

## PRELIMINARY OFFICIAL STATEMENT

Dated August 4, 2025

Rating:  
S&P: “AA-”  
(See “OTHER INFORMATION –  
Rating” herein)

### NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel to the City, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.

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



**\$30,000,000\***  
**CITY OF ROYSE CITY, TEXAS**  
**(Rockwall, Collin and Hunt Counties)**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025**

**Dated Date: August 1, 2025;**  
**Interest Accrues from the Date of Initial Delivery**

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

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

**AUTHORITY FOR ISSUANCE . . .** The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Royse City, Texas (the “City”), payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of the surplus net revenues (not to exceed \$1,000) of the City’s Waterworks and Sewer System, as provided in the ordinance authorizing the issuance of the Certificates (the “Ordinance”) (see “THE CERTIFICATES - Authority for Issuance of the Certificates” and “ – Security and Source of Payment”).

**PURPOSE . . .** Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing, renovating and equipping administrative office buildings housing the governmental functions of the City, including the Janet Nichol Municipal Center and the acquisition of land or interests in land as necessary therefor; (ii) constructing, reconstructing and improving sidewalks, streets and roads, including, bridges and intersections, street overlay, landscaping, traffic safety and operational improvements, culverts and related storm drainage and utility relocation, and the acquisition of land and interests in land as necessary therefor; (iii) acquiring, constructing, installing, and equipping additions, improvements, extensions, and equipment for the City’s waterworks and sewer system, including water and sewer lines, manholes, valves and related street and infrastructure improvements; (iv) acquiring, constructing and equipping public safety facilities, including fire stations; (v) acquiring, constructing and equipping public parks, including landscaping, irrigation, drainage, lighting, benches, pavilions, walking paths, public restrooms, ball fields, parking facilities and related infrastructure, and the acquisition of land or interests in land as necessary therefor; and (iv) paying the costs of issuing the Certificates.

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**CUSIP PREFIX: 780860**  
**MATURITY SCHEDULE & 9 DIGIT CUSIP, See Schedule on Page 2**

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**LEGALITY . . .** The Certificates are offered for delivery when, as and if issued and received by the initial purchaser of the Certificates (the “Purchaser”) and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P. Bond Counsel, Dallas, Texas (see APPENDIX C - “Form of Bond Counsel’s Opinion”).

**DELIVERY . . .** It is expected that the Certificates will be available for delivery through DTC on August 28, 2025.

**BIDS DUE TUESDAY, AUGUST 12, 2025 BY 9:30 AM, CENTRAL TIME**

\* Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

**MATURITY SCHEDULE\***

Principal Amount	August 15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
\$ 160,000	2026			
185,000	2027			
830,000	2028			
995,000	2029			
1,035,000	2030			
1,145,000	2031			
1,225,000	2032			
1,280,000	2033			
1,345,000	2034			
1,405,000	2035			
1,470,000	2036			
1,580,000	2037			
1,820,000	2038			
1,905,000	2039			
2,000,000	2040			
2,100,000	2041			
2,210,000	2042			
2,320,000	2043			
2,435,000	2044			
2,555,000	2045			

**(Interest Accrues from the date of Initial Delivery)**

\* Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

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**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2036, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption”).

*For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), this document constitutes an official statement of the City with respect to the Certificates that has been “deemed final” by the City as of its date except for the omission of the information permitted by Subsection (b)(1) of the Rule.*

*No dealer, broker, salesman or other person has been authorized by the City or the Purchaser 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 or the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Certificates in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.*

*The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.*

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

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

*NEITHER THE CITY NOR ITS FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.*

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## PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

<b>THE CITY</b> .....	The City of Royse City, Texas is located in Rockwall, Collin and Hunt Counties, and is a Home Rule city governed by a mayor and the six-member council. The Mayor is elected at-large and the six council members are elected at-large and by place number for two-year staggered terms (see "INTRODUCTION - Description of the City").
<b>THE CERTIFICATES</b> .....	The Certificates are issued as \$30,000,000* Combination Tax and Revenue Certificates of Obligation, Series 2025. The Certificates are issued as serial certificates maturing on August 15 in the years 2026 through 2045, inclusive, unless the Purchaser designates one or more maturities as Term Certificates. See "THE CERTIFICATES – Description of the Certificates".
<b>PAYMENT OF INTEREST</b> .....	Interest on the Certificates accrues from the date of initial delivery and is payable on February 15, 2026, and each August 15 and February 15 thereafter until maturity or prior redemption. See "THE CERTIFICATES – Description of the Certificates".
<b>AUTHORITY FOR ISSUANCE</b> .....	The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance"). See "THE CERTIFICATES - Authority for Issuance of the Certificates" and "THE CERTIFICATES – Security and Source of Payment".
<b>SECURITY FOR THE CERTIFICATES</b> ...	The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge of surplus net revenues (not to exceed \$1,000) of the City's Waterworks and Sewer System. See "THE CERTIFICATES - Security and Source of Payment".
<b>OPTIONAL REDEMPTION</b> .....	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2036, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption maturities (see "THE CERTIFICATES – Optional Redemption").
<b>TAX EXEMPTION</b> .....	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.
<b>USE OF PROCEEDS</b> .....	Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing, renovating and equipping administrative office buildings housing the governmental functions of the City, including the Janet Nichol Municipal Center and the acquisition of land or interests in land as necessary therefor; (ii) constructing, reconstructing and improving sidewalks, streets and roads, including bridges and intersections, street overlay, landscaping, traffic safety and operational improvements, culverts and related storm drainage and utility relocation, and the acquisition of land and interests in land as necessary therefor; (iii) acquiring, constructing, installing, and equipping additions, improvements, extensions, and equipment for the City's waterworks and sewer system, including water and sewer lines, manholes, valves and related street and infrastructure improvements; (iv) acquiring, constructing and equipping public safety facilities, including fire stations; (v) acquiring, constructing and equipping public parks, including landscaping, irrigation, drainage, lighting, benches, pavilions, walking paths, public restrooms, ball fields, parking facilities and related infrastructure, and the acquisition of land or interests in land as necessary therefor; and (iv) paying the costs of issuing the Certificates.
<b>RATING</b> .....	The Certificates are rated "AA-" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") (see "OTHER INFORMATION - Rating").

\* Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts" in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

**BOOK-ENTRY-ONLY SYSTEM.....** The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES – Book-Entry-Only System”).

**PAYMENT RECORD .....** The City has never defaulted in the payment of its ad valorem tax debt.

#### SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Taxable Assessed Valuation <sup>(1)</sup>	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Total Collections
2022	\$ 1,320,033,945	\$ 0.6215	\$ 0.4060	\$ 0.2155	\$ 8,016,630	101.25%
2023	1,852,788,539	0.6050	0.3435	0.2615	10,938,223	100.15%
2024	2,388,976,006	0.5840	0.3181	0.2659	13,581,504	100.43%
2025	2,662,884,373	0.5780	0.3353	0.2427	15,391,472	99.00% <sup>(2)</sup>
2026	2,755,064,055	N/A	N/A	N/A	N/A	N/A

(1) Valuations shown are certified taxable assessed values reported by the Collin, Hunt and Rockwall County Appraisal Districts. Taxable assessed values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(2) Collections through June 30, 2025.

For additional information regarding the City, please contact:

Shannon Raymond  
Chief Financial Officer  
City of Royse City  
305 N. Arch Street  
Royse City, Texas 75189  
972/524-4844

or

Steven A. Adams, CFA  
Paul N. Jasin  
Specialized Public Finance Inc.  
4925 Greenville Avenue, Suite 1350  
Dallas, Texas 75206  
214/373-3911

## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

City Council	Length of Service	Term Expires
Janet Nichol Mayor	23 Years <sup>(1)</sup>	May, 2027
Clay Ellis Mayor Pro-Tem	17 Years	May, 2026
Matt Wheatley Deputy Mayor Pro-Tem	14 Years	May, 2026
Michael Holder Councilmember	6 Years	May, 2027
Russell Summers Councilmember	5 Years <sup>(2)</sup>	May, 2027
James Branch Councilmember	16 Years	May, 2027
Thomas Crowley Councilmember	15 Years	May, 2026

(1) Effective May of 2025. Previous service on the City Council: 1995-2005 (councilmember), 2009-2015 (councilmember) and 2015-2021 (Mayor).

(2) Effective May of 2025. Russell Summers previously served on the City Council from 2005 to 2010. He was appointed February of 2025 to fill a vacancy and was elected May of 2025.

### SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service
Carl Alsabrook	City Manager	15 Years
Shannon Raymond	Assistant City Manager/CFO	12 Years
Lauren Vaughns	City Secretary	

### CONSULTANTS AND ADVISORS

Auditors ..... Forvis, LLP  
Dallas, Texas

Bond Counsel ..... McCall, Parkhurst & Horton L.L.P.  
Dallas, Texas

Financial Advisor.....Specialized Public Finance Inc.  
Dallas, Texas

## PRELIMINARY OFFICIAL STATEMENT

### RELATING TO

### CITY OF ROYSE CITY, TEXAS

**\$30,000,000\***

### COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

#### INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of the \$30,000,000\* City of Royse City, Texas Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates"). The Certificates are authorized for issuance under an ordinance (the "Ordinance") to be approved by the City Council on August 12, 2025. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Specialized Public Finance Inc., Dallas, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the Final Official Statement pertaining to the Certificates will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market 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.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State. The City of Royse City, Texas (the "City"), is located in Rockwall, Collin, and Hunt Counties, and is a Home Rule city governed by a mayor and the six member council. The Mayor is elected at large and the six council members are elected at-large and by place for two year staggered terms. The City is located on Interstate Highway 30, approximately 35 miles northeast of Dallas. It is situated in the northeast corner of Rockwall County and east of its county seat, Rockwall. For more information regarding the City, see "APPENDIX A – General Information Regarding the City."

#### THE CERTIFICATES

**PURPOSE . . .** Proceeds from the sale of the Certificates will be used for (i) acquiring, constructing, renovating and equipping administrative office buildings housing the governmental functions of the City, including the Janet Nichol Municipal Center and the acquisition of land or interests in land as necessary therefor; (ii) constructing, reconstructing and improving sidewalks, streets and roads, including, bridges and intersections, street overlay, landscaping, traffic safety and operational improvements, culverts and related storm drainage and utility relocation, and the acquisition of land and interests in land as necessary therefor; (iii) acquiring, constructing, installing, and equipping additions, improvements, extensions, and equipment for the City's waterworks and sewer system, including water and sewer lines, manholes, valves and related street and infrastructure improvements; (iv) acquiring, constructing and equipping public safety facilities, including fire stations; (v) acquiring, constructing and equipping public parks, including landscaping, irrigation, drainage, lighting, benches, pavilions, walking paths, public restrooms, ball fields, parking facilities and related infrastructure, and the acquisition of land or interests in land as necessary therefor; and (iv) paying the costs of issuing the Certificates.

**DESCRIPTION OF THE CERTIFICATES . . .** The Certificates are dated August 1, 2025. The Certificates mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the date of the initial delivery to the Purchaser (anticipated to be August 28, 2025), will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein).

**AUTHORITY FOR ISSUANCE OF THE CERTIFICATES. . .** The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Certificate Ordinance.

\* Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts" in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

**SECURITY AND SOURCE OF PAYMENT . . .** The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge of surplus net revenues (not to exceed \$1,000) of the City's Waterworks and Sewer System.

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation.

Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2036 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed.

If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES OR ANY PORTION THEREOF CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Certificates have not been redeemed.

**DEFEASANCE . . .** The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, 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 the Paying Agent/Registrar, or authorized escrow agent, in trust (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (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 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 (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. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities 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.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

Upon defeasance, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates 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 Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates 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.

Upon making such deposit in the manner described, such defeased Certificates shall no longer be deemed outstanding obligations secured by the Ordinance, but will be payable only from the funds and Defeasance Securities deposited in escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose.

**AMENDMENTS . . .** In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder of the Certificates for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment.

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

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry

transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates 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 Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy). All payments on the Certificates 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 Certificates 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, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 Certificates 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, 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, 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 neither the City nor the Purchaser take any 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 Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is UMB Bank, N.A. Interest on and principal of the Certificates will be payable, and transfer functions will be performed, at the office for payment of the Paying Agent/Registrar in Dallas, Texas (the "Designated Payment/Transfer Office"). In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar will be required to make any transfer, conversion, or exchange of Certificates (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

**RECORD DATE FOR INTEREST PAYMENT. . .** The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month. 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 (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of an Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**CERTIFICATEHOLDERS' REMEDIES . . .** The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates 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 Certificateholders 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 June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, Certificateholders may not be able to bring such a suit

against the City for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. 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 Certificateholders 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 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity that permit the exercise of judicial discretion.

**SOURCES AND USES OF PROCEEDS . . .** The proceeds from the sale of the Certificates will be applied approximately as follows:

**Sources of Funds:**

Par Amount	\$	-
Cash Premium		-
Total Sources of Funds	\$	-

**Uses of Funds:**

Deposit to Project Construction Fund	\$	-
Deposit to Debt Service Fund (Rounding Amount)		-
Costs of Issuance		-
Total Uses of Funds	\$	-

*(The remainder of this page intentionally left blank.)*

## TAX INFORMATION

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

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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

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

**STATE MANDATED HOMESTEAD EXEMPTIONS . . .** State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

**LOCAL OPTION HOMESTEAD EXEMPTIONS . . .** The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

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

**PERSONAL PROPERTY . . .** Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

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

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

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

**TAX INCREMENT FINANCING ZONES . . .** A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “Incremental Value,” and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See “TAX INFORMATION – City Application of Property Tax Code” for descriptions of any TIRZ created in the City.

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

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

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

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

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

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

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

“unused increment rate” means the cumulative difference between a city’s voter-approval tax rate and its actual tax rate for each of the tax years 2022 through 2024, which may be applied to a city’s tax rate in tax years 2023 through 2025 without impacting the voter-approval tax rate.

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

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

A city must annually calculate its “voter-approval tax rate” and “no-new-revenue tax rate” (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a

tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year. Furthermore, beginning for tax year 2026, if the Texas Attorney General determines that a city did not have its audited annual financial statements on file with its city secretary before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate.

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

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

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

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

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

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

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

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

**POTENTIAL FUTURE CHANGES IN STATE LAW REGARDING DEBT AND TAX RATE LIMITATIONS . . .** During Texas legislative sessions and interim business of the Texas legislature, various proposals and reports have been presented by committees of Texas Senate and Texas House of Representative which suggest or recommend changes to Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act), Chapter 1431, Texas Government Code, and the Texas Property Tax Code relating to the ability of political subdivisions to impose taxes for purposes of ongoing maintenance and operations and to incur long-term debt. The 89th Legislative Session of the State (the "89th Regular Session") convened on January 14, 2025, and concluded on June 2, 2025. The Governor has called a special session to convene on July 21, 2025, including in part to consider "[l]egislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." It is impossible to predict what new proposals may be presented during any upcoming legislative sessions, whether such new proposals or any previous proposals regarding the same will be adopted by the Texas Senate and House of Representatives and signed by the Governor, and, if adopted, the form thereof. It is impossible to predict with certainty the impact that any such future legislation will or may have on the security for the Certificates.

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

Owners of certain property with a taxable value of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

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

**PROPERTY ASSESSMENT AND TAX PAYMENT . . .** Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in either the standard edition of the Annual Energy Outlook published by the United States Energy Information Administration or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

**PENALTIES AND INTEREST . . .** Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney’s collection fee of up to 20% may be added to the total tax penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the City’s lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**CITY’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . .** Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.



**CITY APPLICATION OF TAX CODE . . .** The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$25,000; the disabled are also granted an exemption.

The City has not granted an additional exemption of 20% of the market value of residence homesteads.

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

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

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

The City does not tax nonbusiness personal property; and the Rockwall Central Appraisal District collects taxes for the City.

The City does not permit split payments, and discounts are not allowed.

The City does tax freeport property.

The City does tax goods-in-transit.

The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes.

**TAX ABATEMENT POLICY . . .** The City may designate areas within the City as a reinvestment zone. Thereafter, the City may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity with taxing authority over the property will follow in granting tax abatement to owners of property. The tax abatement agreement may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the City, for a period of up to ten years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. The terms of all tax abatement agreements must be substantially the same. The City has not granted any tax abatements.

#### **PUBLIC IMPROVEMENT DISTRICTS AND ECONOMIC DEVELOPMENT INCENTIVES**

The City is situated along the border of Collin County and Rockwall County, which has experienced rapid population growth in recent years, together with rapid land development. The City has implemented various economic development incentives to manage and continue this growth while maintaining a stable property tax rate. In addition to offering economic development agreements authorized pursuant to Chapter 380 ("Chapter 380 Agreements"), the City has created several public improvement districts ("PID" or "PIDs") and tax increment reinvestment zones ("TIRZ"), which are briefly described below (see "TAX INFORMATION" herein). The City established the PIDs to undertake improvement projects that confer a special benefit on property located within the particular PID, whether located within the City limits or the City's extraterritorial jurisdiction ("ETJ"). The City may levy and collect special assessments on property in the particular PID based on the benefit conferred by an improvement project to pay all or part of its cost. To the extent bonds have been issued to finance such public improvements, detailed information on these developments may be obtained from the City or from disclosure documents for such bonds filed at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Waterscape Public Improvement District and TIRZ No. 1**

The Waterscape Public Improvement District ("Waterscape") was created by the City on October 11, 2016, and consists of a 310.202-acre master planned project with approximately 1,102 single-family homes. To date, the City has issued \$31,071,000 in special assessment revenue bonds to develop public infrastructure within Waterscape, in four distinct phases or "improvement areas", and the City also created Reinvestment Zone No. 1, which is coterminous with Waterscape, in order to reduce future assessments on said homes.

Waterscape is located in Rockwall County in the southern portion of the City's extraterritorial jurisdiction, at the southeast corner of the intersection of Farm-to-Market Road 548 and Crenshaw Road. In the future, the City anticipates creating a second PID that is adjacent to Waterscape and issuing additional special assessment revenue bonds to fund public infrastructure upon approximately 122 additional acres, estimated to include an additional 320 single-family homes, considered to be a fifth phase of this master planned development project. At this time, the City cannot predict when or whether such new PID will be created or bonds will be issued, if ever.

#### **Parkside Village Public Improvement District**

The Parkside Village Public Improvement District ("Parkside Village") was created by the City on September 11, 2018, and consists of a 109.509-acre master planned project consisting of 445 single family homes, along with 35,000 square feet of commercial mixed use space. Parkside Village is located south and east of the intersection of Circle Drive and Elm Grove Road, at the existing southern terminus of Erby Campbell Boulevard, within the southern portion of the City's corporate limits.

On August 27, 2019, the City issued \$7,525,000 in special assessment revenue bonds to develop the public infrastructure within Parkside Village, including streets, water, sanitary sewer, and storm drainage. The City does not anticipate issuing additional special assessment revenue bonds for Parkside Village.

