

PRELIMINARY OFFICIAL STATEMENT

Dated August 5, 2025

Ratings:
S&P: "AA-"
(See "OTHER INFORMATION
– Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, 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.

\$13,310,000*
CITY OF BALCH SPRINGS, TEXAS
(Dallas County)

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: August 15, 2025

Due: September 1, as shown on page 2 hereof

Interest Accrues from Delivery Date

PAYMENT TERMS. . . Interest on the \$13,310,000* City of Balch Springs, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the delivery date, estimated to be August 29, 2025 (the "Delivery Date") will be payable March 1 and September 1 of each year commencing March 1, 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, New York, New York ("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 stated 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 BOKF, NA, 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 Balch Springs, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge of \$1,000 of the net revenues of the City's waterworks and sewer system, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "The Certificates - Authority for Issuance").

PURPOSE. . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) constructing, reconstructing, widening and improving streets, roads, alleys, bridges and sidewalks including right-of-way acquisitions related to such improvements, related utility relocation, drainage, signalization, landscaping, screening walls, lighting and signage; (ii) acquiring, constructing and equipping public parks, including landscaping, irrigation, drainage, lighting, benches, pavilions, walking paths, public restrooms, fields, parking facilities and related infrastructure, and the acquisition of land and interests in land as necessary therefor; (iii) administrative office buildings housing the governmental functions of the City and the acquisition of land and interests in land as necessary therefor; and (iv) legal, fiscal and engineering fees in connection with such projects.

CUSIP PREFIX: 057663

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

MUNICIPAL BOND INSURANCE. . . The City has made an application for qualification for the issuance of a municipal bond insurance policy in conjunction with the issuance of the Bonds. If a commitment for an insurance policy is obtained and the Initial Purchaser (defined herein) determines to purchase a policy in connection with its bid, the associated premium will be the responsibility of the Purchaser (see "BOND INSURANCE" and "BOND INSURANCE RISKS" herein).

LEGALITY. . . The Certificates are offered for delivery when, as and if issued and received by the Initial 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"). Certain legal matters will be passed upon by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, in its capacity as Disclosure Counsel for the City.

DELIVERY. . . It is expected that the Certificates will be available for delivery through the facilities of DTC on or about August 29, 2025.

BIDS DUE MONDAY, AUGUST 11, 2025 AT 10:15 AM, CENTRAL TIME

* Preliminary, subject to change.

MATURITY SCHEDULE***CUSIP Prefix: 057663⁽¹⁾**

<u>Amount</u>	<u>Maturity 1-Sep</u>	<u>Initial Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix ⁽¹⁾</u>
\$ 235,000	2028			
295,000	2029			
360,000	2030			
375,000	2031			
395,000	2032			
415,000	2033			
435,000	2034			
455,000	2035			
480,000	2036			
505,000	2037			
530,000	2038			
555,000	2039			
580,000	2040			
610,000	2041			
640,000	2042			
675,000	2043			
710,000	2044			
745,000	2045			
780,000	2046			
820,000	2047			
860,000	2048			
905,000	2049			
950,000	2050			

(Interest to Accrue from Delivery Date)

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2036, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").

(THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY)

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended and in effect on the date hereof (the "Rule"), this document constitutes an Official Statement with respect to the Certificates that has been deemed "final" by the City as of its date except for the omission of no more than the information permitted by the Rule.

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

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

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Initial Purchaser. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The Certificates are exempt from registration with the United States Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Certificates in accordance with applicable securities law provisions of the jurisdiction in which the Certificates have been registered, qualified, or exempted should not be regarded as a recommendation thereof.

NONE OF THE CITY, ITS FINANCIAL ADVISOR OR THE INITIAL PURCHASER 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, AS SUCH INFORMATION HAS BEEN FURNISHED BY THE DEPOSITORY TRUST COMPANY.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all Appendices attached hereto, to obtain information essential to making an informed investment decision.

This Official Statement contains "Forward-Looking" Statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance, and achievements expressed or implied by such Forward-Looking Statements. Investors are cautioned that the actual results could differ materially from those set forth in the Forward-Looking Statements.

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

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the 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.

