program and make payments to the Risk Management Fund. In 2023, the City experienced its first line-of-duty peace officer death in which the cost of this incident is reflected in the Risk Fund. As of the end of fiscal year 2023, the loss reserve was estimated at \$1,228,468.

Changes in this reserve amount in fiscal years 2022 and 2023 were as follows:

	<b>Balance at Beginning of Fiscal Year</b>	<b>Current-year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at End of Fiscal Year</b>
2021-2022	\$ 865,083	\$ 1,601,301	\$ 1,253,598	\$ 1,212,786
2022-2023	\$ 1,212,786	\$ 1,350,944	\$ 1,335,262	\$ 1,228,468

The City maintains the Employee Health and Disability Fund to account for the City’s employee health care coverage and long-term disability programs which are self-insured by the City with long-term disability claims in excess of one year covered through third-party insurance policies. In addition, excess insurance has been obtained for an individual employee’s health care claims exceeding \$225,000.

Revenues are recognized from payroll deductions and City contributions. At September 30, 2023, a liability of \$792,791 has been recorded, which represents estimated claims incurred by not yet reported.

Changes in this claim liability during fiscal years 2022 and 2023 were as follows:

	<b>Balance at Beginning of Fiscal Year</b>	<b>Current-year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at End of Fiscal Year</b>
2021-2022	\$ 851,581	\$ 8,371,659	\$ 8,434,744	\$ 788,496
2022-2023	\$ 788,496	\$ 8,561,674	\$ 8,557,379	\$ 792,791

There have been no significant increases in insurance coverage during the fiscal year 2023.

**(11) TAX ABATEMENTS:**

The City enters into economic development agreements designed to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. This program rebates

## **CITY OF CARROLLTON, TEXAS**

### Notes to Basic Financial Statements For Year Ended September 30, 2023

property and hotel occupancy taxes and is authorized under Chapter 380 of the Texas Local Government Code.

The City has entered into various agreements that rebate a percentage of property and/or hotel occupancy taxes. Agreements for rebate of property taxes call for rebates of 30% to 90% of taxes on incremental values for up to 17 years. The agreement for hotel occupancy taxes provides for a step down in rebates starting at 100% for 15 years, 75% for the next three years, and 50% for the remaining two years. For fiscal year 2023, the City rebated property taxes of \$3,180,283 or 3% of the \$108,209,947 total levy and hotel occupancy taxes of \$390,539 or 65.74% of the \$594,040 total occupancy tax revenues.

#### **(12) COMMITMENTS AND CONTINGENT LIABILITIES:**

Encumbrances – As discussed in note 1 E, Budgetary Control, for budgetary purposes, includes the impact of encumbrances. 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 in the General Fund were \$504,673.

Grants – The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Litigation – Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position, results of operations, or cash flows.

Construction Commitments – The City has active construction projects as of September 30, 2023. Total accumulated commitments for ongoing capital projects are composed of the following:



**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

Streets and Drainage	\$	117,669,194
Traffic		751,566
Parks and Recreation		29,976,464
General Facilities		61,779,258
Community Development		13,905,795
Tax Increment Reinvestment Zone		3,538,000
Water and Sewer		34,568,758
Golf Course		1,097,448
<b>Total</b>	<b>\$</b>	<b>263,286,483</b>

These commitments will be funded through unspent bond proceeds, unrestricted cash, and intergovernmental participation.

**(13) OTHER POSTEMPLOYMENT BENEFITS:**

a) Retiree Health Care Plan:

Program Description:

In addition to the pension benefits described in Note 7, as required by state law and defined by City Policy, the City makes available health care benefits, as established by management, to all employees who retire from the City and who are receiving benefits from a City sponsored retirement program (Texas Municipal Retirement System, and/or a Section 457 Deferred Compensation Plan) through a single-employer defined benefit healthcare plan. For financial reporting purposes, the "Retiree Health Program" is accounted for in the Employee Health and Disability Fund. No other financial statements are issued related to the Retiree Health Program. No assets are accumulated in a trust that meet the criteria in paragraph 4 of statement 75.