### **Creekshaw Public Improvement District**

The Creekshaw Public Improvement District (“Creekshaw”) was created by the City on January 28, 2020, and consists of a 181.684-acre master planned project consisting of 755 single family homes. Creekshaw is generally located along the south side of interstate highway 30, abutting the frontage road thereon, near the intersection of Farm-to-Market Roads 35 and 2453, east of Bois d’Arc Creek, within the southern portion of the City’s corporate limits.

Creekshaw is expected to be developed in approximately three phases over a 5-year period. On July 28, 2020, the City issued \$9,340,000 in special assessment revenue bonds to develop infrastructure within the first phase of development and to fund infrastructure common to all phases of development, including streets, water, sanitary sewer, and storm drainage. On October 5, 2022, the City issued an additional \$6,670,000 in special assessment revenue bonds to fund infrastructure in the second phase of development. In the future, the City expects to issue additional bonds payable from special assessments levied on the third phase of development of Creekshaw, but cannot predict when or whether such bonds will be issued, if ever.

### **Liberty Crossing Public Improvement District**

The Liberty Crossing Public Improvement District (“Liberty Crossing”) was created by the City on February 22, 2022 and consists of a 155.369-acre master planned project consisting of approximately 635 single-family homes, generally located immediately south of interstate 30 and immediately west of Cemetery Road, within the City’s corporate limits. On October 26, 2023, the City issued \$4,379,000 in special assessment revenue bonds to develop infrastructure within the first phase of development, and on August 6, 2024, the City issued an additional \$3,062,000 in special assessment revenue bonds to fund infrastructure in the second phase of development. In the future, the City expects to issue additional bonds payable from special assessments levied on the third phase of development of Liberty Crossing, but the City cannot predict when or whether such bonds will be issued, if ever.

### **Bearpen Creek Public Improvement District and TIRZ No. 2**

On May 31, 2022, the City created Bearpen Creek Public Improvement District (“Bearpen Creek”), which consists of a 975.387-acre master planned project expected to include several thousand single family homes, multifamily housing, commercial retail space, public parks, and public schools, situated south of interstate 30 and loosely bordered by Farm-to-Market Roads 2515, 35, 2526, 2596 and 2597. The City also created Tax Increment Reinvestment Zone No. 2, which is coterminous with Bearpen Creek, in order to reduce future assessments on said property and to fund additional public improvements within Bearpen Creek. The City anticipates issuing special assessment revenue bonds to fund infrastructure within Bearpen Creek, but the City cannot predict when or whether such bonds will be issued, if ever.

On November 9, 2021, the City created Reinvestment Zone No. 2

### **Clearview Ranch Public Improvement District**

The Clearview Ranch Public Improvement District (“Clearview Ranch”) was created by the City on October 24, 2023, and consists of a 560.213-acre master planned project consisting of approximately 1,608 single family homes. Clearview Ranch is generally located southeast of the intersection of Farm-to-Market Roads 677 and 1777, north of State Highway 66, within the northeastern portion of the City’s corporate limits.

Clearview Ranch is expected to be developed in approximately seven phases over a period of several years. On September 24, 2024, the City issued \$3,785,000 in special assessment revenue bonds to develop infrastructure within the first phase of development of the southern portion of Clearview Ranch, and on August 5, 2025, the City will issue an additional \$5,017,000 in special assessment revenue bonds to fund infrastructure in the first phase of development of the northern portion of the Clearview Ranch. The City expects to issue additional bonds payable from special assessments levied on Clearview Ranch but cannot predict when or whether such bonds will be issued, if ever.

### **Bahamas Public Improvement District No. 2 and TIRZ No. 3**

On December 10, 2024, the City created Bahamas Public Improvement District No. 2 (“Bahamas”), which consists of a 681.509-acre master planned project expected to include approximately 1,850 single family homes, located south of interstate 30 along Farm-to-Market Road 548 immediately north of, and adjacent to, Waterscape. The City also created Reinvestment Zone No. 3, which is coterminous with Bahamas, in order to fund the construction of a bridge spanning Sabine Creek and connecting to Elm Grove Road. The City anticipates issuing special assessment revenue bonds to fund infrastructure within Bahamas, but the City cannot predict when or whether such bonds will be issued, if ever.

## Future Development Projects

The City entered into additional development agreements with various developers in which the City has agreed to create and establish additional PIDs and/or TIRZ and to issue multiple series of special assessment revenue bonds to fund the public infrastructure within such districts. The timing and amount of said bond issues is not certain at this time.

## Chapter 380 Agreements

The City has entered into a Chapter 380 agreement with Provident Realty Advisors (“PRA”) in which the City agreed to reimburse PRA for the costs of certain infrastructure necessary to develop a 114 acre retail development. Once constructed, the City would reimburse PRA by rebating a portion of sales taxes collected from retailers on the site. Wal-Mart has opened and reimbursements have been made by the City. Multiple retail and restaurant establishments have opened and reimbursements have been made to the PRA.

The City has entered into a Chapter 380 agreement with Buc-ee’s, Ltd. (Buc-ee’s) in connection with the construction and operation of a travel center along Interstate 30 and within the City, which travel center is currently in operation. Among other things, the agreement requires the City to extend water and sewer utility lines to the travel center and to rebate to Buc-ee’s local sales and use taxes collected by the City from sales at the project site for a period of 20 years.

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

2025/2026 Market Valuation Established by Rockwall, Collin and Hunt County Appraisal Districts (excluding totally exempt property)	\$	3,303,680,268
Less Exemptions/Reductions at 100% Market Value:		
Homestead Cap	\$	32,336,925
Productivity Loss		156,803,379
Over 65		5,570,396
Disabled Persons		403,462
Disabled Veterans		95,263,763
Pollution		1,034,271
Other		11,285,323
TIF		245,918,694
		548,616,213
2025/2026 Taxable Assessed Valuation	\$	<u>2,755,064,055</u> <sup>(1)</sup>
Debt Payable from Ad Valorem Taxes as of 6/30/2025	\$	86,025,000
The Certificates		<u>30,000,000</u> <sup>(2)</sup>
	\$	116,025,000
Less: Self-Supporting	\$	28,710,000
Total Debt Payable from Ad Valorem Taxes		<u>\$ 87,315,000</u>
General Obligation Interest and Sinking Fund as of 6/30/2025	\$	6,412,668
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		4.21%

2025 Estimated Population - 26,387  
Per Capita Taxable Assessed Valuation - \$104,410  
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$3,309

- (1) Valuations shown are certified taxable assessed values reported by the Collin, Hunt and Rockwall County Appraisal Districts. Taxable assessed values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
- (2) Preliminary, subject to change.

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

Category	Taxable Appraised Value for Fiscal Year Ended September 30,		
	2026	2025	2024
Amount	Amount	Amount	Amount
Total Market Value	\$ 3,536,972,280	\$ 3,156,603,516	\$ 2,907,499,046
Less: Homestead Cap	32,336,925	75,929,595	169,545,853
Exempt Property	233,292,012	89,845,354	155,844,318
Productivity Loss	156,803,379	146,270,820	88,916,460
Total Assessed Valuation	\$ 3,114,539,964	\$ 2,844,557,747	\$ 2,493,192,415
Less: Total Exemptions/Reductions	359,475,909	181,673,374	104,216,409
Taxable Assessed Value	<u>\$ 2,755,064,055</u>	<u>\$ 2,662,884,373</u>	<u>\$ 2,388,976,006</u>

Category	Taxable Appraised Value for Fiscal Year Ended September 30,	
	2023	2022
Amount	Amount	Amount
Total Market Value	\$ 2,275,514,563	\$ 1,552,614,629
Less: Homestead Cap	143,802,399	7,406,386
Exempt Property	138,554,285	115,510,694
Productivity Loss	110,081,554	90,316,364
Total Assessed Valuation	\$ 1,883,076,325	\$ 1,339,381,185
Less: Total Exemptions/Reductions	30,287,786	19,347,240
Taxable Assessed Value	<u>\$ 1,852,788,539</u>	<u>\$ 1,320,033,945</u>

Valuations shown are certified taxable assessed values reported by the Collin, Hunt and Rockwall County Appraisal Districts. Taxable assessed values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

**TABLE 3 – TAXABLE ASSESSED VALUATION**

Fiscal Year Ended 9/30	Taxable Assessed Valuation	Amount Increase Over Prior Year	Percent Increase Over Prior Year
2022	\$ 1,320,033,945	\$ 214,815,246	19.44%
2023	1,852,788,539	532,754,594	40.36%
2024	2,388,976,006	536,187,467	28.94%
2025	2,662,884,373	273,908,367	11.47%
2026	2,755,064,055	92,179,682	3.46%

Valuations shown are certified taxable assessed values reported by the Collin, Hunt and Rockwall County Appraisal Districts. Taxable assessed values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% Total Collections
		General	Interest and		
		Fund	Sinking Fund		
2021	\$ 0.6215	\$ 0.4380	\$ 0.1835	\$ 6,890,839	101.23%
2022	0.6215	0.4060	0.2155	8,016,630	101.25%
2023	0.6050	0.3435	0.2615	10,938,223	100.15%
2024	0.5840	0.3181	0.2659	13,581,504	100.43%
2025	0.5780	0.3353	0.2427	15,391,472	99.00%

(1) Collections as of June 30, 2025.

**TABLE 5 – TEN LARGEST TAXPAYERS<sup>(1)</sup>**

Name of Taxpayer	2024	% of Total
	Taxable	Taxable
	Assessed Valuation	Assessed Valuation
Oncor Electric Delivery Co.	\$ 36,361,920	1.37%
Buc-ees LTD	14,672,304	0.55%
Royse City Assets LLC	9,728,125	0.37%
Wal Mart Real Estate Business	8,946,684	0.34%
Dust Free Inc	8,438,302	0.32%
Almo Investment LTD	7,515,422	0.28%
Century Land Holdings of Texas	7,259,760	0.27%
Cypress Creek Parker Creek	6,849,630	0.26%
Spectrum Gulf Coast LLC	6,345,562	0.24%
DR Horton-Texas LTD	5,950,000	0.22%
J Evans Family Partnership	5,486,000	0.21%
Wal Mart Stores of Texas	5,014,535	0.19%
	<u>\$ 122,568,244</u>	<u>4.60%</u>

Source: As reported by the Rockwall, Collin and Hunt County Appraisal Districts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(1) Based on 2024 Taxable Assessed Valuation of \$2,662,884,373.

**GENERAL OBLIGATION DEBT LIMITATION . . .** The City has no legal debt limit established by its Home Rule Charter or ordinances. For a description of limitations on the City’s maximum ad valorem tax rate (see “THE CERTIFICATES – Tax Rate Limitation”).

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

Principal and Interest Requirements, 2025	\$ 5,258,189
\$0.2010 Tax Rate at 95% Collection Produces	\$ 5,260,795
Average Annual Principal and Interest Requirements, 2025 - 2045	\$ 6,105,503
\$0.2333 Tax Rate at 95% Collection Produces	\$ 6,106,186
Maximum Principal and Interest Requirements, 2029	\$ 6,762,512
\$0.2584 Tax Rate at 95% Collection Produces	\$ 6,763,131

(1) Includes the Certificates and excludes self-supporting debt. Preliminary, subject to change.

**TABLE 7 – ESTIMATED OVERLAPPING DEBT**

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

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	City's Overlapping Tax Supported Debt as of 6/30/2025
City of Royse City	\$ 87,315,000	100.00%	\$ 87,315,000 <sup>(1)</sup>
Caddo Mills ISD	223,074,463	0.16%	356,919
Collin County	776,095,000	0.16%	1,241,752
Collin County CCD	459,865,000	0.16%	735,784
Community ISD	356,880,000	0.05%	178,440
Hunt County	9,125,000	3.23%	294,738
Hunt Memorial Hospital District	28,510,000	3.23%	920,873
Rockwall County	123,500,000	7.40%	9,139,000
Royse City ISD	605,300,920	42.57%	257,676,602
Verandah MUD	68,635,000	0.03%	20,591
Total Direct and Overlapping Tax Supported Debt			\$ 357,879,698
Ratio of Direct and Overlapping Tax Supported Debt to 2025/2026 Taxable Assessed Valuation			12.99% <sup>(2)</sup>
Per Capita Overlapping Tax Supported Debt			\$ 13,563

(1) Includes the Certificates and excludes self-supporting debt. Preliminary, subject to change.

(2) Valuations shown are certified taxable assessed values reported by the Collin, Hunt and Rockwall County Appraisal Districts. Taxable assessed values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

## DEBT INFORMATION

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

Fiscal Year Ended	Outstanding Debt			The Certificates <sup>(1)</sup>			Total	Less:	Total
9/30	Principal	Interest	Total	Principal	Interest	Total	Debt Service	Self-Supporting Debt Service	Net Debt Service
2025	\$ 4,370,000	\$ 3,367,281	\$ 7,737,281	\$ -	\$ -	\$ -	\$ 7,737,281	\$ 2,479,093	\$ 5,258,189
2026	4,545,000	3,191,612	7,736,612	160,000	1,342,059	1,502,059	9,238,671	2,480,243	6,758,428
2027	4,605,000	3,012,455	7,617,455	185,000	1,435,013	1,620,013	9,237,468	2,479,193	6,758,275
2028	4,155,000	2,828,262	6,983,262	830,000	1,426,688	2,256,688	9,239,949	2,480,843	6,759,107
2029	4,195,000	2,660,317	6,855,317	995,000	1,389,338	2,384,338	9,239,654	2,477,143	6,762,512
2030	4,375,000	2,486,145	6,861,145	1,035,000	1,344,563	2,379,563	9,240,708	2,478,593	6,762,115
2031	4,120,000	2,309,597	6,429,597	1,145,000	1,297,988	2,442,988	8,872,585	2,112,043	6,760,542
2032	4,200,000	2,140,473	6,340,473	1,225,000	1,246,463	2,471,463	8,811,935	2,050,943	6,760,993
2033	4,375,000	1,970,530	6,345,530	1,280,000	1,191,338	2,471,338	8,816,867	2,057,800	6,759,067
2034	4,440,000	1,793,008	6,233,008	1,345,000	1,133,738	2,478,738	8,711,746	1,951,685	6,760,061
2035	4,620,000	1,612,856	6,232,856	1,405,000	1,073,213	2,478,213	8,711,068	1,952,688	6,758,381
2036	4,795,000	1,427,907	6,222,907	1,470,000	1,009,988	2,479,988	8,702,895	1,943,935	6,758,960
2037	4,910,000	1,235,288	6,145,288	1,580,000	942,000	2,522,000	8,667,288	1,907,698	6,759,591
2038	4,800,000	1,036,319	5,836,319	1,820,000	864,975	2,684,975	8,521,294	1,809,613	6,711,681
2039	4,780,000	864,939	5,644,939	1,905,000	776,250	2,681,250	8,326,189	1,808,213	6,517,976
2040	4,670,000	693,233	5,363,233	2,000,000	681,000	2,681,000	8,044,233	1,809,506	6,234,726
2041	4,840,000	523,625	5,363,625	2,100,000	581,000	2,681,000	8,044,625	1,808,694	6,235,931
2042	5,010,000	344,035	5,354,035	2,210,000	476,000	2,686,000	8,040,035	1,804,188	6,235,848
2043	3,500,000	157,950	3,657,950	2,320,000	365,500	2,685,500	6,343,450	1,807,513	4,535,938
2044	355,000	16,200	371,200	2,435,000	249,500	2,684,500	3,055,700	371,200	2,684,500
2045	365,000	8,213	373,213	2,555,000	127,750	2,682,750	3,055,963	373,213	2,682,750
	<u>\$ 86,025,000</u>	<u>\$ 33,680,244</u>	<u>\$ 119,705,244</u>	<u>\$ 30,000,000</u>	<u>\$ 18,954,359</u>	<u>\$ 48,954,359</u>	<u>\$ 168,659,602</u>	<u>\$ 40,444,033</u>	<u>\$ 128,215,570</u>

(1) Interest on the Certificates has been calculated as of the posted date of the Preliminary Official Statement for purposes of illustration. Preliminary, subject to change.

**TABLE 9 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS . . .** The City has no authorized but unissued general obligation debt.

**ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . .** The City does not anticipate the issuance of additional general obligation debt within the next twelve months.

**TABLE 10 - OTHER OBLIGATIONS -** See “F. Long-Term Obligations” of the City’s annual financial report attached hereto as APPENDIX B.

**TABLE 11 – COMPUTATION OF SELF-SUPPORTING DEBT**

	<u>Water and Sewer Fund</u>
Net System Revenue Available, 9-30-24	\$ 6,649,213
Less: Requirement for Revenues Bonds, FY 2023	-
Estimated Balance Available for Debt Service	<u>\$ 6,649,213</u>
 Maximum Annual Debt Service for Self-Supporting Debt, 2024	 \$ 2,480,843
 <b>General Obligation Refunding Bonds, Series 2014</b>	
Outstanding Balance	\$ 1,550,000
% Self Supporting from Utility System	100.00%
Balance Supported by the Utility System	\$ 1,550,000
 <b>Combination Tax and Revenue Certificates of Obligation, Series 2016</b>	
Outstanding Balance	\$ 1,120,000
% Self Supporting from Utility System	33.93%
Balance Supported by the Utility System	\$ 380,000
 <b>Combination Tax and Revenue Certificates of Obligation, Series 2017</b>	
Outstanding Balance	\$ 3,205,000
% Self Supporting from Utility System	33.23%
Balance Supported by the Utility System	\$ 1,065,000
 <b>General Obligation Refunding Bonds, Series 2017</b>	
Outstanding Balance	\$ 2,715,000
% Self Supporting from Utility System	35.73%
Balance Supported by the Utility System	\$ 970,000
 <b>General Obligation Refunding Bonds, Series 2020</b>	
Outstanding Balance	\$ 2,405,000
% Self Supporting from Utility System	90.23%
Balance Supported by the Utility System	\$ 2,170,000
 <b>Combination Tax and Revenue Certificates of Obligation, Series 2020</b>	
Outstanding Balance	\$ 6,585,000
% Self Supporting from Utility System	95.90%
Balance Supported by the Utility System	\$ 6,315,000
 <b>Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2023</b>	
Outstanding Balance	\$ 39,545,000
% Self Supporting from Utility System	41.12%
Balance Supported by the Utility System	\$ 16,260,000



**PENSION FUND.** . . The City provides pension benefits for all of its eligible full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the State-wide Texas Municipal Retirement System (“TMRS”), one of over 847 plans administered by TMRS, an agent multiple-employer public employee retirement system. Benefits from the TMRS administered plan depend upon the sum of the employee’s contributions to the plan, with interest, and City-financed monetary credits, with interest. Members can retire at age 60 and above with 5 or more years of service or with 20 or more years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the City Council, within the options available in the State statutes governing TMRS and within the actuarial constraints also in the statutes.