THE CITY	The City of Balch Springs, Texas is a political subdivision of the State, and is a home rule municipal corporation located in Dallas County, Texas. The City covers approximately 9 square miles (see "INTRODUCTION - Description of the City").
THE CERTIFICATES	The City's \$13,310,000* Combination Tax and Revenue Certificates of Obligation, Series 2025 are to mature on September 1 in the years 2028 through 2050, unless the Initial Purchaser designates one or more consecutive maturities as one or more term certificates (the "Term Certificates") (see "THE CERTIFICATES – Description of the Certificates").
PAYMENT OF INTEREST	Interest on the Certificates accrues from the Delivery Date (defined herein), and is payable March 1, 2026, and each September 1 and March 1 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates" and "THE CERTIFICATES - Optional Redemption").
AUTHORITY FOR ISSUANCE	The Certificates are authorized and issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance to be adopted by the City Council of the City on August 11, 2025 (the "Ordinance") (see "THE CERTIFICATES – Authority for Issuance of the Certificates").
SECURITY FOR THE CERTIFICATES	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, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of \$1,000 of the net revenues of the City's waterworks and sewer system, as provided in the Ordinance (see "THE CERTIFICATES – Security and Source of Payment").
OPTIONAL REDEMPTION	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2036, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").
TAX EXEMPTION	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 the caption "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.
USE OF PROCEEDS	Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) constructing, reconstructing, widening and improving streets, roads, alleys, bridges and sidewalks including right-of-way acquisitions related to such improvements, related utility relocation, drainage, signalization, landscaping, screening walls, lighting and signage; (ii) acquiring, constructing and equipping public parks, including landscaping, irrigation, drainage, lighting, benches, pavilions, walking paths, public restrooms, fields, parking facilities and related infrastructure, and the acquisition of land and interests in land as necessary therefor; (iii) administrative office buildings housing the governmental functions of the City and the acquisition of land and interests in land as necessary therefor; and (iv) legal, fiscal and engineering fees in connection with such projects.
RATING	The Certificates are expected to be rated "AA-" (stable outlook) by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"). See "OTHER INFORMATION - Ratings" herein.
MUNICIPAL BOND INSURANCE	The City has made an application for qualification for the issuance of a municipal bond insurance policy in conjunction with the issuance of the Certificates. If a commitment for an insurance policy is obtained and the Initial Purchaser (defined herein) determines to purchase a policy in connection with its bid, the associated premium will be the responsibility of the Purchaser (see "BOND INSURANCE" and "BOND INSURANCE RISKS" herein).
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 general obligation tax debt.

PAYING AGENT/REGISTRAR..... The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 30-Sep	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2021	27,685	\$ 1,136,334,581	\$ 41,045	\$ 12,700,000	1.12%	\$ 459
2022	27,752	1,329,879,488	47,920	11,600,000	0.87%	418
2023	27,742	1,610,548,478	58,055	10,465,000	0.65%	377
2024	27,755	2,154,780,954	77,636	9,290,000	0.43%	335
2025	27,923	2,032,425,359	72,787	21,460,000 ⁽⁴⁾	1.06% ⁽⁴⁾	769 ⁽⁴⁾

(1) Source: North Central Texas Council of Governments.

(2) As reported by the Appraisal District (defined herein) on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Includes self-supporting debt.

(4) Includes the Certificates. Preliminary, subject to change.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended, September 30,				
	2024	2023	2022	2021	2020
Beginning Balance	\$ 10,041,222	\$ 11,833,099	\$ 6,461,909	\$ 3,831,250	\$ 2,815,307
Total Revenue	24,704,617	22,083,992	20,032,454	18,019,797	15,607,910
Total Expenditures	22,714,786	20,319,556	20,145,020	17,224,412	16,077,094
Net Transfers	431,000	(3,556,313)	5,483,756	1,835,273	1,485,127
Ending Balance	<u>\$ 12,462,053</u>	<u>\$ 10,041,222</u>	<u>\$ 11,833,099</u>	<u>\$ 6,461,909</u>	<u>\$ 3,831,250</u>

- (1) The City's financial policies provide that the City will maintain a minimum balance in its General Fund equal to 17% of annual budgeted expenditures payable from the General Fund, and that any surplus funds over such amount may be transferred to the Capital Improvement Fund to be used to fund capital projects. The City anticipates transferring several million dollars from the General Fund to the Capital Improvement Fund prior to the end of its current fiscal year, in accordance with such financial policies, but expects to maintain more than 17% of annual budgeted expenditures as a balance in the General Fund.

For additional information regarding the City, please contact:

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Rodney Taylor Mayor - Place 1	3 Months	May 2027	College Professor
Tartisha Hill Councilmember, Place 2	1.3 Years	May 2026	Chief Clerk
Paula Garcia Councilmember, Place 3	4 Years	May 2027	Self Employed
Vincent Gabriel Mayor Pro-Tem, Place 4	1.3 Years	May 2026	Sales
Jessie Patino Councilmember - Place 5	3 Months	May 2027	Self Employed
Elishima Myles Councilmember - Place 6	5 Years	May 2026	Corporate Trainer
Yemi Salau Councilmember - Place 7	2 Years	May 2027	IT Manager

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to City</u>	<u>Total Governmental Service</u>
Charles Fenner	City Manager	6 Years	30 Years
Tanangelia Beatty	Chief Financial Officer	8 Months	15 Years
Cindy Gross	City Secretary	28 Years	30 Years

CONSULTANTS AND ADVISORS

Auditors Weaver and Tidwell, L.L.P.
Dallas, Texas

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

Financial Advisor Hilltop Securities Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$13,310,000*

CITY OF BALCH SPRINGS, TEXAS

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Official Statement, which includes the cover page and Appendices hereto, provides certain information regarding the issuance of \$13,310,000* City of Balch Springs, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance (the "Ordinance"), to be adopted by the City Council of the City of Balch Springs, Texas (the "City") on the date of the sale of the Certificates and which will authorize the issuance of the Certificates.