The Retiree Health Program provides lifetime insurance (or until age 65 if eligible for Medicare) to eligible retirees, their spouses, and dependents through the City's group health insurance plan, which covers both active and retired members. The program allows for retirees who meet certain characteristics to remain on the city's health plan at a blended contribution rate. Employees are eligible to retire if they meet one of the following criteria:

- Had over 20 years of service as of January 1, 2009 or were 60 years of with five or more years of service, or
- Are 60 years of age with at least 10 years of consecutive service.

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

Membership in the Retiree Health Program is as follows:

<b>Membership</b>	
Number of	
- Retirees and Beneficiaries	17
- Inactive, Nonretired Members	0
- Active Members	778
- Total	795

The Retiree Defined Contribution Program has been implemented since January 1, 2008 for active employees with less than 20 years of service or at 60 years or more of age with less than five years of service. This plan requires participants to pay an aged-based full-cost premium if they choose to remain on the City’s healthcare plan upon retirement. In return, the City has begun making scheduled contributions into a Retiree Health Savings plan in the name of each employee who has ten years of service or more. Employees are 50% vested at 15 years of service with the City and 100% vested at 20 years of service. Under the provisions of GASB Codification Section Po 50, employees who will be required to contribute the full aged-based cost for coverage for the City’s health Plan do not receive Other Post employment Benefits. See Section B at the end of this note for a full description of the Retiree Health Savings Plan.

**Funding Policy:**

Current retirees contribute to the Retiree Health Program the total blended premium for active and retired participants. The city contribution to the Retiree Health Program consists of Pay-as-you-go claims in excess of the retiree contributions for the year. Retiree contribution rates for fiscal year 2023 were \$8,542 to \$48,624 per year depending on coverage levels selected. In fiscal year 2023, total member contributions were \$327,078. Retiree contributions to the retiree health fund exceeded retiree expenses for fiscal year 2023.

**Funded Status and Funding Progress:**

As of December 31, 2022, the most recent measurement date based on actuarial valuation date of December 31, 2021, the total OPEB liability (TOL) for benefits was \$2,760,208, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) for fiscal year 2022 was \$66,497,002. The ratio of the total OPEB Liability to the covered payroll was 4.15%.

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

Actuarial valuation of the program involves estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. OPEB liabilities are liquidated with funds from the General Fund and Water Sewer.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point.

For the December 31, 2022 measurement, the Individual Entry Age cost method was used. The actuarial assumptions include a 4.05% discount rate (1.84% as of December 31, 2021), based on the Fidelity 20-year Municipal GO AA Index, an annual healthcare cost trend rate of 6.75% initially, reduced by decrements to an ultimate rate of 4.15% after 12 years, and salary increases from 3.5% to 11.5%, including inflation. The rate of inflation is assumed to be 2.5%. 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 tables published through 2019 to account for future mortality improvements. Demographic assumptions are based on the experience study covering the four year period ending December 31, 2018 as conducted for TMRS.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s total OPEB liability.

Service Cost	\$	183,109
Interest on Total OPEB Liability		59,440
Changes of Assumptions		(531,290)
Benefit Payments		(200,975)
Change in benefit terms		-
Difference between expected and actual experience of the total OPEB liability		10,582
Net Change in Total OPEB Liability		(479,134)
Total OPEB Liability - beginning		3,239,342
Total OPEB Liability - ending	\$	2,760,208

Sensitivity of the total OPEB liability to changes in the discount rate –

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
 For Year Ended September 30, 2023

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

	<b>1% Decrease in Discount Rate</b>	<b>Current Discount Rate</b>	<b>1% Increase in Discount Rate</b>
City's Total OPEB Liability	\$ 2,986,843	\$ 2,760,208	\$ 2,555,469

Sensitivity of the total OPEB liability to changes in the healthcare trend rate –

The following presents the sensitivity of the total OPEB liability of the City to changes in the healthcare cost trend rates, the following presents the plan’s total OPEB 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 1-percent lower or 1-percent higher:

	<b>1% Decrease in Trend Rate</b>	<b>Current Health Care Trend Rate</b>	<b>1% Increase in Trend Rate</b>
City's Total OPEB Liability	\$ 2,521,197	\$ 2,760,208	\$ 3,041,000

For the year ended September 30, 2023, the City recognized a reduction to OPEB expense of \$8,658,625.