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

Employees for the City were required to contribute 7 percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.60 percent and 15.65 percent in calendar years 2023 and 2024, respectively. The City’s contributions to TMRS for the year ended September 30, 2024, were \$1,490,105 and were equal to the required contributions.

More information regarding the City’s TMRS contribution rates is available at [www.TMRS.com](http://www.TMRS.com). For additional information concerning the City’s pension plans and other benefits.

See “Note 8: Defined Benefit Pension Plan” of the City’s annual financial report attached hereto as APPENDIX B.

**OTHER POSTEMPLOYMENT BENEFITS** . . . The City provides life insurance benefits for both active employees and retirees through the Supplemental Death Benefits Fund (“SDBF”), a cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The City’s total SBDF contribution rates were 0.23 percent and 0.24 percent for calendar year 2024 and 2023, respectively. The retiree portion of the total SBDF contribution rates for the City were 0.06 percent and 0.06 percent in calendar year 2024 and 2023, respectively.

The City’s contributions to the SDBF for the years ended September 30, 2024 and 2023 were \$22,169 and \$17,049, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

See “Note 9: Postemployment Benefits Other Than Pensions” of the City’s annual financial report attached hereto as APPENDIX B.

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## FINANCIAL INFORMATION

**TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
<u>Revenues:</u>					
Taxes	\$14,115,565	\$12,093,931	\$10,561,878	\$ 9,373,658	\$ 8,264,836
Intergovernmental	354,463	271,755	234,019	208,787	153,875
Permits, fees, licenses, and fines	2,956,189	2,483,599	3,946,415	3,568,067	1,618,583
Charges for services	1,215,574	1,524,831	942,219	759,927	1,002,216
Interest Income	653,345	700,352	119,169	18,931	67,592
Donations	-	-	-	120,903	-
Miscellaneous	27,310	16,850	20,011	130,855	16,097
Total Revenues	<u>\$19,322,446</u>	<u>\$17,091,318</u>	<u>\$15,823,711</u>	<u>\$14,181,128</u>	<u>\$11,123,199</u>
<u>Expenditures:</u>					
Administrative	\$ 4,704,738	\$ 4,092,358	\$ 3,414,541	\$ 2,950,867	\$ 2,278,197
Public Safety	7,473,614	6,610,093	5,158,669	4,335,760	4,056,403
Public works	996,856	760,157	404,939	418,105	428,477
Public services	-	-	-	-	757,265
Community development	1,727,627	1,285,304	1,171,176	1,185,210	702,582
Culture and recreation	1,830,938	1,389,882	1,131,421	1,020,285	236,229
Non-Departmental	-	-	-	-	-
Environmental Services	-	-	-	-	212,151
Debt Service	76,650	34,294	-	-	-
Capital Outlay	820,224	1,161,073	893,830	15,519	485,390
Miscellaneous	-	-	-	-	-
Total Expenditures	<u>\$17,630,647</u>	<u>\$15,333,161</u>	<u>\$12,174,576</u>	<u>\$ 9,925,746</u>	<u>\$ 9,156,694</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>\$ 1,691,799</u>	<u>\$ 1,758,157</u>	<u>\$ 3,649,135</u>	<u>\$ 4,255,382</u>	<u>\$ 1,966,505</u>
Total Other Financing Sources (Uses)	<u>\$ (889,011)</u>	<u>\$ (822,811)</u>	<u>\$ (3,091,099)</u>	<u>\$ (3,713,809)</u>	<u>\$ (1,833,855)</u>
Excess of Revenues & Other Financing Sources					
Over (Under) Expenditures & Other Financing Uses	\$ 802,788	\$ 935,346	\$ 558,036	\$ 541,573	\$ 132,650
Fund Balance, October 1	<u>\$ 6,601,152</u>	<u>\$ 5,665,806</u>	<u>\$ 5,107,770</u>	<u>\$ 4,566,197</u>	<u>\$ 4,433,547</u>
Prior Period Adjustments					
Fund Balance, September 30	<u>\$ 7,403,940</u>	<u>\$ 6,601,152</u>	<u>\$ 5,665,806</u>	<u>\$ 5,107,770</u>	<u>\$ 4,566,197</u>

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**TABLE 13 - MUNICIPAL SALES TAX HISTORY**

The State of Texas levies a six and one-quarter percent (6 and ¼%) sales and use tax (“sales tax”). The State tax, in addition to the general City sales taxes and those levied for the benefit of the City’s Type B economic development corporation (the “4B Corp”) and for property tax relief, result in a total sales tax within the City of eight and one-quarter percent (8 and ¼%), which under current law is the maximum rate that may be collected within a governmental entity.

The City has adopted the provisions of Chapter 321 of the Texas Tax Code, which provides for the maximum levy of a one percent (1%) sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of notes, bonds, certificates or other indebtedness. Further, the Texas Tax Code provides certain cities the option of assessing a maximum one-half of one percent (½ of 1%) sales tax for the benefit of its 4B Corp. Additionally, the Property Tax Code provides that certain governmental in the State may submit a proposition to the voters to authorize an additional one-half of one percent (½ of 1%) sales tax for property tax relief. If such additional sales tax is levied, such governmental entity’s property tax rates are required to be offset by the revenue that will be generated by the sales tax in the current year. Each sales tax must be approved by a majority of the voters in a local option election.

In 1969, the City’s voters approved a sales tax of one percent (1%) that may be used by the City for any lawful purpose as described above. In 1997, the City’s voters approved an additional one-half of one percent (½ of 1%) sales tax for the benefit of the Royse City Community Development Corporation (the City’s 4B Corp), as well as an additional one-half of one percent (½ of 1%) sales tax for property tax relief.

Collections and enforcements of the City’s sales tax are effected through the offices of the Texas Comptroller of Public Accounts, who remits the proceeds of the sales tax, after deduction of a 2% service fee, to the City monthly. The City then remits 25% of such payment to its 4B Corp.

The net collections of the City’s one percent (1%) general use sales tax, one-half of one percent (½ of 1%) 4B Corp sales tax and one-half of one percent (½ of 1%) sales tax for property tax relief are shown in the table below. **Sales tax proceeds are not pledged for the payment of the Certificates.**

Fiscal Year Ended 9/30	Total Collected	1.00% General Fund	0.50% Tax Relief	0.50% 4B Corp
2021	\$ 5,577,278	\$ 2,788,639	\$ 1,394,320	\$ 1,394,320
2022	6,957,467	3,478,734	1,739,367	1,739,367
2023	7,717,943	3,858,972	1,929,486	1,929,486
2024	8,407,841	4,203,921	2,101,960	2,101,960
2025 <sup>(1)</sup>	6,658,849	3,329,425	1,664,712	1,664,712

(1) Collections through June 30, 2025.

## FINANCIAL POLICIES

**Basis of Accounting** . . . The City’s accounting records of all governmental and expendable trust funds are accounted for using the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except for (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

**Budgetary Procedures** . . . The official city budget is prepared for adoption for the Governmental Fund Type and the Proprietary Fund Type during the month of September.

## INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both state law and the City's investment policies are subject to change.

**LEGAL INVESTMENTS . . .** Under State law, the City is authorized to make investments meeting the requirements of the PFIA, which currently include (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 is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) 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; (12) 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; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. 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 ten (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.

Political subdivisions such as the City are authorized to implement 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 (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, 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 State 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 the 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, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the 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) State law. No person may invest City funds without express written authority from the City Council.

**ADDITIONAL PROVISIONS . . .** Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) 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; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude 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 in a form acceptable to the City and the business organization attesting to these requirements; (5) 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; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) 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 purchase agreement; (8) restrict the investment in no-load 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; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; 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.

#### TABLE 14 - CURRENT INVESTMENTS

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

Description	Market Value
Bank Accounts	\$ 24,939,163
Investment Pool	105,018,146
Total	<u>\$ 129,957,309</u>

## THE SYSTEM

### WATERWORKS AND SEWER SYSTEM

The City contracts with the North Texas Municipal Water District (“NTMWD”) to meet the City’s water supply and sewage treatment and disposal needs. The City also owns various facilities including storage and pump facilities, water distribution and sewage collection lines, meters, valves, and other facilities necessary to provide water and sewer service to its customers. The City then charges its customers such rates that are sufficient for pay the City’s obligations to NTMWD and to pay for the maintenance, operation, and improvement of the City’s water and sewer facilities.

**TABLE 15 - MONTHLY WATER RATES (EFFECTIVE JANUARY 2025)**

<b>In City Water Rates</b>	
<u>Volume Charge (per 1,000 gallons)</u>	<u>Residential</u>
First 3,000 gallons	\$ 29.19
3,000-10,000 gallons	5.95
10,000-15,000 gallons	7.44
15,000-25,000 gallons	9.31
Over 25,000 gallons	10.70
<u>Minimum Charge (up to 3,000 gallons)</u>	<u>Commercial</u>
5/8"x 3/4"	\$ 38.93
1"	47.86
1.5"	56.18
2"	67.63
3"	104.04
4"	145.66
6"	208.08
<u>Volume Charge (per 1,000 gallons)</u>	
3,001 & above	\$ 8.45
<b>Out of City Water Rates</b>	
<u>Volume Charge (per 1,000 gallons)</u>	<u>Residential</u>
First 3,000 gallons	\$ 43.78
3,000-10,000 gallons	8.92
10,000-15,000 gallons	11.16
15,000-25,000 gallons	13.96
Over 25,000 gallons	16.05
<u>Minimum Charge</u>	<u>Commercial</u>
5/8"x 3/4"	\$ 58.39
1"	71.79
1.5"	84.27
2"	101.44
3"	156.06
4"	218.49
6"	312.12
<u>Volume Charge (per 1,000 gallons)</u>	
3,001 & above	\$ 12.67

**TABLE 16 - MONTHLY SEWER RATES (EFFECTIVE JANUARY 2025)**

<b>In City Sewer Rates</b>		
<u>Volume Charge</u>	<u>Residential</u>	<u>Commercial</u>
Base Charge/First 3,000 gallons	\$ 39.29	\$ 60.44
3,000-10,000 gallons	9.06	9.06
10,000-15,000 gallons	9.06	9.06
15,000-25,000 gallons	9.06	9.06
Over 25,000 gallons	9.06	9.06

<b>Out of City Sewer Rates</b>		
<u>Volume Charge</u>	<u>Residential</u>	<u>Commercial</u>
Base Charge/First 3,000 gallons	\$ 58.93	\$ 90.66
3,000-10,000 gallons	13.59	13.59
10,000-15,000 gallons	13.59	13.59
15,000-25,000 gallons	13.59	13.59
Over 25,000 gallons	13.59	13.59

**TABLE 17- WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS**

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Operating Revenues	\$ 17,620,352	\$ 15,785,379	\$ 16,186,603	\$ 12,766,354	\$ 9,589,954
Miscellaneous Revenue	228,715	225,380	316,019	403,579	104,053
Total Revenue	\$ 17,849,067	\$ 16,010,759	\$ 16,502,622	\$ 13,169,933	\$ 9,694,007
 Total Operating Expenses <sup>(1)</sup>	 \$ 11,199,853	 \$ 8,769,165	 \$ 6,578,142	 \$ 4,890,560	 \$ 4,682,927
 Operating Income	 \$ 6,649,214	 \$ 7,241,594	 \$ 9,924,480	 \$ 8,279,373	 \$ 5,011,080
 Water Customers	 9,930	 9,195	 8,502	 6,927	 5,566
Sewer Customers	8,911	8,190	6,897	5,674	4,905

(1) Expenditures do not include depreciation or debt expenses.

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## TAX MATTERS

**OPINIONS . . .** On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Certificates for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Certificates will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See “APPENDIX C – Form of Bond Counsel’s Opinion”.

In rendering the foregoing opinion, Bond Counsel will rely upon (a) the City’s federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. Existing Law is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the property financed or refinanced with proceeds of the Certificates. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Certificateholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

**FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . .** The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Certificates”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Certificates, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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



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

**COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . .** The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

**STATE, LOCAL AND FOREIGN TAXES . . .** Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

**INFORMATION REPORTING AND BACKUP WITHHOLDING . . .** Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

**FUTURE AND PROPOSED LEGISLATION . . .** Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

## CONTINUING DISCLOSURE OF INFORMATION

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

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 17 and in APPENDIX B, which is the City's annual audited financial report. The City will update and provide the information in the numbered tables referred to above within six months after the end of each fiscal year ending in and after 2025. The City will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2025. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial information of the type described in the numbered tables above by the required time and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by the Rule.

The City's current fiscal year end is September 30. Accordingly, it must provide updated financial and operating data by March 31 of each year and financial statements 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 of the change.

**OTHER EVENT NOTICES . . .** 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 Certificates 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 Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, 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 of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. The Issuer intends the words used in (15) and (16) in the immediately preceding paragraph and the definition of "financial obligation" to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

**AVAILABILITY OF INFORMATION FROM MSRB . . .** The City has agreed to provide the foregoing information only as described above to the MSRB.

**LIMITATIONS AND AMENDMENTS . . .** The City has agreed to update information and to provide notices of events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates. 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 Certificates in the primary offering of the Certificates.

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 its continuing disclosure agreements made by it in accordance with the Rule, except as follows, the dissemination agent for Royse City Waterscape Public Improvement District, Major Improvement Area Project, failed to file a notice of optional redemption on behalf of the District for a September 15, 2022 redemption. The notice along with a late notice was filed on August 18, 2023.

## **OTHER INFORMATION**

**RATING . . .** The Certificates are rated “AA-” by S&P. The City also has various issues outstanding which are rated by various commercial insurance companies. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by one or more of such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Certificates. In addition, due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, general economic conditions and political developments that may affect the financial condition of the United States government, the United States debt limit, and bond and credit ratings of the United States and its instrumentalities, the ratings of obligations issued by state and local governments, such as the Certificates, could be adversely affected.

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

**REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE . . .** The sale of the Certificates 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 Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

**LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . .** The Certificates. Section 271.051, Texas Local Government Code, provides that the Certificates are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the sinking funds of municipalities, school districts, and other political subdivisions or public agencies of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, municipalities, school districts, and other political subdivisions of the State, and are legal security for those deposits to the extent of their market value.

**General Considerations.** For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Certificates may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

**LEGAL MATTERS . . .** The City will furnish the Purchaser a transcript of certain proceedings incident to the authorization and issuance of the Certificates. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the City. The City will also furnish the approving legal opinion of Bond Counsel to the effect that (i), based upon an examination of such transcript, the Certificates are valid and legally binding obligations of the City under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Certificates may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City and (ii) the interest on the Certificates 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. See "APPENDIX C – Form of Bond Counsel's Opinion." The legal opinion will accompany the Certificates deposited with DTC or will be printed on or attached to the Certificates in the event of discontinuance of the Book-Entry-Only System.

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

**FINANCIAL ADVISOR . . .** Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

**INITIAL PURCHASER . . .** After requesting competitive bids for the Certificates, the City accepted the bid of \_\_\_\_\_ (the "Purchaser") to purchase the Certificates at the interest rates shown on the inside cover of the Official Statement at a price of \_\_\_% of par. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

**FORWARD-LOOKING STATEMENTS . . .** The statements contained in this Official Statement 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 forward-looking statements 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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

**CERTIFICATION OF THE OFFICIAL STATEMENT . . .** At the time of payment for and delivery of the Certificates, the City will furnish to the Purchaser a certificate, executed by a proper City officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates, and the acceptance of the best bid therefor, and on the date of their delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not

and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

**MISCELLANEOUS . . .** The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and 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.

This Official Statement will be approved by the City Council of the City for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

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Mayor  
City of Royse City, Texas

## **APPENDIX A**

### **GENERAL INFORMATION REGARDING THE CITY**

## THE CITY

### LOCATION AND BRIEF HISTORY

The City is located on Interstate Highway 30, approximately 35 miles northeast of Dallas. It is situated in the northeast corner of Rockwall County and east of its county seat, Rockwall.

The City was named for G.B. Royse, who in 1886 platted the townsite and sold its first lot. By 1890, the City had its first post office and a population of 1,000 residents. The City was incorporated in 1891 and at that time had two cotton gins, a gristmill and twenty businesses. The population ranged between 1,100 and 1,300 until the 1970's. Today, this area is considered to be the fastest growing part of north Texas, according to the North Central Texas Council of Governments.

### POPULATION

	2020	2021	2022	2023	2024
City of Royse City	13,508	16,030	19,819	24,242	26,387
Rockwall County	107,819	116,666	123,538	131,636	137,044

Source: U.S. Census Bureau and Municipal Advisory Council of Texas.

### CURRENT EMPLOYMENT RATES AND COMPARISON

	Rockwall County, Texas Average Annual				
	May 2025	2024	2023	2022	2021
Civilian Labor Force	73,760	72,907	71,269	66,065	61,024
Total Employed	71,202	70,344	68,837	63,945	58,489
Total Unemployed	2,558	2,563	2,432	2,120	2,535
Unemployment Rate	3.5%	3.5%	3.4%	3.2%	4.2%

	State of Texas Average Annual				
	May 2025	2024	2023	2022	2021
Civilian Labor Force	15,839,406	15,608,932	15,217,552	14,662,558	14,311,029
Total Employed	15,192,258	14,971,373	14,608,665	14,092,833	13,503,671
Total Unemployed	647,148	637,559	608,887	569,725	807,358
Unemployment Rate	4.1%	4.1%	4.0%	3.9%	5.6%

Source: Texas Labor Market Information.

## **APPENDIX B**

### **EXCERPTS FROM THE CITY OF ROYSE CITY, TEXAS ANNUAL FINANCIAL REPORT For the Year Ended September 30, 2024**

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



## **Independent Auditor's Report**

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

### ***Opinions***

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

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

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

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

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

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

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

***Supplementary Information***

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

***Forvis Mazars, LLP***

**Dallas, Texas  
April 18, 2025**

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**City of Royse City, Texas**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2024**

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As management of the City of Royse City, Texas (City), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending September 30, 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

***Financial Highlights***

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$179,446,637 (net position). Of this amount, \$118,609,480, or 66.10 percent, represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets. The amount of net position restricted for debt service, capital projects, impact fees, and other purposes is \$33,670,038 or 18.76 percent. Total unrestricted net position is \$27,167,119 or 15.14 percent.
- The government's total net position increased by \$75,950,669, or 73.39 percent, over the prior year. The \$68,867,609, or 138.45 percent, increase in net investment capital assets represents capital expenditures less depreciation, retirement of current debt, unspent bond proceeds and capital contributions. The \$2,369,533, or 7.57 percent, increase in restricted net position represents the change in resources that are subject to external restrictions on their use. The \$4,713,527 or 20.99 percent, increase in unrestricted net position represents the change in resources available to fund City programs to citizens.
- The City's governmental funds combined ending fund balance of \$59,576,110 was an increase of 44.50 percent, or \$18,345,932, from the prior year ending fund balance of \$41,230,178.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund amounts to \$6,878,940 and was 39.02 percent of total General Fund expenditures for the fiscal year.