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, Hilltop Securities Inc., Dallas, Texas.

DESCRIPTION OF THE CITY. . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home-Rule charter. The City was incorporated in 1953 and first adopted its Home-Rule Charter on January 20, 1990. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Council members. The term of office is two years with the terms of the Mayor and three of the Councilmembers' terms expiring in even-numbered years and the other terms of the three Councilmembers expiring in odd-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 27,685, while the estimated 2025 population is 27,923. The City covers approximately 9 square miles.

PLAN OF FINANCING

PURPOSE. . . The Certificates are being issued for the purpose of paying contractual obligations to be incurred for (i) constructing, reconstructing, widening and improving streets, roads, alleys, bridges and sidewalks including right-of-way acquisitions related to such improvements, related utility relocation, drainage, signalization, landscaping, screening walls, lighting and signage; (ii) acquiring, constructing and equipping public parks, including landscaping, irrigation, drainage, lighting, benches, pavilions, walking paths, public restrooms, fields, parking facilities and related infrastructure, and the acquisition of land and interests in land as necessary therefor; (iii) administrative office buildings housing the governmental functions of the City and the acquisition of land and interests in land as necessary therefor; and (iv) legal, fiscal and engineering fees in connection with such projects.

USE OF CERTIFICATE PROCEEDS. . . Proceeds from the sale of the Certificates are expected to be expended approximately as follows:

SOURCES OF FUNDS

Par Amount of the Certificates	\$ -
Cash Premium	-
TOTAL SOURCES	<u><u>\$ -</u></u>

USES OF FUNDS

Deposit to Project Fund	\$ -
Costs of Issuance	-
TOTAL USES	<u><u>\$ -</u></u>

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES. . . The Certificates are dated August 15, 2025 and mature on September 1 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1 and September 1 of each year, commencing March 1, 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. . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT. . . The Certificates are payable from a combination of (i) a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property within the City and (ii) a limited pledge of \$1,000 of the net revenues of the City's waterworks and sewer system, as provided in the Ordinance.

TAX RATE LIMITATION. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a 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 limit 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 services, as calculated at the time of issuance and based on a 90% collection rate.

OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2036, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 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 the Certificates to be redeemed. If less than all of 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 as described below, 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.

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 may state that said redemption will, 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 the Certificates have not been redeemed.

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, in the name of the City, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of each 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, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES 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.

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 City 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.

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 accredited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the 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 securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Certificates in the aggregate principal amount thereof 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 and www.dtc.org.

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, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the

Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 Participant to whose account such Certificates are credited, which may or may not be the Beneficial Owners. The 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 issue to be redeemed.

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

Payments on the Certificates will be made to 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 dates 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 in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities 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 transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the 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 Initial Purchaser.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "The Certificates - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). 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 bank, trust company organized under the laws of the State of Texas, financial institution 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.

In the event the use of the Book-Entry-Only system is discontinued, principal of the Certificates is payable to the registered holder appearing on the registration books of the Paying Agent/Registrar (the "Registered Owner") at the designated corporate trust office of the Paying Agent/Registrar upon surrender of the Certificates for payment; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "The Certificates - Book-Entry-Only System" herein. Interest on the Certificates is payable to the Register Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar by check mailed, first class postage prepaid, to the Register Owner or by such other arrangement, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the Registered Owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued, printed Certificates will be delivered to the Registered Owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Certificates 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 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 "The Certificates—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 shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of a Certificate.

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 fifteenth calendar day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (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 a 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.

AMENDMENTS . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder of the respective Certificate 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 aggregate principal amount 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 so affected, 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. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

REMEDIES . . . The Ordinance establishes specific events of default with respect to the respective series of 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 thereof, 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 of a respective Certificate

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 respective Certificates or 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 owners of the respective Certificates 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. The Texas Supreme Court has ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality. In *Wasson Interests, Ltd., V. City of Jacksonville*, No. 489 S.W.3d 427 (Tex. 2016), ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to the breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people' and protecting such municipalities 'via the State's immunity is not an efficient way to ensure efficient allocation of State resources'". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held the Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of Certificates may not be able to bring such a suit against the City for breach of the Certificates or Ordinance covenants in the absence of City action. 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 opinions 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 which permit the exercise of judicial discretion.

Initially, the only Registered Owner of the Certificates will be Cede & Co., as DTC's nominee. See "The Certificates - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Certificates.

BOND INSURANCE

The City has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy. If the City obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Certificates (the "Policy"), and if the Purchaser determines to purchase the Policy, the final Official Statement will disclose certain information regarding the Insurer and the Policy. If the Purchaser chooses to purchase the Policy, the following risk factors related to municipal bond insurance policies generally apply.

BOND INSURANCE RISKS

If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Certificate owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES – Certificateholders' Remedies "). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Certificate holders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City, and from the limited pledge of the net revenues of the City's waterworks and sewer system revenues. In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

If a Policy is acquired, the long-term ratings on the Certificates will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Certificates, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates.