Difference between expected and actual experience and changes in actuarial assumptions used to determine total OPEB liability are amortized as follows:

<b>Year Ending September 30</b>	<b>Net Deferred Outflows / (Inflows)</b>
2024	\$ (57,856)
2025	(57,856)
2026	(57,856)
2027	(57,856)
2028	(57,856)
Thereafter	(146,980)
<b>Total</b>	<b>\$ (436,260)</b>

At September 30, 2023, the City reported deferred outflows and inflows of resources related to OPEB which are detailed in the following table.

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
 For Year Ended September 30, 2023

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	35,998	
Changes in actuarial assumptions used to determine total OPEB liability		472,258
<b>Total</b>	<b>\$ 35,998</b>	<b>\$ 472,258</b>

b) Retiree Health Savings Plan (RHS)

Non-grandfathered employees will be required to participated in the City's Retiree Health Savings (hereafter referred to as RHS) plan as described below.

Eligible employees will receive contributions to their RHS accounts on the second pay period in January of each year with the first year starting after the completion of ten full years of continuous service with the City of Carrollton. Years of service will be determined as of January 1 of each year. Contributions will vary based on years of service.

Employees will be 50% vested at 15 years and 100% vested at 20 years. Vesting includes all RHS account balances including investment earnings. RHS accounts will be administered through ICMA-RC and investment options will be similar or identical to those offered by ICMA-RC in their 457 plan with the City. The benefits and terms are established and amended by the City.

Employees are eligible for disbursement from their vested RHS account balances upon termination of city employment according to the vesting schedule above and IRS regulations. Upon termination, RHS balances may be disbursed for any eligible health-related expenses as defined by IRS Regulations. Upon separating from service, prior to benefit eligibility, a participant's non-vested funds shall remain in the plan and be reallocated among fully vested plan participants.

Benefit provisions are contained in the plan document and were established and can be amended by action of the City's governing body. Contributions actually made by the City aggregated \$555,855 during 2023.

**(14) POLLUTION REMEDIATION**

During Fiscal Year 2023, there were no enviromenal incidents that required pollution remediation.

## CITY OF CARROLLTON, TEXAS

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

### (15) LEASES

#### Lessee -

The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

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

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

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

Leased assets are reported on the government-wide Statement of Net Position and lease liabilities are reported with noncurrent liabilities on the Statement of Net Position.

#### Lessor -

The City recognizes a lease receivable and deferred inflow of resources in the government-wide and governmental funds financial statements.

The City 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 measured as the amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term and (3) lease receipts. The City uses the lessee's rate or the rate disclosed in the agreement. If the rate is not readily available, the City uses its

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

estimated incremental borrowing rate as the discount rate. The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The City monitors changes in circumstances that would require a re-measurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**1. Lease receivable**

At the start of current fiscal year, the City was leasing live-work spaces, land and building space. These leases all had varying terms between two and three years. The City recognized \$408,038 in lease and interest revenue during the current fiscal year related to these leases. As of September 30, 2023, the City's receivable for lease payments was \$500,686. Also, the City has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of September 30, 2023, the balance of the deferred inflow of resources was \$482,047.

**2. Lease payable**

The City entered into a ten-year lease agreement as lessee beginning in 2022 for the acquisition and use of police equipment and building lease for space. The City, has also entered into two leases as the lessee for digital space and advertising billboard space. As of September 30, 2023, the value of the lease liability was \$4,117,296.

The future principal and interest lease payments as of September 30, 2023, were as follows:

<b>Maturity Analysis</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
10/01/2022 - 09/30/2023	\$ 684,486	\$ 24,651	709,137
10/01/2023 - 09/30/2024	614,866	20,181	635,047
10/01/2024 - 09/30/2025	604,295	15,282	619,577
10/01/2025 - 09/30/2026	556,542	11,351	567,893
10/01/2026 - 09/30/2027	541,724	8,276	550,000
10/01/2027 - 09/30/2032	1,115,383	7,534	1,122,917
<b>Total</b>	\$ 4,117,296	\$ 87,275	\$ 4,204,571
<b>Lease Liability</b>	\$ 4,117,296		

**(16) SUBSCRIPTION LIABILITIES**

Effective October 1, 2022, the City implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which required the recognition of certain subscription assets and liabilities for subscriptions that previously were classified as operating expenses and recognized as

**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

inflows of resources or outflows of resources based on the payment provisions of the contract. The adoption of GASB No. 96 had no historical impact on the City's net position and no restatement of net position was made.