***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains required and other supplemental information that will enhance the reader's understanding of the financial condition of the City.

**Basic Financial Statements.** The first two statements (pages 17-19) in the basic financial statements are the government-wide financial statements. They provide both short and long-term information about the City's financial status.

**City of Royse City, Texas**  
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The next statements (pages 20-29) are fund financial statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund financial statements: 1) the Governmental Fund financial statements and 2) the Proprietary Fund financial statements.

The next section of the basic financial statements is the notes, beginning on page 30. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, required supplementary information (pages 66-72) is provided to show details about the City's budgetary information for the General Fund, and various information on the pension and OPEB plans. Supplemental information (pages 74-108) is also included to provide combining nonmajor fund financial statements, individual financial statements of the component unit, and information about the City's budgetary comparison for the Debt Service Fund, Bonds Capital Projects Fund, and non-major Special Revenue Funds that have approved budgets.

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The Statement of Net Position presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Net Position combines governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. In order to assess the overall health or financial condition of the City, other non-financial factors should also be taken into consideration. These include changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing related to cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but not unused, vacation leave, if material value).

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, public services, parks and recreation, and general administration. Property taxes, sales tax, licenses and permits, and franchise fees finance most of the activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems are reported as business-type activities. The final category is the component unit. The City includes one separate legal entity in its report – the Royse City Community Development Corporation. Although legally separate, this "component unit" is important because the City is financially accountable for them.

**City of Royse City, Texas**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2024**

The government-wide financial statements can be found on pages 17-19 of this report.

**Fund Financial Statements.** The fund financial statements provide a more detailed look at the City's most significant funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law and by bond covenants. However, the City Council established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the City's funds can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds.** *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flows in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs.

Because the focus of the 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 government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-nine individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Debt Service Fund, Bonds Capital Projects Fund, ARPA Grant Fund, and General Capital/CIP Fund which are considered major funds. Data from the other twenty-four governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City adopts an annual budget for its General Fund, Debt Service Fund, Bonds Capital Projects Fund, and certain Special Revenue Funds as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statements and schedules provided for the funds demonstrates how well the City complied with the budget ordinance and whether the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedules use the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) original budget; 2) the final budget as amended by the Council; 3) the actual resources, charges for appropriations, and ending balances in the funds; and 4) the difference or variance between the final budget and the actual resources and charges.

The Governmental Fund financial statements can be found on pages 20-23 of this report.

**Proprietary Funds.** The City maintains two types of proprietary funds, enterprise funds and internal service funds. The City uses enterprise funds to account for charges to customers for the services it provides. Internal service funds are used to account for the accumulation and allocation of costs internally among the City's various functions. The City uses internal service funds to account for funding vehicle, equipment, IT capital purchases and risk management with transfers from the operating funds. These services are generally reported in proprietary

**City of Royse City, Texas**  
**Management's Discussion and Analysis**  
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funds. Proprietary funds are reported in the same way activities are reported in the statement of net position and the statement of activities. In fact, the proprietary funds provide the same type of information as the government-wide financial statements, only contain more detail, such as cash flow statements. The City has one enterprise fund, the Water and Sewer Fund, which is considered a major fund, and three internal service funds, the Technology Replacement Fund, the Vehicle Replacement Fund, and the Risk Management Fund, which are all considered nonmajor funds.

The basic proprietary fund financial statements can be found on pages 24-28 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 begin on page 30 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's budgetary information for the General Fund and progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 66-72 of this report.

The combining and individual statements and budgetary schedules referred to earlier in connection with nonmajor funds, are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 74-108 of this report.



**City of Royse City, Texas**  
**Management's Discussion and Analysis**  
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**Government-Wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$179,446,637 as of September 30, 2024. The City's net position increased by \$75,950,669, or 73.39 percent for the fiscal year ended September 30, 2024.

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Current and other assets	\$ 71,659,305	\$ 53,345,121	\$ 67,697,062	\$ 45,749,787	\$ 139,356,367	\$ 99,094,908
Capital and subscription assets	90,505,161	44,852,462	57,570,832	26,536,305	148,075,993	71,388,767
<b>Total assets</b>	<b>162,164,466</b>	<b>98,197,583</b>	<b>125,267,894</b>	<b>72,286,092</b>	<b>287,432,360</b>	<b>170,483,675</b>
Deferred outflows of resources	1,646,859	1,984,575	328,209	397,377	1,975,068	2,381,952
Current liabilities	9,710,494	9,623,907	6,221,657	3,142,946	15,932,151	12,766,853
Long-term liabilities	62,872,859	40,958,225	30,867,464	15,320,072	93,740,323	56,278,297
<b>Total liabilities</b>	<b>72,583,353</b>	<b>50,582,132</b>	<b>37,089,121</b>	<b>18,463,018</b>	<b>109,672,474</b>	<b>69,045,150</b>
Deferred inflows of resources	279,945	314,062	8,372	10,447	288,317	324,509
Net position						
Net investment in capital assets	68,181,508	29,401,342	50,427,972	20,340,529	118,609,480	49,741,871
Restricted	15,458,597	12,797,108	18,211,441	18,503,397	33,670,038	31,300,505
Unrestricted	7,307,922	7,087,514	19,859,197	15,366,078	27,167,119	22,453,592
<b>Total net position</b>	<b>\$ 90,948,027</b>	<b>\$ 49,285,964</b>	<b>\$ 88,498,610</b>	<b>\$ 54,210,004</b>	<b>\$ 179,446,637</b>	<b>\$ 103,495,968</b>

**Net Investment in Capital Assets.** A large portion of the City's net position, \$118,609,480, or 66.10 percent, reflects the City's investment in capital and subscription assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

**Restricted Net Position.** The restricted net position of \$33,670,038, or 18.76 percent, of total net position, represents resources that are subject to external restrictions on their use or restrictions by enabling legislation.

**Unrestricted Net Position.** Unrestricted net position in the amount of \$27,167,119, or 15.14 percent is available to fund the City's programs to its citizens and obligations to its creditors.

At the end of the current fiscal year, the City was able to report positive balances in all reported categories of net position, both for the City as a whole, as well as its separate governmental and business-type activities.

**City of Royse City, Texas**  
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**For the Year Ended September 30, 2024**

The City's overall net position increased \$75,950,669 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

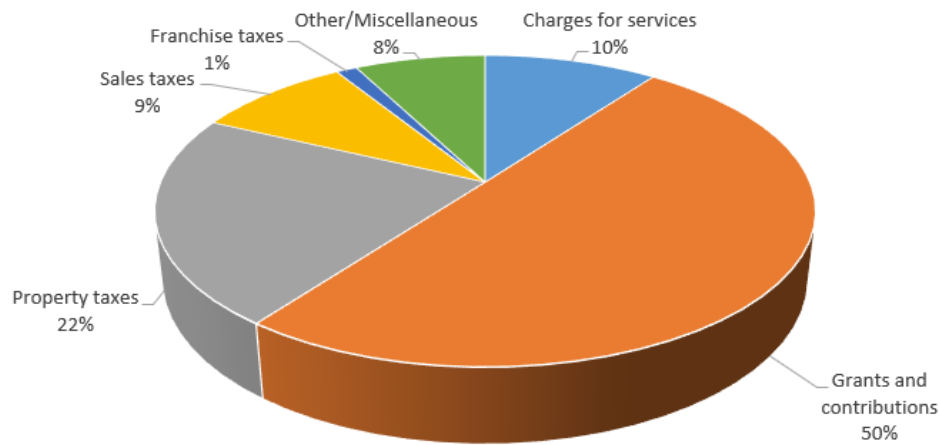
***City of Royse City's Changes in Net Position***

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$41,662,063 from the prior fiscal year for an ending balance of \$90,948,027. The increase in the overall position of governmental activities is largely attributed to capital contributions of recently completed neighborhood infrastructure and an increase in property taxes related to the City's continued growth.

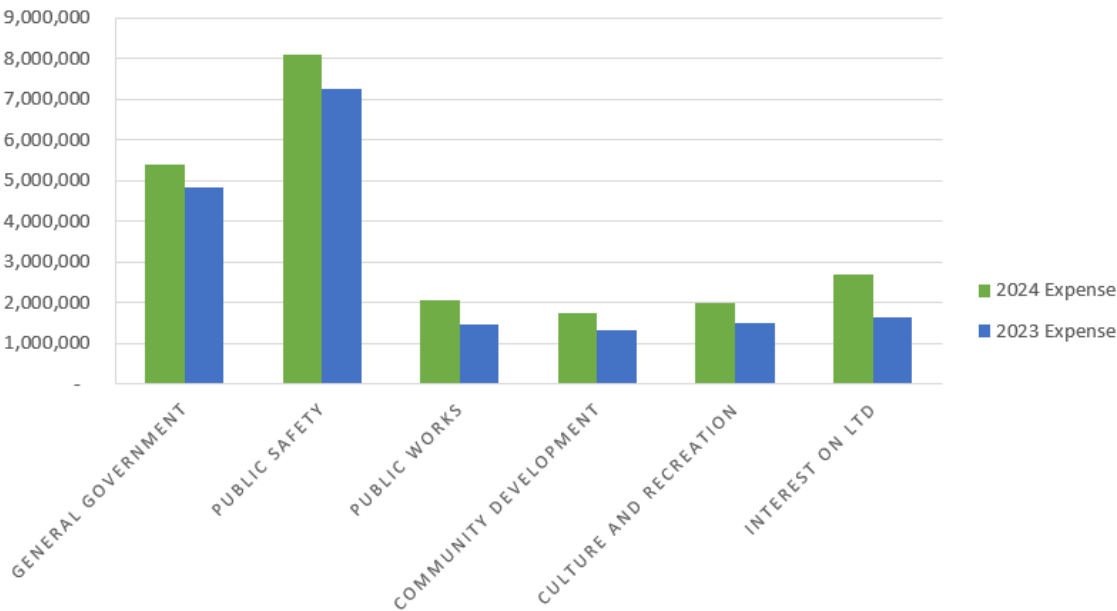
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 6,394,668	\$ 5,587,030	\$ 16,688,728	\$ 16,082,049	\$ 23,083,396	\$ 21,669,079
Operating grants and contributions	389,910	320,113	-	-	389,910	320,113
Capital grants and contributions	31,239,326	-	28,783,854	953,626	60,023,180	953,626
General Revenues						
Property taxes	13,753,242	10,919,627	-	-	13,753,242	10,919,627
Sales taxes	5,752,130	5,307,870	-	-	5,752,130	5,307,870
Franchise taxes	769,385	686,974	-	-	769,385	686,974
Beverage taxes	37,724	35,128	-	-	37,724	35,128
Hotel motel taxes	128,447	116,467	-	-	128,447	116,467
Interest income	4,338,103	2,454,160	1,782,066	1,389,894	6,120,169	3,844,054
Miscellaneous	357,071	347,065	-	-	357,071	347,065
Total revenues	63,160,006	25,774,434	47,254,648	18,425,569	110,414,654	44,200,003
<b>Expenses</b>						
General government	5,391,634	4,845,678	-	-	5,391,634	4,845,678
Public safety	8,143,216	7,247,882	-	-	8,143,216	7,247,882
Public works	2,069,749	1,462,791	-	-	2,069,749	1,462,791
Community development	1,738,763	1,300,728	-	-	1,738,763	1,300,728
Culture and recreation	1,978,068	1,507,591	-	-	1,978,068	1,507,591
Interest on long-term debt	2,676,513	1,643,438	-	-	2,676,513	1,643,438
Water and sewer services	-	-	12,466,042	9,616,970	12,466,042	9,616,970
Total expenses	21,997,943	18,008,108	12,466,042	9,616,970	34,463,985	27,625,078
Increase in net position before transfers	41,162,063	7,766,326	34,788,606	8,808,599	75,950,669	16,574,925
Transfers	500,000	(230,000)	(500,000)	230,000	-	-
<b>Increase in Net Position</b>	41,662,063	7,536,326	34,288,606	9,038,599	75,950,669	16,574,925
<b>Net Position, Beginning</b>	49,285,964	41,749,638	54,210,004	45,171,405	103,495,968	86,921,043
<b>Net Position, Ending</b>	<u>\$ 90,948,027</u>	<u>\$ 49,285,964</u>	<u>\$ 88,498,610</u>	<u>\$ 54,210,004</u>	<u>\$ 179,446,637</u>	<u>\$ 103,495,968</u>

City of Royse City, Texas  
Management’s Discussion and Analysis  
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Program Revenues by Source – Governmental Activities



Revenues and Expenses – Governmental Activities

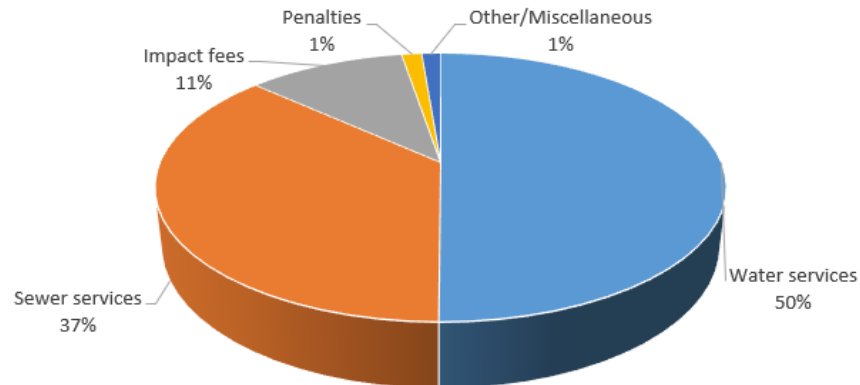


**City of Royse City, Texas**  
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**For the Year Ended September 30, 2024**

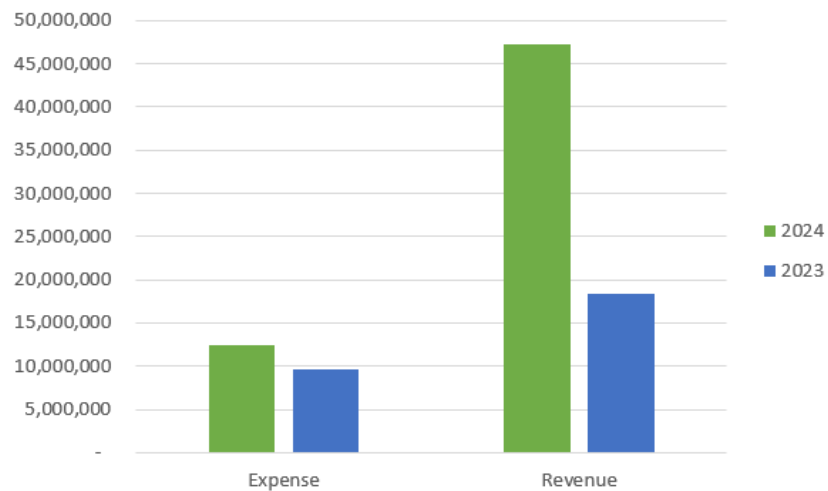
**Business-type Activities.** Business-type activities increased the City's net position by \$34,288,606 compared to \$9,038,599 in fiscal year 2023. Key elements of this change are as follows:

- An increase in developer contributions which will fluctuate from year to year and increases in expenses due to increased cost of personnel, water purchases and interceptor services.

**Program Revenues by Source – Business-type Activities**



**Revenues and Expenses –Business-type Activities**



**City of Royse City, Texas**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2024**

***Financial Analysis of the City's Funds***

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 discretionary use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

At September 30, 2024, the City's governmental funds reported combined fund balances of \$59,576,110, an increase of \$18,345,932 or 44.50 percent. The components of total fund balances are as follows:

- Restricted fund balance of \$52,031,032 or 87.34 percent, consists of amounts restricted by external laws or contractual obligations as follows: \$1,276,803 for debt service; \$41,271,103 for construction projects; \$4,922,927 for roadway fees; \$27,330 for public safety; \$170,865 for municipal courts; \$408,576 for tourism; \$2,045,755 for public improvement; and \$1,907,673 for community development.
- Assigned fund balance of \$666,138 or 1.12 percent, consists of amounts that are constrained by City Council, or the City Manager as follows: \$525,000 for general government, \$7,293 for the senior center; \$30,638 for parks and recreation; \$6,551 for public safety; \$60,162 for main street, and \$36,494 for animal control and for the animal shelter.
- Unassigned fund balance, \$6,878,940, or 11.55 percent, represents residual available fund balances that have not been restricted, or assigned, by management, City Council, or otherwise.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,878,940 compared to \$5,751,152 at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 39.02 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$802,788 during the fiscal year. The increase was due to increases in property tax collections, franchise tax collections, sales tax collections, fines and forfeitures collections, licenses and permits and intergovernmental revenue offset by transfers out for capital outlay.

The Debt Service Fund had a decrease in fund balance during the current year of \$231,709. This was mainly attributed to an increase in principal and interest expenditures related to the debt issuance.

The Bonds Capital Projects Fund had an increase in fund balance during the current fiscal year of \$15,384,602 which was primarily due to the issuance of Series 2023 Bonds offset somewhat by expenditures for capital projects. The City is using the debt proceeds to fund these projects, which will be completed in future years.

**City of Royse City, Texas**  
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The ARPA Grant Fund had a minimal increase in fund balance during the current fiscal year of \$555 which was primarily due to the increase in investment income.

The General Capital/CIP Fund had a decrease in fund balance during the current fiscal year of \$493,403 which was primarily due to transfers from the General Fund offset by capital outlay expenditures.

**Proprietary Funds.** The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the enterprise fund at the end of the fiscal year amounted to \$19,859,197.

***General Fund Budgetary Highlights***

***Original Budget Compared to Final Budget.*** The City amends the adopted budget whenever necessary to account for various changes that become known throughout the fiscal year. There was one budget amendment in FY2024. The budget amendment was to adjust appropriations across several funds.

***Final Budget Compared to Actual Results.*** For the fiscal year 2023-2024, General Fund actual revenues of \$19,322,446 exceeded budgeted revenues of \$18,706,100, a positive variance of \$616,346. The main reasons for this variance were greater than expected property tax \$(201,326) and investment income \$(263,345). As for General Fund expenditures, the City spent \$17,630,647, a \$32,013 difference between budget expenditures of \$17,662,660. The main surplus from this budget occurred in general government and culture and recreation which spent \$106,712 and \$96,412, respectively, less than the budgeted amount.

***Capital Asset and Debt Administration***

***Capital Assets.*** The City's investment in capital and subscription assets for its governmental and business-type activities as of September 30, 2024 amounts to \$148,075,993 (net of accumulated depreciation). These assets include land, buildings, improvements, infrastructure, machinery and equipment, subscription assets and construction in progress. The City's governmental capital assets increased by 101.78 percent and the business-type capital assets increased by 116.95 percent.