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. The City has not made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS

S&P Global Ratings, a division of Standard and Poor's Financial Services LLC, Moody's Investor Services, Inc. and Fitch Ratings (the "Rating Agencies") have in the past downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, certain events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates.

TAX INFORMATION

AD VALOREM TAX LAW. . . The appraisal of property within the City is the responsibility of the Dallas County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title 1 of the Tax Code, as amended (the "Property Tax Code"), 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 the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence 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 residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value for the most recent tax year in which the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value for the preceding tax year, plus (b) the property's appraised value for the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces. The exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, the surviving spouse of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than maintenance, repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. Once established such freeze cannot be repealed or rescinded.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000, dependent upon the degree of disability or whether the exemption is applicable to a surviving spouse or children; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), 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. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by Section 11.253 of the Property Tax Code, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax "goods-in-transit" during the following tax year. After taking such official action, the goods-in-transit remain subject to taxation by the local governmental entity until the governing body of the governmental entity rescinds or repeals its previous actions to tax goods-in-transit. A taxpayer may only receive either the freeport exemption or the "goods-in-transit" exemption for items of personal property.

The City may create one or more tax increment financing zones ("TIRZ") within the City or its extraterritorial jurisdiction and freeze the taxable values of property in the TIRZ at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIRZ may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIRZ in excess of the "frozen values"

to pay or finance the costs of certain public improvements in the TIRZ. Taxes levied by the City against the values of real property in the TIRZ in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIRZ. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City 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. The City has active reinvestment zones for tax abatements and tax increment financing zones for tax increment financing purposes. See "Tax Information"- Public Improvement Districts, Reinvestment Zones and Chapter 380 Agreements" and "Table 1 - Valuation, Exemptions and General Obligation Debt".

The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City may contract with the federal government, the State, another political subdivision, a nonprofit organization or any other entity, including private entities, for the administration of such a program. See "Tax Information"- Public Improvement Districts, Reinvestment Zones and Chapter 380 Agreements" for more information.

NO-NEW-REVENUE TAX RATE AND VOTER-APPROVAL TAX RATE . . . 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" mean 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 for all property in the City to the City Council by August 1 of each year, 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 called for a special session on June 23, 2025, which is set to begin on July 21, 2025, and may last no longer than 30 days, including in part to consider "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." Additional special sessions may be called by the Governor. During this time, the State Legislature may enact laws that materially change current law as it relates to ad valorem taxation, including the security for the Certificates. The City can make no representations or predictions regarding the scope of legislation that may be considered in any special session or future session of the Legislature or the potential impact of such legislation at this time.

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 takes into account the future income from the sale of oil or gas to be produced from the interest and uses the average price of the oil or gas from the interest for the preceding calendar year multiplied by a price adjustment factor. 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. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. 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 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 \$30,000; the disabled are also granted an exemption of \$30,000.

The City has granted an additional exemption of 1% of the market value of residence homesteads; minimum exemption of \$5,000.

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

The City has not 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. The Dallas County Tax Assessor/Collector collects taxes for the City.

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

The City does not tax freepoint property.

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

The City has adopted a tax abatement policy.

PUBLIC IMPROVEMENT DISTRICTS, REINVESTMENT ZONES AND CHAPTER 380 AGREEMENTS . . .The City—in coordination with the Balch Springs Industrial and Economic Development Corporation (the “4A EDC”) and the Balch Springs Community and Economic Development Corporation (the “4B CDC”)—has implemented various economic development incentives to manage real property development and 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 tax increment reinvestment zones (“TIRZ”) and one public improvement district, which are briefly described below. To the extent bonds have been issued to finance public improvements within public improvement districts, detailed information on these developments may be obtained from the City or from disclosure documents for such bonds filed at www.emma.msrb.org.

TIRZ No. 1

In December 2015, the City authorized creation of Tax Increment Reinvestment Zone Number One, City of Balch Springs, Texas (“TIRZ No. 1”), pursuant to Chapter 311 of the Texas Tax Code (the “TIRZ Act”). TIRZ No. 1’s geographical boundaries are triangular in shape, approximately bordered by Interstate 20 to the south, Interstate 635 to the northwest, and Beltline Road to the northwest, covering the majority of the City’s corporate limits and tax base. The base value of TIRZ No. 1 is the total appraised value of all real property within TIRZ No. 1, and the sales tax base in TIRZ No. 1, as of January 1, 2015. The City adopted an ordinance dedicating fifteen percent (15%) of all “captured appraised value” of TIRZ No. 1 for economic development and infrastructure improvements within TIRZ No. 1. Such 15% of all captured appraised value will not be available to pay debt service on the Certificates.

Alexander Village

In 2015, the 4A EDC issued two series of sales tax revenue bonds to acquire and improve 18 acres of undeveloped land at the northeast corner of the intersection of Interstate 20 and South Beltline Road, adjacent to City Hall, a development known as “Alexander Village”. The 4A EDC then developed the land as pad sites for future hotels, restaurants and retail shops. In December 2016, the 4A EDC sold two of the restaurant pad sites to Almo Investments LTD for \$130,000, who has constructed a Denny’s restaurant and a Fuzzy’s Taco Shop thereon.