The City has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2027. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

During the year ended September 30, 2023 the City recognized \$212,530 of subscription expense for variable payments not previously included in the measurement of the subscription liability.

The future principal and interest subscription payments as of September 30, 2023, were as follows:

<b>Maturity Analysis</b>			
<b>Governmental Activities</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
10/01/2023 - 09/30/2024	\$ 1,445,879	\$ 55,162	\$ 1,501,041
10/01/2024 - 09/30/2025	692,413	28,617	721,030
10/01/2025 - 09/30/2026	327,900	14,490	342,390
10/01/2026 - 09/30/2027	303,576	5,353	308,929
<b>Total</b>	<b>\$ 2,769,768</b>	<b>\$ 103,622</b>	<b>\$ 2,873,390</b>
<b>Business Activities</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
10/01/2023 - 09/30/2024	\$ 421,946	\$ 49,636	\$ 471,582
10/01/2024 - 09/30/2025	476,858	35,663	512,521
10/01/2025 - 09/30/2026	491,362	21,158	512,520
10/01/2026 - 09/30/2027	480,618	6,275	486,893
<b>Total</b>	<b>\$ 1,870,784</b>	<b>\$ 112,732</b>	<b>\$ 1,983,516</b>
<b>Subscription Liability</b>	<b>\$ 4,640,552</b>		

**(17) FUTURE FINANCIAL REPORTING REQUIREMENT:**

The City is in the process of reviewing possible impacts of GASB pronouncements which will become effective in future years, and notes the following statements are applicable to the City.

Statement No. 100, *Accounting Changes and Error Corrections*. This Statement will become effective for the city in fiscal year 2024.



**CITY OF CARROLLTON, TEXAS**

Notes to Basic Financial Statements  
For Year Ended September 30, 2023

Statement No. 101, *Compensated Absences*. This Statement will become effective for the City by fiscal year 2025.



**CARROLLTON**  
TEXAS

*Where Connections Happen*

City of Carrollton  
1945 E. Jackson Road  
Carrollton, Texas 75006

**972-466-3000 • [cityofcarrollton.com](http://cityofcarrollton.com)**

**APPENDIX C**  
**FORM OF BOND COUNSEL'S OPINION**

[THIS PAGE INTENTIONALLY LEFT BLANK]



**Orrick, Herrington & Sutcliffe LLP**  
300 West 6th Street  
Suite 1850  
Austin, Texas 78701  
  
+1 512 582 6950  
**orrick.com**

\_\_\_\_\_, 2024

We have acted as Bond Counsel for the City of Carrollton, Texas (the “City”), in connection with the issuance of its Waterworks and Sewer System Revenue Bonds, Series 2024 (the “Bonds”), dated June 20, 2024, in the aggregate principal amount of \$7,460,000. The Bonds are issuable in fully-registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds, in the ordinance adopted by the City Council of the City on April 16, 2024 (the “Bond Ordinance”) authorizing the issuance of the Bonds, and in the pricing certificate executed pursuant to the Bond Ordinance (the “Pricing Certificate” and, together with the Bond Ordinance, the “Ordinance”).

We have acted as 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 exclusion of interest on the Bonds from gross income under federal income tax law.

In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds, as described in the Ordinance. The transcript contains certified copies of certain proceedings of the City; the tax certificate of the City dated the date hereof (the “Tax Certificate”); certain certifications and representations and other material facts within the knowledge and control of the City, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. R-1 of this issue.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such

actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against entities such as the City in the State. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, 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.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

- (1) 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 in effect; the Bonds constitute valid and legally binding special obligations of the City; and the Bonds have been authorized and delivered in accordance with law;
- (2) The Bonds are special obligations of the City and are payable solely from a first lien on and pledge of the Net Revenues of the City's waterworks and sewer system (the "System"). "Net Revenues" are the revenues to be derived from the operation of the System after the payment of all operation and maintenance expenses thereof, as described in the Ordinance; and
- (3) Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is

not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

The Issuer has reserved the right in the Bond Ordinance to issue from time to time Additional Bonds which are equally and ratably secured on parity with the Bonds and the Previously Issued Bonds by a first lien on and pledge of the Net Revenues.

Very truly yours,

[THIS PAGE INTENTIONALLY LEFT BLANK]







# CARROLLTON

T E X A S