Major capital asset transactions during the year include the following:

- \$60,023,178 was dedicated from newly constructed neighborhood infrastructure.
- \$12,603,154 was spent for construction in progress related to the Police Department.
- \$3,538,033 was spent on water/sewer projects.
- \$2,063,067 was spent to acquire land and facilities, including remodel of Senior Center and temporary Development Services offices.

**City of Royse City, Texas**  
**Management's Discussion and Analysis**  
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**Capital Assets (Net of Accumulated Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 3,242,727	\$ 2,832,275	\$ 1,625,440	\$ 1,602,440	\$ 4,868,167	\$ 4,434,715
Construction in progress	27,051,855	13,950,722	3,740,664	758,866	30,792,519	14,709,588
Buildings and improvements	63,583,932	30,418,099	39,551	39,551	63,623,483	30,457,650
Machinery and equipment	7,076,416	6,669,371	1,239,447	1,218,397	8,315,863	7,887,768
Infrastructure and systems	-	-	62,136,039	32,861,172	62,136,039	32,861,172
Subscription assets	368,237	139,058	118,318	118,318	486,555	257,376
Accumulated depreciation	(10,818,006)	(9,157,063)	(11,328,627)	(10,062,439)	(22,146,633)	(19,219,502)
Total	<u>\$ 90,505,161</u>	<u>\$ 44,852,462</u>	<u>\$ 57,570,832</u>	<u>\$ 26,536,305</u>	<u>\$ 148,075,993</u>	<u>\$ 71,388,767</u>

More detailed information about the City's capital assets can be found in *Note 6* on pages 46-47 of this report.

**Long-term Debt.** As of September 30, 2024, the City had total long-term debt outstanding of \$89,241,569, an increase of 37,302,052, or 71.82 percent, from the prior year. All outstanding debt is backed by the full faith and credit of the government.

**Outstanding Bonded Debt**

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 1,976,857	\$ 2,550,000	\$ 4,693,143	\$ 5,505,000	\$ 6,670,000	\$ 8,055,000
Certificates of obligation	32,436,000	9,856,000	24,019,000	8,064,000	56,455,000	17,920,000
Private placement - certificates of obligation	22,900,000	24,005,000	-	-	22,900,000	24,005,000
Subscription liabilities	216,750	64,221	27,956	54,707	244,706	118,928
Premiums (discounts) on long term debt	1,373,606	669,367	1,598,257	1,171,222	2,971,863	1,840,589
Total	<u>\$ 58,903,213</u>	<u>\$ 37,144,588</u>	<u>\$ 30,338,356</u>	<u>\$ 14,794,929</u>	<u>\$ 89,241,569</u>	<u>\$ 51,939,517</u>

More detailed information about the City's long-term debt is presented in *Note 7*, on pages 48-53 of the financial statements.

**City of Royse City, Texas**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2024**

***Economic Factors and Next Year's Budgets and Rates***

Royse City continues to see consistent residential growth and increased commercial interest. While interest rate hikes have slowed permit issuance over the previous record-high years, residential developers continue to build new phases of development keeping a healthy lot inventory available. Hunt County Regional hospital construction is nearing completion in Royse City and medical office interest is high. The retail shopping environment continues to evolve, with Lowe's beginning construction of a new storefront. New shopping areas are under construction and others are planned in FY25-26.

Royse City has enjoyed a thriving downtown for several years; where the small-town community and relationships are fostered and maintained – a true illustration of “A Friendly Touch of Texas.” Royse City is a designated Texas Main Street City and is recognized as a nationally accredited program. A number of small businesses and restaurants make Main Street home, and the city hosts several events downtown throughout the year.

The largest single revenue source in the fiscal year 2025 General Fund Budget is property taxes, which account for 40% of total revenues. Assessed property values in Royse City increased approximately \$160 million from the prior year. Council lowered the tax rate to \$0.5780 per \$100 valuation for the fiscal year 2025. Sales tax revenue remains the City's second largest revenue source, making up 32% of General Fund Revenues. Sales tax was budgeted with a modest 5% increase.

The FY25 Annual Budget was prepared being mindful of the continuing need to address growth pressures to staffing and infrastructure. The renovation and remodel of City Hall is underway. Road reconstruction and expansion projects remain priority. The first phase of reconstruction of Josephine Street is underway and will be completed this year. Additional downtown street projects are being engineered. Construction of a new water tower, wastewater interceptor lines and waterline extensions are underway. New positions were authorized in the police department, fire department, parks, community development, finance, and public works. Additionally, bathroom facilities will be installed at the downtown Spraypark in FY25. With an eye towards the future, a Parks Master Plan and Citywide Comprehensive Plan will kick-off in FY25.

Water/Sewer Fund expenditures continue to be impacted by increased wholesale water rates and sewer treatment charges and sewer construction projects. A sewer treatment plant expansion and several infrastructure projects are under various levels of design and construction. Rate adjustments from the most recent rate study and ordinance approval will continue implementation through FY25.

***Requests for Information***

This report is designed to provide an overview of the City's finances for all those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be addressed to the City of Royse City, Finance Director, P.O. Box 638, Royse City, Texas 75189.



## **Basic Financial Statements**

**City of Royse City, Texas**  
**Statement of Net Position**  
**September 30, 2024**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Royse City Community Development Corporation
<b>Assets and Deferred Outflows of Resources</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 69,502,819	\$ 30,538,837	\$ 100,041,656	\$ 11,239,100
Receivables (net of allowances for uncollectibles)	1,920,582	2,481,917	4,402,499	364,717
Lease receivable	235,218	-	235,218	143,731
Lease interest receivable	686	-	686	407
Note receivable	-	-	-	250,000
Due from other governments	-	2,600,642	2,600,642	-
Restricted cash and cash equivalents	-	32,075,666	32,075,666	-
Capital assets not being depreciated	30,294,582	5,366,104	35,660,686	921,130
Capital and subscription assets, net of accumulated depreciation/amortization	60,210,579	52,204,728	112,415,307	135,056
Total assets	162,164,466	125,267,894	287,432,360	13,054,141
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources – Pension	1,606,990	243,572	1,850,562	59,793
Deferred outflows of resources – OPEB	25,264	3,829	29,093	940
Deferred loss on refunding	14,605	80,808	95,413	-
Total deferred outflows of resources	1,646,859	328,209	1,975,068	60,733
Total assets and deferred outflows of resources	\$ 163,811,325	\$ 125,596,103	\$ 289,407,428	\$ 13,114,874

**City of Royse City, Texas**  
**Statement of Net Position**  
**September 30, 2024**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Royse City Community Development Corporation
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>				
<b>Liabilities</b>				
Accounts payable	\$ 3,066,096	\$ 2,859,476	\$ 5,925,572	\$ 247
Accrued liabilities	557,951	62,237	620,188	23,410
Accrued interest payable	275,975	144,936	420,911	16,866
Unearned revenue	3,650,149	2,130,807	5,780,956	-
Other liabilities	129,323	-	129,323	-
Escrow deposits	2,031,000	-	2,031,000	-
Customer deposits	-	1,024,201	1,024,201	-
<b>Noncurrent Liabilities:</b>				
Due within one year:				
Compensated absences	57,528	2,737	60,265	125
Certificates of obligation	1,505,000	480,000	1,985,000	-
Bonds payable	589,574	840,426	1,430,000	83,123
Private placement – certificates of obligation	955,000	-	955,000	-
Subscription liabilities	79,596	27,956	107,552	-
Due in more than one year:				
Compensated absences	517,752	24,636	542,388	1,124
Certificates of obligation	32,183,726	24,703,546	56,887,272	-
Bonds payable	1,508,163	4,286,428	5,794,591	3,011,223
Private placement - certificates of obligation	21,945,000	-	21,945,000	-
Arbitrage liabilities	332,338	37,625	369,963	-
Subscription liabilities	137,154	-	137,154	-
Net pension liability	2,922,541	442,968	3,365,509	108,743
Total OPEB liability	139,487	21,142	160,629	5,190
Total noncurrent liabilities	62,872,859	30,867,464	93,740,323	3,209,528
Total liabilities	72,583,353	37,089,121	109,672,474	3,250,051
<b>Deferred Inflows of Resources</b>				
Deferred inflows of resources – Pension	3,047	462	3,509	113
Deferred inflows of resources – OPEB	52,189	7,910	60,099	1,942
Deferred inflows of resources – Lease related	224,709	-	224,709	134,815
Total deferred inflows of resources	279,945	8,372	288,317	136,870
<b>Net Position</b>				
Net investment in capital assets	68,181,508	50,427,972	118,609,480	2,038,160
Restricted for:				
Debt service	1,276,803	-	1,276,803	-
Capital projects	4,698,668	3,250,000	7,948,668	-
Impact fees	4,922,927	14,961,441	19,884,368	-
Other purposes	4,560,199	-	4,560,199	7,689,793
Unrestricted	7,307,922	19,859,197	27,167,119	-
Total net position	90,948,027	88,498,610	179,446,637	9,727,953
Total liabilities, deferred inflows of resources and net position	\$ 163,811,325	\$ 125,596,103	\$ 289,407,428	\$ 13,114,874

**City of Royse City, Texas**  
**Statement of Activities**  
**Year Ended September 30, 2024**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Royse City Community Development Corporation
<b>Primary Government:</b>								
Governmental activities:								
General government	\$ 5,391,634	\$ 267,921	\$ 2,338	\$ -	\$ (5,121,375)	\$ -	\$ (5,121,375)	\$ -
Public safety	8,143,216	838,145	5,365	-	(7,299,706)	-	(7,299,706)	-
Public works	2,069,749	1,310,727	-	31,239,326	30,480,304	-	30,480,304	-
Community development	1,738,763	3,859,011	380,567	-	2,500,815	-	2,500,815	-
Culture and recreation	1,978,068	118,864	1,640	-	(1,857,564)	-	(1,857,564)	-
Interest and fiscal charges	2,676,513	-	-	-	(2,676,513)	-	(2,676,513)	-
Total governmental activities	21,997,943	6,394,668	389,910	31,239,326	16,025,961	-	16,025,961	-
Business-type activities:								
Water and wastewater	12,466,042	16,688,728	-	28,783,854	-	33,006,540	33,006,540	-
Total business-type activities	12,466,042	16,688,728	-	28,783,854	-	33,006,540	33,006,540	-
Total primary government	<u>\$ 34,463,985</u>	<u>\$ 23,083,396</u>	<u>\$ 389,910</u>	<u>\$ 60,023,180</u>	<u>\$ 16,025,961</u>	<u>\$ 33,006,540</u>	<u>\$ 49,032,501</u>	<u>\$ -</u>
<b>Component Unit:</b>								
Royse City Community Development Corporation	1,201,390	77,821	-	-				(1,123,569)
Total component unit	<u>\$ 1,201,390</u>	<u>\$ 77,821</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (1,123,569)</u>
<b>General Revenues</b>								
Property taxes					13,753,242	-	13,753,242	-
Sales taxes					5,752,130	-	5,752,130	2,396,234
Franchise taxes					769,385	-	769,385	-
Beverage taxes					37,724	-	37,724	-
Hotel motel taxes					128,447	-	128,447	-
Investment earnings					4,338,103	1,782,066	6,120,169	316,152
Miscellaneous					357,071	-	357,071	-
Gain on sale of capital assets					-	-	-	1,141,984
Transfers					500,000	(500,000)	-	-
Total general revenues and transfers					25,636,102	1,282,066	26,918,168	3,854,370
Change in net position					41,662,063	34,288,606	75,950,669	2,730,801
Net position, beginning of year					49,285,964	54,210,004	103,495,968	6,997,152
Net position, end of year					<u>\$ 90,948,027</u>	<u>\$ 88,498,610</u>	<u>\$ 179,446,637</u>	<u>\$ 9,727,953</u>

**City of Royse City, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2024**

	General	Debt Service	Bonds Capital Projects Fund	ARPA Grant Fund	General Capital/CIP Fund	Total Nonmajor Funds	Total Governmental Funds
<b>Assets</b>							
Cash and cash equivalents	\$ 7,650,273	\$ 1,277,059	\$ 31,611,095	\$ 3,650,735	\$ 6,466,850	\$ 16,563,306	\$ 67,219,318
Receivables (net of allowance for uncollectibles)	1,824,348	84,673	-	-	-	11,561	1,920,582
Lease receivable	235,218	-	-	-	-	-	235,218
Lease interest receivable	686	-	-	-	-	-	686
Due from other funds	-	-	6,894	-	-	-	6,894
<b>Total assets</b>	<b>\$ 9,710,525</b>	<b>\$ 1,361,732</b>	<b>\$ 31,617,989</b>	<b>\$ 3,650,735</b>	<b>\$ 6,466,850</b>	<b>\$ 16,574,867</b>	<b>\$ 69,382,698</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 1,278,763	\$ 400	\$ 1,506,363	\$ -	\$ 6,627	\$ 197,584	\$ 2,989,737
Accrued liabilities	534,600	-	-	-	-	23,351	557,951
Unearned revenue	-	-	-	3,650,149	-	-	3,650,149
Escrow deposits	-	-	-	-	-	2,031,000	2,031,000
Due to other funds	-	6,894	-	-	-	-	6,894
Other liabilities	129,323	-	-	-	-	-	129,323
<b>Total liabilities</b>	<b>1,942,686</b>	<b>7,294</b>	<b>1,506,363</b>	<b>3,650,149</b>	<b>6,627</b>	<b>2,251,935</b>	<b>9,365,054</b>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue – property taxes	91,924	77,635	-	-	-	-	169,559
Unavailable revenue – fines	47,266	-	-	-	-	-	47,266
Lease related	224,709	-	-	-	-	-	224,709
<b>Total deferred inflows of resources</b>	<b>363,899</b>	<b>77,635</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>441,534</b>
<b>Fund Balances</b>							
Restricted	-	1,276,803	30,111,626	586	6,460,223	14,181,794	52,031,032
Assigned	525,000	-	-	-	-	141,138	666,138
Unassigned	6,878,940	-	-	-	-	-	6,878,940
<b>Total fund balances</b>	<b>7,403,940</b>	<b>1,276,803</b>	<b>30,111,626</b>	<b>586</b>	<b>6,460,223</b>	<b>14,322,932</b>	<b>59,576,110</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 9,710,525</b>	<b>\$ 1,361,732</b>	<b>\$ 31,617,989</b>	<b>\$ 3,650,735</b>	<b>\$ 6,466,850</b>	<b>\$ 16,574,867</b>	<b>\$ 69,382,698</b>

**City of Royse City, Texas**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Statement of Net Position**  
**September 30, 2024**

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

Total fund balance – governmental funds		\$ 59,576,110
Capital and subscription assets \$101,323,167 net of accumulated depreciation/amortization of \$10,818,006, used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements.		90,505,161
Differences between expected and actual experiences, assumption changes, net differences between projected and actual earnings, and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.		
Deferred outflows – pension related	1,606,990	
Deferred outflows – OPEB related	25,264	
Deferred inflows – pension related	(3,047)	
Deferred inflows – OPEB related	(52,189)	
Total deferred outflows and inflows related to postemployment benefits		1,577,018
Internal service funds are used by management to charge the cost of technology and vehicle replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		2,207,142
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.		
Certificates of obligation and related premium	(33,688,726)	
Bonds payable, net	(2,097,737)	
Private placement – certificates of obligation	(22,900,000)	
Arbitrage liabilities	(332,338)	
Subscription liabilities	(216,750)	
Compensated absences	(575,280)	
Accrued interest payable	(275,975)	
Net pension liability	(2,922,541)	
Total OPEB liability	(139,487)	
Total long-term liabilities		(63,148,834)
Revenues in the statements of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.		216,825
Governmental funds report the effect of refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Deferred amount on refunding		14,605
Net position of governmental activities		<u>\$ 90,948,027</u>

**City of Royse City, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2024**

	General	Debt Service	Bonds Capital Projects Fund	ARPA Grant Fund	General Capital/CIP Fund	Total Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>							
Taxes:							
Property	\$ 7,556,326	\$ 5,656,805	\$ -	\$ -	\$ -	\$ 483,788	\$ 13,696,919
Franchise	769,385	-	-	-	-	-	769,385
Sales	5,752,130	-	-	-	-	-	5,752,130
Beverage	37,724	-	-	-	-	-	37,724
Hotel motel	-	-	-	-	-	128,447	128,447
Fines and forfeitures	638,778	-	-	-	-	71,881	710,659
Licenses and permits	2,317,411	-	-	-	-	-	2,317,411
Charges for services	1,215,574	-	-	-	-	-	1,215,574
Impact fees	-	-	-	-	-	1,211,391	1,211,391
Development fees	-	-	-	-	-	934,111	934,111
Contributions and donations	-	-	-	-	-	35,447	35,447
Intergovernmental	354,463	-	-	-	-	-	354,463
Investment income	653,345	190,825	3,084,600	555	60,622	319,534	4,309,481
Miscellaneous	27,310	-	-	-	-	294,777	322,087
<b>Total revenues</b>	<b>19,322,446</b>	<b>5,847,630</b>	<b>3,084,600</b>	<b>555</b>	<b>60,622</b>	<b>3,479,376</b>	<b>31,795,229</b>
<b>Expenditures</b>							
Current:							
General government	4,704,738	-	-	-	-	349,135	5,053,873
Public safety	7,473,614	-	-	-	38,482	8,351	7,520,447
Public works	996,856	-	-	-	61,554	186,154	1,244,564
Community development	1,727,627	-	-	-	-	-	1,727,627
Culture and recreation	1,830,938	-	-	-	-	28,637	1,859,575
Debt service:							
Principal	76,650	3,903,143	-	-	-	-	3,979,793
Interest	-	2,176,196	-	-	-	-	2,176,196
Bond issuance costs	-	-	200,338	-	-	-	200,338
Capital outlay	820,224	-	13,121,136	-	2,197,589	-	16,138,949
<b>Total expenditures</b>	<b>17,630,647</b>	<b>6,079,339</b>	<b>13,321,474</b>	<b>-</b>	<b>2,297,625</b>	<b>572,277</b>	<b>39,901,362</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,691,799</b>	<b>(231,709)</b>	<b>(10,236,874)</b>	<b>555</b>	<b>(2,237,003)</b>	<b>2,907,099</b>	<b>(8,106,133)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	629,715	-	-	-	1,743,600	-	2,373,315
Transfers out	(1,747,905)	-	-	-	-	(24,000)	(1,771,905)
Bonds issued	-	-	25,621,476	-	-	-	25,621,476
SBITAs issued	229,179	-	-	-	-	-	229,179
<b>Total other financing sources (uses)</b>	<b>(889,011)</b>	<b>-</b>	<b>25,621,476</b>	<b>-</b>	<b>1,743,600</b>	<b>(24,000)</b>	<b>26,452,065</b>
<b>Net Change in Fund Balances</b>	<b>802,788</b>	<b>(231,709)</b>	<b>15,384,602</b>	<b>555</b>	<b>(493,403)</b>	<b>2,883,099</b>	<b>18,345,932</b>
<b>Fund Balances, Beginning of Year</b>	<b>6,601,152</b>	<b>1,508,512</b>	<b>14,727,024</b>	<b>31</b>	<b>6,953,626</b>	<b>11,439,833</b>	<b>41,230,178</b>
<b>Fund Balances, End of Year</b>	<b>\$ 7,403,940</b>	<b>\$ 1,276,803</b>	<b>\$ 30,111,626</b>	<b>\$ 586</b>	<b>\$ 6,460,223</b>	<b>\$ 14,322,932</b>	<b>\$ 59,576,110</b>

**City of Royse City, Texas**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2024**

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

Net change in fund balances – total governmental funds	\$ 18,345,932
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays of \$16,138,949 exceeded depreciation/amortization of \$1,690,387 in the current year.	14,448,562
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Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This amount is the net change in deferred inflows of resources.	61,845
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.		
Donation of capital assets	31,239,326	
Disposal of capital assets	<u>(35,189)</u>	
		31,204,137

Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Issuance of long-term debt, including premium	(25,621,476)	
Issuance of SBITA	(229,179)	
Principal paid on long-term debt	<u>3,979,793</u>	
		(21,870,862)

The internal service funds are used by management to charge the costs of technology and vehicle replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.	(84,981)
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Some expenses reported in the statement of activities do/(do not) require the use of current financial resources and, therefore, are/(are not) reported as expenditures in the governmental funds.