In April 2018, the City and 4A EDC entered into a Chapter 380 Agreement with PMZ Balch Springs Lodging LLC (“Comfort Suites”) for the construction of one of the hotels on a 2-acre tract of Alexander Village, which 2 acres was sold to Comfort Suites for \$150,000. The City also agreed to rebate all City ad valorem taxes on the property during construction of the hotel. In exchange, Comfort Suites agreed to construct at least \$4,000,000 worth of improvements on the land and to complete construction by no later than June 1, 2020.

In December 2018, the City and the 4A EDC entered into a Chapter 380 Agreement with Stride Hospitality LLC (“Stride”) for the development of a 5-acre tract located within Alexander Village, including a hotel, restaurant, and other retail space. Pursuant to such Chapter 380 Agreement, the 4A EDC agreed to sell the 5-acre tract, valued at \$850,000, to Stride for \$300,000. Additionally, the City agreed to rebate to Stride 100% of the ad valorem taxes levied by the City against the hotel portion in 2019 and 2020, and 100% of the ad valorem taxes levied against the restaurant and retail portion in 2021, 2022 and 2023. The City also agreed to rebate to Stride 50% of the 4A EDC’s sales taxes levied against

any restaurant or retail business for up to three years after the opening of any such business, subject to approval by the 4A EDC. Finally, the 4A EDC agreed to make a \$5,000 grant for landscaping and façade improvements within Alexander Village. In exchange, Stride agreed to construct at least \$4,000,000 worth of improvements on the land and to complete construction by no later than two years after closing on the land.

In August 2024, the 4A EDC and 4B CDC each entered Chapter 380 Agreements with Balch Springs Alexander, LLC for a mixed used development—including multi-family housing, restaurants, retail space, and family-oriented entertainment—on approximately 14 acres of land currently owned by the 4A EDC and situated within Alexander Village. Pursuant to the Chapter 380 Agreements, the 4A EDC agreed to grant the land (valued at approximately \$1.83 million) and both of 4A EDC and 4B CDC agreed to fund approximately \$3.2 million in infrastructure improvements for the benefit of the property, and Balch Springs Alexander, LLC agreed to construct a minimum of \$50,000,000 worth of taxable improvements on the project.

Amazon Warehouse and TIRZ No. 2

In 2019, the City and the 4A EDC entered into an Chapter 380 Agreement (the “Hillwood Agreement”) with Hillwood Development Company, LLC (“Hillwood”) for the construction of a 95-acre transportation logistics hub (the “Project”) within the City for Amazon.com, Inc., and the created Tax Increment Reinvestment Zone Number Two, City of Balch Springs, Texas (“TIRZ No. 2) with boundaries that are coterminous with the Project. Pursuant to the Hillwood Agreement, Hillwood agreed to construct a minimum of \$70,000,000 worth of taxable improvements on the Project. In return, the City agreed to rebate to Hillwood 75% of the ad valorem taxes levied on the Project for seven years, beginning in 2021. The City also agreed to issue debt to fund necessary improvements to public streets and roads surrounding the Project. The 4A EDC agreed to transfer a portion of its sales tax revenues to the City to pay a portion of the debt service related to the Project, until such time as the incremental ad valorem tax revenues generated by the Project are sufficient to pay such debt service, if ever.

McKenzie Trails PID and TIRZ No. 3

On November 8, 2021, the City created the City of Balch Springs Public Improvement District No. 1 over a residential development known as McKenzie Trails (“McKenzie Trails”), which consists of a 35.2-acre residential development consisting of 180 single family homes. In order to induce the land developer to voluntarily annex McKenzie Trails into the City’s corporation limits and taxing jurisdiction, the City established Tax Increment Reinvestment Zone No. 3 (“TIRZ No. 3”), which is coterminous with McKenzie Trails, and agreed to use revenue generated by TIRZ No. 3 to offset or lower the assessments charged to property owners within McKenzie Trails. On May 21, 2025, the City issued \$6,181,000 in special assessment revenue bonds to develop public infrastructure within McKenzie Trails, including streets, water, sanitary sewer, and storm drainage.

In December 2015, the City authorized creation of Tax Increment Reinvestment Zone Number One, City of Balch Springs, Texas (the “TIRZ”), pursuant to Chapter 311 of the Texas Tax Code (the “TIRZ Act”). The TIRZ’s geographical boundaries are triangular in shape, approximately bordered by Interstate 20 to the south, Interstate 635 to the northwest, and Beltline Road to the northwest, covering a large portion of the City’s total tax base. The base value of the TIRZ is the total appraised value of all real property within the TIRZ, and the sales tax base in the TIRZ, as of January 1, 2015. The City adopted an ordinance dedicating fifteen percent (15%) of all “captured appraised value” of the TIRZ for economic development and infrastructure improvements within the TIRZ. Such 15% of all captured appraised value will not be available to pay debt service on the Certificates.

In July 2013, the City and the 4A EDC entered into an economic development agreement with Taco Casa for the development of a new restaurant within the City. Pursuant to such agreement, the 4A EDC reimbursed Taco Casa for certain costs of developing the restaurant and defrayed certain developers’ fees. Additionally, the City agreed to rebate to Taco Casa 100% of the amount of increased real and personal taxes (tax increment) paid by Taco Casa to the City during the first two years after such improvements were added to the City’s tax rolls, and 50 % of the tax increment for the subsequent two years.

The City and the 4A EDC entered into a Chapter 380 agreement with TKG Lew Park Development, L.P. (“TKG”) in June 2014. This agreement is for 10 years. The City and 4A EDC will reimburse TKG up to \$3,000,000 over a ten year period beginning upon the earlier to occur of: (i) the second anniversary of the date of the Agreement, and (ii) the date on which TKG notifies City and 4A EDC in writing of its election to commence such 10-year period prior to the second anniversary of the Agreement, by paying TKG a portion of the total sales tax paid to the City and to 4A EDC each calendar year by businesses located on the subject retail development property, as reflected by the sales tax records of the Texas Comptroller. Each year, the City will rebate to TKG sales tax generated by ½ cent of taxable sales, and 4A EDC will rebate to TKG sales tax generated by 1/8 cent of taxable sales for a total rebate of the amount generated by 5/8 cent sales tax until either the City and 4A EDC have rebated the amount of eligible reimbursements not exceeding \$3,000,000 to TKG or the ten years have expired, whichever occurs earlier.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/25 Market Valuation Established by Dallas Central Appraisal District (excluding totally exempt property)		\$ 2,623,920,340
Less Exemptions/Reductions at 100% Market Value		
Over 65	\$ 26,366,125	
Disabled Persons	4,673,700	
Disabled Veterans	8,824,761	
Pollution Control	1,371,351	
Productivity Loss	3,771,282	
Capped Value Loss	278,165,435	
Under 2500	174,460	
Totally Exempt	252,835,346	
Homestead	<u>15,312,521</u>	<u>591,494,981</u>
2024/25 Net Taxable Assessed Valuation		\$ 2,032,425,359
2025/26 Net Taxable Assessed Valuation ⁽¹⁾		\$ 2,201,817,406
General Obligation Debt Payable from Ad Valorem Taxes (as of 8/1/2025)		\$ 8,800,000
The Certificates ⁽²⁾		<u>13,310,000</u>
Total General Obligation Debt from Ad Valorem Taxes		<u>\$ 22,110,000</u>
Less: Self Supporting General Obligation Debt (as of 8/1/2025)		
Water and Sewer System		3,740,000
Industrial and Economic Development Corporation		<u>4,030,000</u>
Net General Obligation Debt Payable from Ad Valorem Taxes ⁽²⁾		\$ 14,340,000
Interest and Sinking Fund (as of 7/1/2025)		\$ 761,375
Ratio City General Obligation Debt to Taxable Assessed Valuation		0.43%
2025 Estimated Population - 27,923		
Per Capita Taxable Assessed Valuation - \$72,787		
Per Capita General Obligation Debt - \$315		

(1) The City received the certified taxable assessed valuation of \$2,201,817,406 from the Dallas Central Appraisal District on July 25, 2025 for the 2025 tax year (fiscal year 2026). The detailed breakdown of the certified taxable assessed valuation is not yet available.