Accrued interest on long-term debt	(74,771)	
Arbitrage liability	(332,338)	
Amortization of bond premiums	112,237	
Amortization of deferred amounts of refunding	(5,107)	
Compensated absences	(66,476)	
Changes in pension liabilities and related deferred outflows and inflows of resources	(67,133)	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	<u>(8,982)</u>	
		(442,570)

Change in net position of governmental activities	<u>\$ 41,662,063</u>
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**City of Royse City, Texas**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2024**

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	<b>Enterprise Fund</b>		<b>Internal Service Funds</b>
	<b>Water and Sewer Fund</b>		
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 30,538,837	\$ 2,283,501	
Receivables (net of allowance for doubtful accounts)	2,481,917	-	
Due from other governments	2,600,642	-	
Restricted cash and cash equivalents	32,075,666	-	
Total current assets	<u>67,697,062</u>	<u>2,283,501</u>	
<b>Capital and subscription assets</b>			
Land	1,625,440	-	
Buildings	39,551	-	
Machinery and equipment	1,239,447	-	
Infrastructure	62,136,039	-	
Construction in progress	3,740,664	-	
Subscription assets	118,318	-	
Accumulated depreciation	<u>(11,328,627)</u>	<u>-</u>	
Total noncurrent assets	<u>57,570,832</u>	<u>-</u>	
Total assets	<u>125,267,894</u>	<u>2,283,501</u>	
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources – Pension	243,572	-	
Deferred outflows of resources – OPEB	3,829	-	
Deferred loss on refunding	<u>80,808</u>	<u>-</u>	
Total deferred outflows of resources	<u>328,209</u>	<u>-</u>	

**City of Royse City, Texas**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2024**

	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
	<b>Water and Sewer Fund</b>	
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,859,476	\$ 76,359
Accrued liabilities	62,237	-
Accrued interest payable	144,936	-
Escrow deposits	2,130,807	-
Customer deposits	1,024,201	-
Compensated absences	2,737	-
Certificates of obligation	480,000	-
Bonds payable	840,426	-
Subscription liabilities	27,956	-
Total current liabilities	<u>7,572,776</u>	<u>76,359</u>
<b>Noncurrent liabilities</b>		
Compensated absences	24,636	-
Certificates of obligation, net	24,703,546	-
Bonds payable, net	4,286,428	-
Arbitrage liabilities	37,625	-
Net pension liability	442,968	-
Total OPEB liability	<u>21,142</u>	<u>-</u>
Total noncurrent liabilities	<u>29,516,345</u>	<u>-</u>
Total liabilities	<u>37,089,121</u>	<u>76,359</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources – Pension	462	-
Deferred inflows of resources – OPEB	<u>7,910</u>	<u>-</u>
Total deferred inflows of resources	<u>8,372</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	50,427,972	-
Restricted for:		
Capital projects	3,250,000	-
Impact fees	14,961,441	-
Unrestricted	<u>19,859,197</u>	<u>2,207,142</u>
Total net position	<u>\$ 88,498,610</u>	<u>\$ 2,207,142</u>

**City of Royse City, Texas**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended September 30, 2024**

	<b>Enterprise Fund</b>	<b>Internal Service Funds</b>
	<b>Water and Sewer Fund</b>	
<b>Operating Revenues</b>		
Charges for services - water	\$ 8,940,175	\$ -
Charges for services - sewer	6,533,520	-
Impact fees	1,903,462	-
Penalties	243,195	-
Miscellaneous	228,715	-
Total operating revenues	<u>17,849,067</u>	<u>-</u>
<b>Operating Expenses</b>		
Personnel services	1,506,406	-
Materials and supplies	316,137	-
Repairs and maintenance	1,251,291	-
Water purchases	3,242,367	-
Contractual services	1,295,818	-
Interceptor services	3,587,835	-
Depreciation	1,266,188	-
Other expense	-	47,177
Total operating expenses	<u>12,466,042</u>	<u>47,177</u>
<b>Operating Income (Loss)</b>	<u>5,383,025</u>	<u>(47,177)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment earnings	1,782,066	28,622
Interest expense	(1,160,339)	-
Insurance proceeds	-	34,984
Total nonoperating revenues (expenses)	<u>621,727</u>	<u>63,606</u>
<b>Income (Loss) Before Transfers and Capital Contributions</b>	6,004,752	16,429
Capital contributions	28,783,854	-
Transfers in	-	4,305
Transfers out	<u>(500,000)</u>	<u>(105,715)</u>
<b>Change in Net Position</b>	34,288,606	(84,981)
<b>Net Position, Beginning of Year</b>	<u>54,210,004</u>	<u>2,292,123</u>
<b>Net Position, End of Year</b>	<u><u>\$ 88,498,610</u></u>	<u><u>\$ 2,207,142</u></u>

**City of Royse City, Texas**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended September 30, 2024**

	<b>Business-type Activities Water and Sewer Fund</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Operating Activities</b>		
Other operating receipts (payments)	\$ -	\$ 11,057
Receipts from customers and development	17,560,346	-
Receipt of customer deposits	95,875	-
Payments to suppliers for goods and services	(10,291,650)	(27,226)
Payments to employees for salaries and benefits	(1,491,728)	-
Net cash provided by (used in) operating activities	5,872,843	(16,169)
<b>Noncapital and Related Financing Activities</b>		
Transfers from other funds	-	4,305
Transfers to other funds	(500,000)	(105,715)
Net cash (used in) operating activities	(500,000)	(101,410)
<b>Capital and Related Financing Activities</b>		
Acquisition and construction of capital and subscription assets	(1,585,034)	-
Proceeds from issuance of debt	17,078,862	-
Principal paid on capital and subscription debt	(1,408,608)	-
Interest and fiscal charges paid on capital and subscription debt	(1,092,903)	-
Developer deposits	1,511,328	-
Insurance proceeds	-	34,984
Net cash provided by capital and related financing activities	14,503,645	34,984
<b>Investing Activities</b>		
Interest on investments	1,782,066	28,622
Net cash provided by investing activities	1,782,066	28,622
Net increase (decrease) in cash and cash equivalents	21,658,554	(53,973)
<b>Cash and Cash Equivalents, Beginning of Year (Including \$25,437,197 Reported as Restricted Assets)</b>	40,955,949	2,337,474
<b>Cash and Cash Equivalents, End of Year (Including \$32,075,066 Reported as Restricted Assets)</b>	\$ 62,614,503	\$ 2,283,501

**City of Royse City, Texas**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended September 30, 2024**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Water and Sewer Fund</b>	<b>Internal Service Funds</b>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided by (Used In) Operating Activities</b>		
Operating income (loss)	\$ 5,383,025	\$ (47,177)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,266,188	-
(Increases) decreases in assets and deferred outflows of resources:		
Accounts receivable and unbilled revenue	(288,721)	-
Deferred outflows of resources	50,413	-
Increases (decreases) in liabilities and deferred inflows of resources:		
Accounts payable	(603,207)	31,008
Accrued liabilities	5,005	-
Customer deposits	95,875	-
Compensated absences	3,141	-
Pension liability	(39,561)	-
OPEB liability	2,760	-
Deferred inflows of resources	(2,075)	-
Total adjustments	489,818	31,008
Net cash provided by (used in) operating activities	<u>\$ 5,872,843</u>	<u>\$ (16,169)</u>
<b>Schedule of Non-cash Capital and Related Financing Activities</b>		
Construction in progress payments in accounts payable	\$ 2,187,711	\$ -
Developer contributions	28,783,854	-

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## **Notes to Basic Financial Statements**

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## **Note 1. Summary of Significant Accounting Policies**

The City of Royse City, Texas (the "City") is a municipal corporation governed by an elected mayor and a six-member council and provides the following services to the citizens of the City as authorized by its charter: public safety (police and fire), public works, parks and recreation, public services, water and wastewater utilities, and general administrative services.

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 Boards (GASB) and the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments – Audit and Accounting Guide*. The City's significant accounting policies are described below:

### ***Description of Government-wide Financial Statements***

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

### ***Reporting Entity***

The City is a municipal corporation governed by an elected mayor and six-member Governing Council (Council). The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component unit.

**Discretely Presented Component Unit.** The Royse City Community Development Corporation ("CDC"). The CDC is governed by a board of seven members, all of whom are appointed by the City Council of the City and whom can be removed from office by the City Council at its will. The CDC has the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The CDC incorporated in the state of Texas in 1998. The nature and significance of the relationship between the primary government and the CDC is such that exclusion would cause the City's financial statements to be misleading or incomplete. Separate financial statements for CDC as of and for the year ended September 30, 2024 are not issued.

### ***Basis of Presentation***

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

**City of Royse City, Texas**  
**Notes to Financial Statements**  
**September 30, 2024**

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The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a function category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operations requirements of a particular function or program, c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function) is normally covered by general revenue (property and sales taxes, franchise taxes, and interest income).

***Fund Financial Statements***

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

The City reports the following major governmental funds:

The *General Fund* is the operating 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.

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

The *Bonds Capital Projects Fund* is used to account for the City's funds received through the sale of general obligation bonds for the acquisition or construction of general major capital facilities.

The *ARPA Grant Fund* is used to account for the collection of ARPA funds and recognize intergovernmental revenues and eligible expenditures.

The *General Capital/CIP Fund* is used to account for the accumulation of resources for the acquisition or construction of general major capital assets. This fund is designated as a major fund.

**City of Royse City, Texas**  
**Notes to Financial Statements**  
**September 30, 2024**

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The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position and cash flows, which is similar to businesses.

The City reports the following major business-type fund:

The *Water and Sewer Fund* is used to account for the operations of the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems, as well as the accumulation of resources for the development of land.

Additionally, the City reports the following fund types:

The nonmajor *Special Revenue Funds* and nonmajor *Capital Projects Funds* are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Internal Service Funds – Technology Replacement, Vehicle Replacement, Risk Management* – are used to account for funding vehicle, equipment, IT capital purchases, and claims management with transfers from the operating funds.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

***Measurement Focus, Basis of Accounting***

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service principal and interest expenditures on general long-term debt, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

### ***Budgetary Policy and Control***

The City adopts an “appropriated budget” of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data:

- Public hearings are conducted to obtain taxpayer comments.
- The operating budget for the fiscal year is legally enacted through passage of an ordinance prior to October 1.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore, the fund level is the legal level of control.

Budgets for the General Fund, Debt Service Fund, Bonds Capital Projects Fund and certain Special Revenue Funds are legally adopted on a basis consistent with generally accepted accounting principles. The City did not adopt budgets for certain Special Revenue Funds. These unbudgeted Special Revenue Funds were as follows:

- Jury Fund
- ARPA Grant
- Battle of the Badges
- Union Square Public Improvement District
- Waterscape Public Improvement District
- Special Escrow
- Animal Shelter New Building Fund
- Waterscape TIRZ

General Capital/CIP Fund and Nonmajor Capital Project Funds are not budgeted since project length financial plans usually extend into two or more fiscal years, making comparisons misleading.

Budgeted amounts are as originally adopted or as amended by the City Council. Any budgeted amounts appropriated at fiscal year-end and not spent automatically lapse.

**Assets, Liabilities, Deferred Outflow/Inflows of Resources, and Net Position/Fund Balance**  
**Cash and Cash Equivalents**

The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the City's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

**Investments**

Investments held by the City that have a remaining maturity of greater than one year from purchase are carried at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

All investments are recorded at fair value based on quoted market prices, except for investment pools, which are recorded at net asset value (NAV). NAV approximates fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted assets in the proprietary fund represent cash and cash equivalents and investments set aside for capital projects, customer deposits, and impact fees.

Impact fees are the capital recovery fees that are, by law, restricted to the project these funds may be used to support.

Customer's deposits received for water and sewer services are, by law, to be considered restricted assets. These activities are included in the proprietary fund.

**Business-type Activities**

Capital projects	\$ 18,840,024
Impact fees	12,211,441
Customer deposits	<u>1,024,201</u>
<b>Total Restricted Assets</b>	<u><u>\$ 32,075,666</u></u>

**Lease Receivable**

The City and the CDC are lessors for noncancellable leases related to cellular towers and building space. The City and CDC recognize a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

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

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

- The City uses the lessee's rate, or the rate disclosed in the agreement. If the rate is not readily available, the City uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

**Capital Assets**

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

Capital Asset Class	Lives (in Years)
Buildings and improvements	7-50
System infrastructure	20-40
Vehicles	4-20
Office furniture and equipment	5
Machinery and equipment	10

**Subscription Assets**

Subscription assets with an initial cost of more than \$5,000 are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

**Unearned Revenue**

In the governmental activities and ARPA Grant Fund, unearned revenue of \$3,650,149 represents intergovernmental monies received in advance as part of the COVID-19-Coronavirus State and Local Fiscal Recovery Funds program during fiscal year 2024 and 2023. The City did not spend any of these funds as of September 30, 2024 and will recognize revenue as qualifying expenses are incurred.

### ***Escrow Deposits***

The City collects and holds money from approved developer agreements and other private construction commitments assessed during the permitting process. The escrow deposits are either refunded once the developer has completely fulfilled their commitment or applied to revenue to reimburse for the City's cost in completing the obligation.

### ***Compensated Absences***

It is the City's policy to permit employees to accumulate earned but unused paid time off (PTO) and overtime not paid (compensation time). The City's policy permits pay to a separating employee with at least six months of continuous service unused vacation leave not to exceed 120 hours. The City's policy also permits sick leave pay to a separating employee with five years of service with the City and eligibility to retire with TMRS. A separating employee that meets the criteria for sick leave pay may receive 25 percent of the available sick leave balance. The rate of pay will be determined by the salary rate in effect at the time of separation. As such, there is an accrual for all PTO that meets the aforementioned thresholds at the close of the fiscal year end in the government-wide and proprietary fund financial statements.

### ***Long-term Debt***

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

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

### ***Subscription Liability***

The City contracts for noncancellable subscriptions of information technology software. The City recognizes a subscription liability and an intangible subscription asset (subscription asset) in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the City measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

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

- The City uses the interest rate charged by the subscription-based information technology arrangement (SBITA) vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will

remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with capital, lease and subscription assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

### ***Pensions***

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from 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.

### ***Defined Benefit Other Postemployment Benefits***

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of net pension liability or total OPEB liability) until then.

The City has the following items that qualify for reporting in this category:

- Pension contributions after measurement date – These contributions are deferred and recognized as a reduction of the pension liability or increase in pension asset in the subsequent fiscal year end.
- Difference in expected and actual experience – pension and OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.
- Difference in assumption changes – pension and OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the pension and OPEB plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred.



- Difference in projected and actual earnings on pension plan investments – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Deferred charges on refunding – A deferred charge 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.

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 or resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue/increase of net pension liability or total OPEB liability) until that time. The City has the following items that qualify for reporting in this category:

- Difference in expected and actual experience – pension and OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the pension and OPEB plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred.
- Difference in assumption changes – OPEB – This difference is deferred and amortized over the average remaining service life of all participants in the pension and OPEB plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred.
- Unavailable revenue – This arises only under a modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and forfeitures.
- Leases – Represents the initial value of the lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease. This deferred inflow is recorded at both the fund level and government-wide financial statements.

### ***Net Position***

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources of governmental and business-type activities and proprietary funds. The government-wide and proprietary fund financials utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt, that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted Net Position – This amount is restricted by external parties such as creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

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

### ***Fund Balance Policies and Classifications***

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amount in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned.

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either: (a) not in spendable form or (b) are legally or contractually required to remain intact.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either: (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action (ordinance) by the highest level of decision-making authority, namely the City Council, prior to the end of the reporting period. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of formal action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Manager. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City management based on the City Council's direction.
- **Unassigned:** This classification represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned, to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance) are available for specified expenditures, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unassigned fund balance. Further, when the components of unassigned fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The City has established a formal policy to maintain a minimum reserve balance for the General Fund equal to 25 percent of budgeted expenditures. As of September 30, 2024, the City was in compliance with this policy as unassigned fund balance in the General Fund was equal to 39.02 percent of current year expenditures.

**City of Royse City, Texas**  
**Notes to Financial Statements**  
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	General Fund	Debt Service	Capital Projects Fund	ARPA Grant Fund	General Capital/CIP Fund	Nonmajor Governmental Funds
Restricted for						
Debt service	\$ -	\$ 1,276,803	\$ -	\$ -	\$ -	\$ -
Capital projects	-	-	30,111,626	586	6,460,223	4,698,668
Roadway fees	-	-	-	-	-	4,922,927
Police	-	-	-	-	-	27,330
Municipal court use	-	-	-	-	-	170,865
Hotel motel use	-	-	-	-	-	408,576
Public improvement	-	-	-	-	-	2,045,755
Community development	-	-	-	-	-	1,907,673
Assigned						
General government	525,000	-	-	-	-	-
Senior center	-	-	-	-	-	7,293
Parks and recreation	-	-	-	-	-	30,638
Public safety	-	-	-	-	-	6,551
Public works	-	-	-	-	-	60,162
Animal control	-	-	-	-	-	36,494
Unassigned	6,878,940	-	-	-	-	-
Total	<u>\$ 7,403,940</u>	<u>\$ 1,276,803</u>	<u>\$ 30,111,626</u>	<u>\$ 586</u>	<u>\$ 6,460,223</u>	<u>\$ 14,322,932</u>

**Interfund Activity**

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide Statements of Activities.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the City's management to make estimates and assumptions that affect reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

**Program and General Revenues**

Amounts reported as program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and sewer fund and internal service funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and

**City of Royse City, Texas**  
**Notes to Financial Statements**  
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services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Future Financial Reporting Requirements***

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2024. The City will evaluate the potential impact, if any, on the City's net position.