(2) Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2025		2024		2023	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Real, Residential, Single Family	\$ 1,415,532,530	53.95%	\$ 1,220,783,810	54.45%	\$ 1,053,661,200	55.21%
Real, Residential, Multifamily	274,187,090	10.45%	213,022,720	9.50%	186,152,200	9.75%
Real, Vacant Lots/Tracts	85,562,380	3.26%	64,198,710	2.86%	54,426,760	2.85%
Real, Acreage (Land Only)	3,941,260	0.15%	2,512,350	0.11%	2,476,820	0.13%
Real, Farm and Ranch Improvements	1,004,270	0.04%	635,050	0.03%	713,330	0.04%
Real, Commercial	632,524,840	24.11%	536,843,310	23.94%	420,748,100	22.04%
Real, Industrial	4,044,960	0.15%	2,740,150	0.12%	5,096,090	0.27%
Real and Tangible Personal Utilities	21,841,930	0.83%	18,830,410	0.84%	20,647,160	1.08%
Tangible Personal, Commercial	165,946,400	6.32%	161,375,210	7.20%	150,477,840	7.88%
Tangible Personal, Industrial	11,861,660	0.45%	10,506,070	0.47%	11,853,920	0.62%
Tangible Personal, Mobile Homes	1,146,410	0.04%	1,176,450	0.05%	892,460	0.05%
Real Property Inventory	4,352,000	0.17%	7,840,000	0.35%	-	0.00%
Special Inventory	1,974,610	0.08%	1,612,460	0.07%	1,453,660	0.08%
Total Appraised Value Before Exemptions	\$ 2,623,920,340	100.00%	\$ 2,242,108,900	100.00%	\$ 1,908,599,540	100.00%
Less: Total Exemptions/Reductions	591,494,981		87,327,946		298,051,062	
Less: Adjustments	-		-		-	
Taxable Assessed Value	<u>\$ 2,032,425,359</u>		<u>\$ 2,154,780,954</u>		<u>\$ 1,610,548,478</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2022		2021	
	Amount	Percent of Total	Amount	Percent of Total
Real, Residential, Single Family	\$ 898,219,240	56.67%	\$ 797,280,810	57.63%
Real, Residential, Multifamily	152,988,490	9.65%	134,209,680	9.70%
Real, Vacant Lots/Tracts	43,598,760	2.75%	38,966,390	2.82%
Real, Acreage (Land Only)	4,030,040	0.25%	3,167,640	0.23%
Real, Farm and Ranch Improvements	514,090	0.03%	503,980	0.04%
Real, Commercial	330,092,550	20.83%	269,110,570	19.45%
Real, Industrial	3,626,330	0.23%	1,369,440	0.10%
Real and Tangible Personal Utilities	18,908,860	1.19%	19,571,870	1.41%
Tangible Personal, Commercial	118,713,780	7.49%	106,821,820	7.72%
Tangible Personal, Industrial	12,195,220	0.77%	10,567,690	0.76%
Tangible Personal, Mobile Homes	883,640	0.06%	760,170	0.05%
Real Property Inventory	-	0.00%	-	0.00%
Special Inventory	1,246,560	0.08%	1,201,090	0.09%
Total Appraised Value Before Exemptions	\$ 1,585,017,560	100.00%	\$ 1,383,531,150	100.00%
Less: Total Exemptions/Reductions	255,138,072		247,196,569	
Less: Adjustments	-		-	
Taxable Assessed Value	<u>\$ 1,329,879,488</u>		<u>\$ 1,136,334,581</u>	

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 30-Sep	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2021	27,685	\$ 1,136,334,581	\$ 41,045	\$ 12,700,000	1.12%	\$ 459
2022	27,752	1,329,879,488	47,920	11,600,000	0.87%	418
2023	27,742	1,610,548,478	58,055	10,465,000	0.65%	377
2024	27,755	2,154,780,954	77,636	9,290,000	0.43%	335
2025	27,923	2,032,425,359	72,787	21,460,000 ⁽⁴⁾	1.06% ⁽⁴⁾	769 ⁽⁴⁾

(1) Source: North Central Texas Council of Governments.

(2) As reported by the Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.

(3) Includes self-supporting debt.

(4) Includes the Certificates. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ending 30-Sep	Tax Rate	General Fund	Interest & Sinking Fund	Tax Levy	Percent Current Collections	Percent Total Collections
2021	\$ 0.803000	\$ 0.747980	\$ 0.055020	\$ 9,124,767	97.90%	97.90%
2022	0.794629	0.746882	0.047747	10,567,608	97.80%	97.80%
2023	0.794629	0.752628	0.042001	12,797,885	97.33%	97.33%
2024	0.794629	0.753593	0.041036	14,534,851	98.16%	98.50%
2025	0.794629	0.763415	0.031214	16,171,816	96.66% ⁽¹⁾	96.66% ⁽¹⁾

(1) Collections as of June 30, 2025.

TABLE 5 - TEN LARGEST TAXPAYERS ⁽¹⁾

Name of Taxpayer	Nature of Property	2024/25 Market Valuation	% of Total Taxable Assessed Valuation
Miskin LLC	Multi Family Housing	\$ 49,000,000	2.41%
Commerce 635 IIS LLC	Wholesale / Distribution	29,000,000	1.43%
Balch Springs Leased Housing	Multi Family Housing	24,675,000	1.21%
LDG Springs Apartments LP	Multi Family Housing	20,350,000	1.00%
HS Glenshire LLC	Multi Family Housing	19,473,730	0.96%
SL6 Balch Springs LP	Storage Units	19,420,320	0.96%
LDG Forestwood LP	Multi Family Housing	18,585,000	0.91%
Spring Oaks Apartments LLC	Multi Family Housing	14,900,000	0.73%
Enclave On Pioneer LLC	Multi Family Housing	14,812,570	0.73%
Fordgang Properties II LLC	Multi Family Housing	13,120,250	0.65%
		<u>\$ 223,336,870</u>	<u>10.99%</u>

(1) Source: The Appraisal District.

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

TABLE 6 – TAX ADEQUACY ⁽¹⁾

Net General Obligation Debt Service Requirements, FY 2025	\$ 543,200
\$0.027850 Tax Rate at 96% Collection Produces	\$ 543,389
Average Net General Obligation Debt Service Requirements, FY 2025-2050 ⁽²⁾	\$ 990,118
\$0.050750 Tax Rate at 96% Collection Produces	\$ 990,198
Maximum Net General Obligation Debt Service Requirements, FY 2026 ⁽²⁾	\$ 1,210,247
\$0.062030 Tax Rate at 96% Collection Produces	\$ 1,210,285

(1) Excludes the self-supporting debt.