<b>Statement No.</b>	<b>Title</b>	<b>Adoption Required</b>
101	<i>Compensated Absences</i>	September 30, 2025
102	<i>Certain Risk Disclosures</i>	September 30, 2025
103	<i>Financial Reporting Model Improvements</i>	September 30, 2026
104	<i>Disclosure of Certain Capital Assets</i>	September 30, 2026

**Note 2. Deposits and Investments**

The City's funds (including the funds of its component unit) are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

***Cash and Cash Equivalents***

At September 30, 2024, the carrying amount of the City's deposits (cash and interest-bearing savings accounts) was \$20,605,863 and the bank balances totaled \$21,577,920. At September 30, 2024, the carrying amount of the Corporation's cash and cash equivalents was \$11,239,100 and the bank balances totaled \$10,974,643.

***Custodial Credit Risk***

There is risk that, in the event of a bank failure, the City's deposits may not be returned. Both the City's investment policy and the Texas Public Funds Investment Act requires that all deposits of the City that exceed the Federal Depository Insurance Corporation (FDIC) coverage levels are collateralized with securities held by a third-party custodian in the City's name. As of September 30, 2024, the value of the City's deposits and investments not insured through the FDIC have been fully collateralized and meet the requirements of the City's policy and state statutes.

***Investments***

The City's investment policies are governed by state statutes. The City's investment policies further limit state statutes such that eligible investments include the following:

1. Obligations of the United States or its agencies and instrumentalities with a maximum maturity of not greater than five years.
2. Direct obligations of the state of Texas or its agencies and instrumentalities.
3. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the state or the United States of America or its agencies and instrumentalities.
4. Obligations of states, agencies, counties, cities, and other political subdivisions or any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

5. Pooled investments with other government entities as authorized by the *Interlocal Cooperation Act*.

**Investment Pools**

During the year, the City invested in public fund investment pools, including LOGIC. LOGIC's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the fund or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pool is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. Offers same day access to investment funds. The City can liquidate funds daily without penalty and there is no unfunded commitment.

Following the pool criteria for GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, LOGIC uses NAV to value portfolio assets. As is legally permissible for municipalities and school districts in the state, LOGIC invests in a high-quality portfolio of short-term investments. Investments in the pool is considered to be cash equivalents when preparing these financial statements.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rates. In accordance with its investment policy, the City manages its exposure to declines in fair market values by investing mainly in investment pools which purchase a combination of short-term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy requires that investment pools be continuously rated no lower than "AAA" or "AAA-m" or an equivalent rating by at least one nationally recognized rating service.

**Fair Value of Investments**

As of September 30, 2024, the City had the following investments:

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at net asset value - LOGIC	\$ 111,511,459	\$ -	\$ -	\$ -
Total investments	<u>111,511,459</u>	<u>-</u>	<u>-</u>	<u>-</u>

The City categorizes its fair value measurements within the fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

**Level 1** Quoted prices for identical investments in active markets;

**Level 2** Observable inputs other than those in Level 1;

**Level 3** Unobservable inputs.

As of September 30, 2024, the City did not invest in any securities which are highly sensitive to interest rate fluctuations. Investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

**Note 3. Property Taxes**

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100 percent for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property tax estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. If a city with a population of less than 30,000 adopts a tax rate that exceeds the greater of the city's voter-approval tax rate or the de minimis tax rate, the city council must order an election to approve the adopted tax rate for the November uniform election date.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2024, the City had a tax rate of \$0.58400 per \$100 assessed valuation based upon the maximum rates described above. Allocations of property tax levy by purpose for 2024 are as follows (amounts per \$100 assessed value):

<b>Fund Type</b>	<b>2024</b>
General Fund	\$ 0.31810
Debt Service Fund	0.26590
Total	<u>\$ 0.58400</u>

**City of Royse City, Texas**  
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**Note 4. Receivables**

Amounts are aggregated into a single accounts receivable (net of allowance for doubtful accounts) line for certain funds and aggregated columns. The detail of receivables for the general fund, debt service fund, nonmajor governmental funds, and water and sewer fund including the applicable allowances for uncollectible accounts, as of September 30, 2024, are as follows:

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
Receivables:					
Ad valorem taxes	\$ 121,924	\$ 101,916	\$ -	\$ -	\$ 223,840
Sales taxes	1,094,150	-	-	-	1,094,150
Court fines	441,364	-	-	-	441,364
Charges for services	-	-	-	2,946,716	2,946,716
Other	518,561	-	11,561	-	530,122
Gross receivables	<u>2,175,999</u>	<u>101,916</u>	<u>11,561</u>	<u>2,946,716</u>	<u>5,236,192</u>
Less: allowance for doubtful accounts	<u>(351,651)</u>	<u>(17,243)</u>	<u>-</u>	<u>(464,799)</u>	<u>(833,693)</u>
Net receivables	<u>\$ 1,824,348</u>	<u>\$ 84,673</u>	<u>\$ 11,561</u>	<u>\$ 2,481,917</u>	<u>\$ 4,402,499</u>

**Note 5. Lease Receivable**

The City and the CDC leases a portion of its property to various cell phone companies and businesses who use the space to conduct their operations, the terms of which expire 2027 through 2035. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

The City recognized \$20,428 in lease revenue and \$8,561 in interest revenue during the current fiscal year related to these leases. As of September 30, 2024, the City's receivable for lease payments was \$235,218. Also, the City has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2024, the balance of the deferred inflow of resources was \$224,709.

The CDC recognized \$44,941 in lease revenue and \$5,732 in interest revenue during the current fiscal year related to these leases. As of September 30, 2024, the CDC's receivable for lease payments was \$143,731. Also, the CDC has a deferred inflow of resources associated with these leases that will be recognized as revenue over the lease terms. As of September 30, 2024, the balance of the deferred inflow of resources was \$134,815.

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

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Receipts</b>
2025	\$ 64,097	\$ 12,097	\$ 76,194
2026	66,372	9,822	76,194
2027	68,727	7,467	76,194
2028	19,819	5,975	25,794
2029	20,523	5,271	25,794
2030-2034	114,099	14,870	128,969
2035	<u>25,312</u>	<u>482</u>	<u>25,794</u>
Totals	<u>\$ 378,949</u>	<u>\$ 55,984</u>	<u>\$ 434,933</u>



**City of Royse City, Texas**  
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**Note 6. Capital and Subscription Assets**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Adjustments</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 2,832,275	\$ 410,452	\$ -	\$ -	\$ 3,242,727
Construction in progress	13,950,722	13,874,827	-	(773,694)	27,051,855
Total capital assets not being depreciated	16,782,997	14,285,279	-	(773,694)	30,294,582
Capital and subscription assets being depreciated/amortized:					
Buildings and improvements	30,418,099	32,392,139	-	773,694	63,583,932
Machinery and equipment	1,494,467	165,037	-	-	1,659,504
Vehicles	5,174,904	306,641	(64,633)	-	5,416,912
Subscription assets	139,058	229,179	-	-	368,237
Totals capital and subscription assets being depreciated/amortized	37,226,528	33,092,996	(64,633)	773,694	71,028,585
Less accumulated depreciation/amortization for:					
Buildings and improvements	(5,081,722)	(1,087,465)	-	-	(6,169,187)
Machinery and equipment	(1,087,401)	(90,231)	-	-	(1,177,632)
Vehicles	(2,955,096)	(434,011)	29,444	-	(3,359,663)
Subscription assets	(32,844)	(78,680)	-	-	(111,524)
Total accumulated depreciation/amortization	(9,157,063)	(1,690,387)	29,444	-	(10,818,006)
Total capital and subscription assets, net	\$ 44,852,462	\$ 45,687,888	\$ (35,189)	\$ -	\$ 90,505,161
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Business-type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 1,602,440	\$ 23,000	\$ -	\$ -	\$ 1,625,440
Construction in progress	758,866	2,981,798	-	-	3,740,664
Total capital assets not being depreciated	2,361,306	3,004,798	-	-	5,366,104
Capital and subscription assets being depreciated/amortized:					
Buildings and improvements	39,551	-	-	-	39,551
Water and sewer system	32,861,172	29,274,867	-	-	62,136,039
Machinery and equipment	1,218,397	21,050	-	-	1,239,447
Subscription assets	118,318	-	-	-	118,318
Totals capital and subscription assets being depreciated/amortized	34,237,438	29,295,917	-	-	63,533,355
Less accumulated depreciation/amortization for:					
Buildings and improvements	(39,551)	-	-	-	(39,551)
Water and sewer system	(9,363,055)	(1,169,869)	-	-	(10,532,924)
Machinery and equipment	(631,861)	(68,347)	-	-	(700,208)
Subscription assets	(27,972)	(27,972)	-	-	(55,944)
Total accumulated depreciation/amortization	(10,062,439)	(1,266,188)	-	-	(11,328,627)
Total capital and subscription assets, net	\$ 26,536,305	\$ 31,034,527	\$ -	\$ -	\$ 57,570,832

**City of Royse City, Texas**  
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	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Component Unit</b>					
Capital assets not being depreciated:					
Land	\$ 981,698	\$ -	\$ (847,501)	\$ -	\$ 134,197
Construction in progress	250,680	536,253	-	-	786,933
Total capital assets not being depreciated	1,232,378	536,253	(847,501)	-	921,130
Capital assets being depreciated:					
Buildings and improvements	264,948	28,948	-	-	293,896
Total capital assets being depreciated	264,948	28,948	-	-	293,896
Less accumulated depreciation/amortization for:					
Buildings and improvements	(152,962)	(5,878)	-	-	(158,840)
Total accumulated depreciation	(152,962)	(5,878)	-	-	(158,840)
Total capital and subscription assets, net	\$ 1,344,364	\$ 559,323	\$ (847,501)	\$ -	\$ 1,056,186

In fiscal year 2024, the City received approximately \$31.2 million and \$28.8 million in developer contributions for governmental activities and business-type activities, respectively.

Depreciation expense was charged to functions/programs of the primary government and the component unit as follows:

**Governmental Activities**

General Government	\$ 194,065
Public Safety	549,463
Public Works	824,407
Community Development	5,764
Culture and Recreation	116,688

Total depreciation/amortization expense – governmental activities \$ 1,690,387

**Business-type Activities**

Water and Sewer	\$ 1,266,188
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Total depreciation/amortization expense – business-type activities \$ 1,266,188

**Component Unit**

Royse City Community Development Corporation	\$ 5,878
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Total depreciation expense – component unit \$ 5,878

**Construction Commitments**

Outstanding commitments at September 30, 2024, under authorized construction contracts were approximately \$15,072,292. The outstanding commitments for the projects were funded primarily from bond proceeds and capital project funds.

**City of Royse City, Texas**  
**Notes to Financial Statements**  
**September 30, 2024**

**Note 7. Long-term Debt**

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2024, is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Transfers</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>						
General obligation bonds	\$ 2,550,000	\$ -	\$ (573,143)	\$ -	\$ 1,976,857	\$ 589,574
Certificates of obligation	9,856,000	24,805,000	(2,225,000)	-	32,436,000	1,505,000
Private placement debt	24,005,000	-	(1,105,000)	-	22,900,000	955,000
Total	36,411,000	24,805,000	(3,903,143)	-	57,312,857	3,049,574
Premium on bonds	669,367	816,476	(112,237)	-	1,373,606	-
Total bonds payable	37,080,367	25,621,476	(4,015,380)	-	58,686,463	3,049,574
Arbitrage liabilities	-	332,338	-	-	332,338	-
Subscription liabilities	64,221	229,179	(76,650)	-	216,750	79,596
Compensated absences	508,804	384,111	(317,635)	-	575,280	57,528
Governmental activity long-term liability	<u>\$ 37,653,392</u>	<u>\$ 26,567,104</u>	<u>\$ (4,409,665)</u>	<u>\$ -</u>	<u>\$ 59,810,831</u>	<u>\$ 3,186,698</u>
<b>Business-type Activities</b>						
General obligation bonds	\$ 5,505,000	\$ -	\$ (811,857)	\$ -	\$ 4,693,143	\$ 840,426
Certificates of obligation	8,064,000	16,525,000	(570,000)	-	24,019,000	480,000
Total	13,569,000	16,525,000	(1,381,857)	-	28,712,143	1,320,426
Premium on bonds	1,171,222	553,862	(126,827)	-	1,598,257	-
Total bonds payable	14,740,222	17,078,862	(1,508,684)	-	30,310,400	1,320,426
Arbitrage liabilities	-	37,625	-	-	37,625	-
Subscription liabilities	54,707	-	(26,751)	-	27,956	27,956
Compensated absences	24,232	20,687	(17,546)	-	27,373	2,737
Total business-type activities	<u>\$ 14,819,161</u>	<u>\$ 17,137,174</u>	<u>\$ (1,552,981)</u>	<u>\$ -</u>	<u>\$ 30,403,354</u>	<u>\$ 1,351,119</u>
<b>Component Unit</b>						
Sales tax revenue bonds	\$ -	\$ 2,940,000	\$ -	\$ -	\$ 2,940,000	\$ 75,000
Total	-	2,940,000	-	-	2,940,000	75,000
Premium on bonds	-	162,469	(8,123)	-	154,346	8,123
Total bonds payable	-	3,102,469	(8,123)	-	3,094,346	83,123
Compensated absences	6,726	917	(6,394)	-	1,249	125
Total component unit activities	<u>6,726</u>	<u>3,103,386</u>	<u>(14,517)</u>	<u>-</u>	<u>3,095,595</u>	<u>83,248</u>

Compensated absences represent the estimated liability for employees accrued paid time off and compensation time for which employees are entitled to be paid upon termination. Governmental compensated absences are liquidated by the General Fund and business-type compensated absences are liquidated by the Water and Sewer Fund, based on the assignment of an employee at date of termination.

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***Changes in Governmental Long-Term Debt***

	Interest Rate Payable	Original Amounts Issued	Amounts Outstanding September 30, 2023	Issued	Retired/ Refunded	Transfers	Amounts Outstanding September 30, 2024	Due Within One Year
2017 GO Refunding	1-4%	\$ 4,675,000	\$ 2,290,000	\$ -	\$ (545,000)	\$ -	\$ 1,745,000	\$ 560,000
2020 GO Refunding	2-5%	340,101	260,000	-	(28,143)	-	231,857	29,574.00
2016 Certificates of Obligation	2-3%	1,915,000	890,000	-	(150,000)	-	740,000	150,000
2017 Certificates of Obligation	3.05%	3,190,000	2,266,000	-	(125,000)	-	2,141,000	135,000
2018 Certificates of Obligation	3-4%	3,265,000	2,110,000	-	(190,000)	-	1,920,000	195,000
2019 Certificates of Obligation	2-4%	5,005,000	4,285,000	-	(205,000)	-	4,080,000	215,000
2020 Certificates of Obligation	2-5%	660,000	305,000	-	(35,000)	-	270,000	40,000
2022 Certificates of Obligation	3.29%	25,120,000	24,005,000	-	(1,105,000)	-	22,900,000	955,000
2023 Certificates of Obligation	4.25%	24,805,000	-	24,805,000	(1,520,000)	-	23,285,000	770,000
Total bonds payable		<u>\$ 68,975,101</u>	<u>\$ 36,411,000</u>	<u>\$ 24,805,000</u>	<u>\$ (3,903,143)</u>	<u>\$ -</u>	<u>\$ 57,312,857</u>	<u>\$ 3,049,574</u>

A description of each debt series follows:

\$4,675,000 General Obligation Refunding Bonds, Series 2017, issued for the purpose of refunding a portion of the City's outstanding debt.

\$340,101 General Obligation Refunding Bonds, Series 2020, issued for the purpose of refunding a portion of the City's outstanding debt.

\$1,915,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2016, issued for the purpose of (i) constructing, reconstructing and improving streets, roads, sidewalks and alleys; (ii) constructing, acquiring, installing and equipping improvements to the City's waterworks and sewer system; and (iii) acquisition of vehicles and equipment for the public works department.

\$3,190,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2017, issued for the purpose of (i) constructing, reconstructing and improving streets, roads, sidewalks and alleys; (ii) acquisition of vehicles and equipment for the police, fire, building inspections, public works and parks departments, (iii) purchase of land sites for future municipal complex; and (iv) constructing, acquiring, installing and equipping improvements to the City's waterworks and sewer system.

\$3,265,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2018, issued for the purpose of (i) constructing, reconstructing and improving streets, roads, sidewalks and alleys; (ii) acquisition of vehicles and equipment for the fire department, police department and parks department (iii) purchase of land sites for future municipal complex; (iv) park improvements, including a new restroom facility; and (v) renovating and improving existing police and courts building and city hall building.

\$5,005,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2019, issued for the purpose of constructing, acquiring, improving and equipping public safety buildings and facilities, including buildings and facilities for fire department, with any surplus proceeds to be used for buildings and facility planning for the police department.

\$660,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2020, issued for the purpose of (i) improvements to the City's waterworks and sewer system; and (ii) acquiring vehicles and equipment for the fire department, police department, parks and recreation department, and public works department.

\$25,120,000 Private Placement Combination Tax and Revenue Certificates of Obligation Bonds, Series 2022, issued for the purpose of (i) acquiring, constructing, and equipping a police station; (ii) constructing, reconstructing and improving sidewalks, streets and roads, and the acquisition of land and interests in land; (iii) and acquiring,

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constructing, installing, and equipping additions, improvements, extensions, and equipment for waterworks and sewer system. The certificate of obligation pays principal and interest semiannually on February 15 and August 15, at an interest rate of 3.29%.

\$24,805,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2023, issued for the purpose of (i) renovating, improving, or equipping existing buildings or facilities, including the Janet Nichol Municipal Building; (ii) constructing, reconstructing and improving sidewalks, streets, and roads, including, bridges, and intersections, street overlay, landscaping, traffic safety and operational improvements, culverts and related storm drainage and utility relocation, and the acquisition of land and interests in land as necessary, therefor; (iii) acquiring, constructing, installing, and equipping additions, improvements, extensions, and equipment for the City's waterworks and sewer system, including water and sewer lines, manholes, valves, and related street and infrastructure improvements; and (iv) paying the costs of issuing the Certificates.

Long-term debt services requirements are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2025	\$ 3,049,574	\$ 2,208,118	\$ 5,257,692
2026	3,170,528	2,086,315	5,256,843
2027	3,177,482	1,963,187	5,140,669
2028	2,670,333	1,837,285	4,507,618
2029	2,644,344	1,732,923	4,377,267
2030-2034	14,495,596	7,053,887	21,549,483
2035-2039	16,625,000	4,035,164	20,660,164
2040-2043	11,480,000	1,028,943	12,508,943
Totals	<u>\$ 57,312,857</u>	<u>\$ 21,945,822</u>	<u>\$ 79,258,679</u>

***Changes in Business-Type Long-Term Debt***

	<b>Interest Rate Payable</b>	<b>Original Amounts Issued</b>	<b>Amounts Outstanding September 30, 2023</b>	<b>Issued</b>	<b>Retired/Refunded</b>	<b>Transfers</b>	<b>Amounts Outstanding September 30, 2024</b>	<b>Due Within One Year</b>
2014 GO Refunding Bonds	1.5-3.5%	\$ 4,695,000	\$ 1,795,000	\$ -	\$ (245,000)	\$ -	\$ 1,550,000	\$ 250,000
2017 GO Refunding Bonds	3.05-4%	2,970,000	1,270,000	-	(300,000)	-	970,000	310,000
2020 GO Refunding Bonds	3.05-4%	3,224,899	2,440,000	-	(266,857)	-	2,173,143	280,426
2016 Certificates of Obligations	2-3%	575,000	405,000	-	(25,000)	-	380,000	30,000
2017 Certificates of Obligation	3.00%	1,460,000	1,129,000	-	(65,000)	-	1,064,000	65,000
2020 Certificates of Obligation	2-5%	6,930,000	6,530,000	-	(215,000)	-	6,315,000	225,000
2023 Certificates of Obligation	4.25%	16,525,000	-	16,525,000	(265,000)	-	16,260,000	160,000
Total bonds payable		<u>\$ 36,379,899</u>	<u>\$ 13,569,000</u>	<u>\$ 16,525,000</u>	<u>\$ (1,381,857)</u>	<u>\$ -</u>	<u>\$ 28,712,143</u>	<u>\$ 1,320,426</u>

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A description of the debt series follows:

\$4,695,000 General Obligation Refunding Bonds, Series 2014, issued for the purpose of refunding a portion of the City's outstanding debt.

\$2,970,000 General Obligation Refunding Bonds, Series 2017, issued for the purpose of refunding a portion of the City's outstanding debt.

\$3,224,899 General Obligation Refunding Bonds, Series 2020, issued for the purpose of refunding a portion of the City's outstanding debt.

\$575,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2016, issued for the purpose of (i) constructing, reconstructing and improving streets, roads, sidewalks and alleys; (ii) constructing, acquiring, installing and equipping improvements to the City's waterworks and sewer system; and (iii) acquisition of vehicles and equipment for the public works department.

\$1,460,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2017, issued for the purpose of (i) constructing, reconstructing and improving streets, roads, sidewalks and alleys; (ii) acquisition of vehicles and equipment for the police, fire, building inspections, public works and parks departments, (iii) purchase of land sites for future municipal complex; and (iv) constructing, acquiring, installing and equipping improvements to the City's waterworks and sewer system.

\$6,930,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2020, issued for the purpose of (i) improvements to the City's waterworks and sewer system; and (ii) acquiring vehicles and equipment for the fire department, police department, parks and recreation department, and public works department.

\$16,525,000 Combination Tax and Revenue Certificates of Obligation Bonds, Series 2023, issued for the purpose of (i) renovating, improving, or equipping existing buildings or facilities, including the Janet Nichol Municipal Building; and (ii) constructing, reconstructing and improving sidewalks, streets and roads, including bridges and intersections, street overlay, landscaping, traffic safety and operational improvements, culverts and related storm drainage and utility relocation, and the acquisition of land and interests in land as necessary therefor; (iii) acquiring, constructing, installing, and equipping additions, improvements, extensions, and equipment for the City's waterworks and sewer system, including water and sewer lines, manholes, valves and related street and infrastructure improvements; and (iv) paying the costs of issuing the Certificates.

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Long-term debt service requirements are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2025	\$ 1,320,426	\$ 1,159,165	\$ 2,479,591
2026	1,374,472	1,105,298	2,479,770
2027	1,427,518	1,049,269	2,476,787
2028	1,484,667	990,978	2,475,645
2029	1,550,656	927,395	2,478,051
2030-2034	7,014,404	3,645,871	10,660,275
2035-2039	7,280,000	2,142,148	9,422,148
2040-2044	6,895,000	706,100	7,601,100
2045	365,000	8,213	373,213
<b>Totals</b>	<b>\$ 28,712,143</b>	<b>\$ 11,734,437</b>	<b>\$ 40,446,580</b>

***Changes in Component Unit Long-Term Debt***

	<b>Interest Rate Payable</b>	<b>Amounts Original Issue</b>	<b>Outstanding September 30, 2023</b>	<b>Issued</b>	<b>Retired</b>	<b>Transfers</b>	<b>Outstanding September 30, 2024</b>	<b>Due Within One Year</b>
2024 Sales Tax Revenue Bonds	5.00%	\$ 2,940,000	\$ -	\$ 2,940,000	\$ -	\$ -	\$ 2,940,000	\$ 75,000
Total bonds payable		<u>\$ 2,940,000</u>	<u>\$ -</u>	<u>\$ 2,940,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,940,000</u>	<u>\$ 75,000</u>

A description of the debt series follows:

\$2,940,000 Sales Tax Revenue Bonds, Series 2024, issued for the purpose of (i) financing the costs associated with constructing and extending Mercantile Boulevard in order to provide access to multiple commercial developments within the City; (ii) funding a reserve fund; (iii) payment of professional services in connection therewith including legal, engineering, architectural and fiscal fees and the costs of issuing the Bonds.

Long-term debt service requirements are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Requirements</b>
2025	\$ 75,000	\$ 134,925	\$ 209,925
2026	85,000	130,925	215,925
2027	100,000	126,300	226,300
2028	105,000	121,175	226,175
2029	110,000	115,800	225,800
2030-2034	635,000	489,125	1,124,125
2035-2039	810,000	309,500	1,119,500
2040-2044	1,020,000	105,000	1,125,000
<b>Totals</b>	<b>\$ 2,940,000</b>	<b>\$ 1,532,750</b>	<b>\$ 4,472,750</b>

### ***Subscription Liabilities***

The City has various subscription IT arrangements to conduct its operations, the terms of which expire in various years through 2028. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any subscription incentives payable. As of September 30, 2024, the value of the subscription liabilities was \$216,750 and \$27,956 in the governmental activities and business-type activities, respectively. An incremental borrowing rate of 4.5000 percent was used to measure subscription liabilities. The value of the right-to-use subscription assets as of September 30, 2024, was \$368,237 and had accumulated amortization of \$111,524 in the governmental activities. The value of the right-to-use subscription assets as of September 30, 2024, was \$118,318 and had accumulated amortization of \$55,944 in the business-type activities.

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

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2025	\$ 79,596	\$ 9,754	\$ 89,350
2026	48,884	6,172	55,056
2027	43,164	3,972	47,136
2028	45,106	2,030	47,136
Totals	<u>\$ 216,750</u>	<u>\$ 21,928</u>	<u>\$ 238,678</u>

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2025	\$ 27,956	\$ 1,257	\$ 29,213
Totals	<u>\$ 27,956</u>	<u>\$ 1,257</u>	<u>\$ 29,213</u>

## **Note 8. Defined Benefit Pension Plan**

### ***Plan Description***

The City of Royse City participates as one of 930 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

### ***Benefits Provided***

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of



the City, within the options available in the state statutes governing TMRS.

At retirement, the Member’s benefit is calculated as of the sum of the Member’s contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the total Member contributions and interest.

**Employees Covered by Benefit Terms**

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

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	76
Active employees	121
	<hr/>
	229
	<hr/> <hr/>

**Contributions**

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

Employees for the City were required to contribute 7 percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.60 percent and 15.65 percent in calendar years 2023 and 2024, respectively. The City’s contributions to TMRS for the year ended September 30, 2024, were \$1,490,105 and were equal to the required contributions.

**Net Pension Liability**

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

**Actuarial Assumptions**

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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In addition a 3.5% and 3.0% minimum mortality rate is applied, for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage.

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

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

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**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that member 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b>Balance at October 1, 2023</b>	\$ 17,231,637	\$ 13,447,099	\$ 3,784,538
Changes for the year:			
Service cost	1,627,751	-	1,627,751
Interest	1,205,382	-	1,205,382
Change of benefit terms	-	-	-
Difference between expected and actual experience	296,241	-	296,241
Changes of assumptions	14,107	-	14,107
Contributions – employer	-	1,310,264	(1,310,264)
Contributions – employee	-	587,939	(587,939)
Net investment income	-	1,565,534	(1,565,534)
Benefit payments, including refunds of employee contributions	(375,991)	(375,991)	-
Administrative expense	-	(9,901)	9,901
Other changes	-	(69)	69
<b>Net changes</b>	<b>2,767,490</b>	<b>3,077,776</b>	<b>(310,286)</b>
<b>Balance at September 30, 2024</b>	<b>\$ 19,999,127</b>	<b>\$ 16,524,875</b>	<b>\$ 3,474,252</b>
Proportionate share and net pension liability reporting in:			
Primary Government		96.87%	\$ 3,365,509
Royse City Community Development Corporation		3.13%	108,743
<b>Total</b>		<b>100.00%</b>	<b>\$ 3,474,252</b>

### ***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

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

<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
\$ 6,805,599	\$ 3,474,252	\$ 781,523

### ***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [www.tnrs.com](http://www.tnrs.com).

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

For the year ended September 30, 2024, the City and its component unit recognized pension expense of \$1,569,912.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 494,469	\$ 3,622
Changes in actuarial assumptions	11,060	-
Difference between projected and actual investment earnings	307,082	-
Contributions subsequent to the measurement date	1,097,744	-
Total	<u>\$ 1,910,355</u>	<u>\$ 3,622</u>

\$1,097,744 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a decrease in the Net Pension Liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ 277,880
2026	271,613
2027	348,838
2028	(89,342)
Total	<u>\$ 808,989</u>

**Allocation of Pension Items**

The City allocates pension items between governmental activities, business-type activities, and its component unit on the basis of employee payroll funding. For the governmental activities, the general fund is responsible for the contributions. For the business type activities, the Water and Sewer fund is responsible for the contributions.

**Note 9. Postemployment Benefits Other Than Pensions**

**Plan Description**

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

**Benefits Provided**

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of \$7,500.

**Employees Covered by Benefit Terms**

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

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>121</u>
	<u>152</u>

**Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's total SBDF contribution rates were 0.23 percent and 0.24 percent for calendar year 2024 and 2023, respectively. The retiree portion of the total SBDF contribution rates for the City were 0.06 percent and 0.06 percent in calendar year 2024 and 2023, respectively.

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The City's contributions to the SDBF for the years ended September 30, 2024 and 2023 were \$22,169 and \$17,049, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

***Total OPEB Liability***

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

***Actuarial Assumptions***

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

**Measurement Year Ended December 31, 2023**

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Inflation rate	2.50% per year
Discount rate	3.77% as of December 31, 2023 (4.05% as of December 31, 2022)
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.60% to 11.85% including inflation

Mortality rates for retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Based on the size of the City, rates are multiplied by an additional factor of 100.0 percent, which adds an additional layer of conservatism. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements.

For disabled annuitants, the mortality tables for healthy retirees is used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5 percent and 3 percent 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 as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation.

***Discount Rate***

The discount rate used to measure the Total OPEB Liability as of December 31, 2023, was 3.77 percent, compared to 4.05 percent as of December 31, 2022. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date of December 31, 2023.

**City of Royse City, Texas**  
**Notes to Financial Statements**  
**September 30, 2024**

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>	
<b>Balance at October 1, 2023</b>	\$ 144,174	
Changes for the year:		
Service cost	12,599	
Interest	5,992	
Difference between expected and actual experience	1,043	
Changes of assumptions	7,050	
Benefit payments	<u>(5,039)</u>	
Net changes	<u>21,645</u>	
<b>Balance at September 30, 2024</b>	<u><u>\$ 165,819</u></u>	
Proportionate share and net pension liability reporting in:		
Primary Government	96.87%	\$ 160,629
Royse City Community Development Corporation	<u>3.13%</u>	<u>5,190</u>
Total	<u>100%</u>	<u>\$ 165,819</u>

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

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

	<u>1% Decrease in Discount Rate (2.77%)</u>	<u>Current Discount Rate (3.77%) Assumption</u>	<u>1% Increase in Discount Rate (4.77%)</u>
Total OPEB liability	\$ 198,739	\$ 165,819	\$ 140,053

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$15,717.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 2,387	\$ 5,690
Changes in actuarial assumptions	27,646	56,351
Total	<u>\$ 30,033</u>	<u>\$ 62,041</u>

Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2025	(3,915)
2026	(2,942)
2027	(7,157)
2028	(9,919)
2029	(9,400)
Thereafter	1,325
Total	<u>\$ (32,008)</u>

***Allocation of OPEB Items***

The City allocates OPEB items between governmental activities, business-type activities, and its component unit on the basis of employee payroll funding. For the governmental activities, the total OPEB liability is liquidated by the general fund. For the business type activities, the Water and Sewer fund liquidates the total OPEB liability.

**Note 10. Due to/From Other Funds**

The following is a summary of due to/from other funds at September 30, 2024:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Bonds Capital Projects	Debt Service	\$ 6,894

The outstanding balance owed by the Debt Service fund to the Bonds Capital Projects Fund result mainly from the time lag between dates that: (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.



## Note 11. Interfund Transactions

Current transfers between funds during the year were as follows:

Transfers out	Transfers in			Totals Transfers Out
	General Fund	General Capital/CIP Fund	Internal Service Funds	
General Fund	\$ -	\$ 1,743,600	\$ 4,305	\$ 1,747,905
Bonds Capital Projects Fund	-	-	-	-
Non-major governmental funds	24,000	-	-	24,000
Water and Sewer Fund	500,000	-	-	500,000
Internal Service Funds	105,715	-	-	105,715
Total transfers in	<u>\$ 629,715</u>	<u>\$ 1,743,600</u>	<u>\$ 4,305</u>	<u>\$ 2,377,620</u>

Transfers are used to/for: 1) operational transfer to the General Fund from the Water and Sewer; 2) transfer monies for capital asset purchases and 3) help fund internal service operations.

## Note 12. Tax Incentive Rebates

The City has two active Incentive Rebates that were used to attract businesses that generate incremental tax revenues. The agreements are subject to Chapter 380 of the Texas Local Government Code that promotes local economic development, commercial activity and business stimulation. City Council approves the agreements via resolution. As part of the agreements, the City agrees to rebate a portion of the sales tax after confirmation of payment. If the businesses do not meet the obligations as set forth in the agreements in a particular year, the businesses forego the rebates in that year. For the year ended September 30, 2024, the amount of sales tax rebated for both agreements was approximately \$574,500.

## Note 13. Commitments and Contingencies

### ***Risk Management***

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

### ***Litigation***

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's legal counsel and management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

#### **Note 14. Additional Water and Sewer Information**

The North Texas Municipal Water District (NTMWD) is a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article XVI, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of 1951, 52<sup>nd</sup> Legislature of Texas, Regular Session, as amended. An amendment to the NTMWD's creating ACT by the legislation in 1975, Section 27, authorizes the NTMWD to acquire, treat, and distribute water, and to collect, treat and dispose of wastes, both liquid and solid, in order to reduce pollution, conserve and develop the natural resources of Texas.

The primary mission of the District is to meet the various needs of its members and customer cities, whether that is the need for drinking water, solid waste disposal or wastewater treatment. NTMWD acts as a regional wholesale of water to its members and customer cities. Rates for service are set at cost. No profits are included, and no taxes are collected. Unit costs for services are lower because the services are regional.

The District has long-term contracts with the City to supply treated water and sewer treatment. The City's water contract with the District provides that the City pay a predetermined annual amount for treated water in twelve monthly installments. The amount of this annual payment is based upon an annually established rate per thousand gallons and the largest annual amount of water consumption of past years. The City is contractually obligated to make sufficient payments to the NTMWD, recognized as operating expenses by the City and as revenues by NTMWD, for the proportional share of regional operating expenses and redemption and payment of the City's portion of certain NTMWD revenue bonds as they become due. Payments under these contracts totaled approximately \$3,200,000 for the water system and approximately \$3,600,000 for the sewer system during the fiscal year.

**Note 15. Special Assessment Districts**

The Waterscape, Creekshaw, Creekside, Parkside, Liberty Crossing, and Clearview Ranch PIDs have issued debt to finance infrastructure improvements and facilities within their boundaries. The City has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not recorded as long-term debt of the City. The outstanding balance of each of the debt issuances as of September 30, 2024, is as follows:

Waterscape PID No. 1 Phase 1A Special Assessment Revenue Bonds, Series 2017	\$ 3,055,000
Waterscape PID, MIA Special Assessment Revenue Bonds, Series 2017	4,700,000
Waterscape PID No.1 Phase 1B Special Assessment Revenue Bonds, Series 2019	2,535,000
Waterscape PID No. 1 Phase 2A Special Assessment Revenue Bonds, Series 2019	7,945,000
Waterscape PID No. 1 Phase 3A Special Assessment Revenue Bonds, Series 2022	7,871,000
Waterscape PID No. 1 Phase 4A Special Assessment Revenue Bonds, Series 2024	3,270,000
Parkside PID Special Assessment Revenue Bonds, Series 2019	6,685,000
Creekshaw PID No.1 Phase 1A Special Assessment Revenue Bonds, Series 2020	5,320,000
Creekshaw PID MIA Special Assessment Revenue Bonds, Series 2020	3,540,000
Creekshaw PID No. 1 Phase 2A Special Assessment Revenue Bonds, Series 2022	6,487,000
Creekside PID No.1 Phase 1A Special Assessment Revenue Bonds, Series 2020	7,015,000
Creekside PID No.1 Phase 2B Special Assessment Revenue Bonds, Series 2024	4,324,000
Liberty Crossing PID No.1 Phase 1A Special Assessment Revenue Bonds, Series 2023	4,292,000
Liberty Crossing PID No.1 Phase 2A Special Assessment Revenue Bonds, Series 2024	3,062,000
Clearview Ranch PID No.1 Phase 1A Special Assessment Revenue Bonds, Series 2024	<u>3,785,000</u>
Total	<u>\$ 73,886,000</u>

**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION**

*An opinion in substantially the following form will be delivered by McCall,  
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the  
Certificates, assuming no material changes in facts or law.*

**CITY OF ROYSE CITY, TEXAS  
COMBINATION TAX AND REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2025  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$\_\_\_\_\_**

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AS BOND COUNSEL FOR THE CITY OF ROYSE CITY, TEXAS (the "Issuer") in connection with the issuance of the Certificates of Obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Certificates, including executed Certificate Number T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to sovereign immunity of political subdivisions, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues (not to exceed \$1,000) of the Issuer's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's waterworks and sewer system, as provided in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the



proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates.



If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,