(2) Includes the Certificates. 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 Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2024/25 Taxable Assessed Value	Tax Rate	Total G.O. Debt As of 8/1/2025	Estimated % Applicable	City's Overlapping G.O. Debt As of 8/1/2025
City of Balch Springs	\$ 2,032,425,359	\$ 0.7634	\$ 22,110,000 ⁽¹⁾	100.00%	\$ 22,110,000
Dallas County	412,792,494,091	0.2155	198,645,000	0.43%	854,174
Dallas County Community College District	423,071,753,336	0.1056	247,115,000	0.43%	1,062,595
Dallas County Hospital District	414,014,886,764	0.2120	527,660,000	0.43%	2,268,938
Dallas Independent School District	194,055,575,689	0.9972	4,638,075,000	0.27%	12,522,803
Mesquite Independent School District	14,838,263,595	1.0969	1,146,994,280	8.15%	93,480,034
Total Overlapping G.O. Debt.....					\$ 132,298,542
Ratio of Overlapping G.O. Debt to Taxable Assessed Valuation.....					6.51%
Per Capita Overlapping G.O. Debt.....					\$ 5,217.44

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

DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending	Outstanding Debt Service			The Certificates ⁽¹⁾			Less: Water & Sewer System Supported Debt Service	Less: Projected Transfers from 4A Corporation ⁽²⁾	Total Net Tax-Supported Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
	9/30									
2025	\$ 1,140,000	\$ 253,745	\$ 1,393,745	\$ -	\$ -	\$ -	\$ 631,545	\$ 219,000	\$ 543,200	
2026	1,175,000	214,995	1,389,995	-	669,197	669,197	630,195	218,750	1,210,247	
2027	1,215,000	176,120	1,391,120	-	665,500	665,500	628,395	219,350	1,208,875	
2028	710,000	141,645	851,645	235,000	665,500	900,500	631,895	219,750	900,500	19.80%
2029	725,000	125,045	850,045	295,000	653,750	948,750	630,095	219,950	948,750	
2030	740,000	108,045	848,045	360,000	639,000	999,000	628,095	219,950	999,000	
2031	395,000	91,640	486,640	375,000	621,000	996,000	265,590	221,050	996,000	
2032	140,000	82,000	222,000	395,000	602,250	997,250	-	222,000	997,250	
2033	400,000	77,800	477,800	415,000	582,500	997,500	-	477,800	997,500	38.56%
2034	415,000	65,800	480,800	435,000	561,750	996,750	-	480,800	996,750	
2035	425,000	53,350	478,350	455,000	540,000	995,000	-	478,350	995,000	
2036	435,000	43,575	478,575	480,000	517,250	997,250	-	478,575	997,250	
2037	445,000	33,244	478,244	505,000	493,250	998,250	-	478,244	998,250	
2038	460,000	22,675	482,675	530,000	468,000	998,000	-	482,675	998,000	58.85%
2039	470,000	11,750	481,750	555,000	441,500	996,500	-	481,750	996,500	
2040	-	-	-	580,000	413,750	993,750	-	-	993,750	
2041	-	-	-	610,000	384,750	994,750	-	-	994,750	
2042	-	-	-	640,000	354,250	994,250	-	-	994,250	
2043	-	-	-	675,000	322,250	997,250	-	-	997,250	74.47%
2044	-	-	-	710,000	288,500	998,500	-	-	998,500	
2045	-	-	-	745,000	253,000	998,000	-	-	998,000	
2046	-	-	-	780,000	215,750	995,750	-	-	995,750	
2047	-	-	-	820,000	176,750	996,750	-	-	996,750	
2048	-	-	-	860,000	135,750	995,750	-	-	995,750	91.79%
2049	-	-	-	905,000	92,750	997,750	-	-	997,750	
2050	-	-	-	950,000	47,500	997,500	-	-	997,500	100.00%
	<u>\$ 9,290,000</u>	<u>\$ 1,501,429</u>	<u>\$ 10,791,429</u>	<u>\$ 13,310,000</u>	<u>\$ 10,805,447</u>	<u>\$ 24,115,447</u>	<u>\$ 4,045,810</u>	<u>\$ 5,117,994</u>	<u>\$ 25,743,072</u>	

(1) Preliminary, subject to change.

(2) In connection with the issuance of the City's Combination Tax and Revenue Certificates of Obligation, Series 2019, the City and the 4A EDC entered into a Project Funding Agreement to transfer, from certain sales taxes available to the 4A EDC, an amount equal to the annual principal and requirements of said certificates of obligation. See "TAX INFORMATION – Public Improvement Districts, Reinvestment Zones and Chapter 380 Agreements – Amazon Warehouse and TIRZ No. 2" herein.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/25		\$ 543,200 ⁽¹⁾
Interest and Sinking Fund, Fiscal Year Ended 9/30/2024	\$ 721,134	
Calculated Tax Collections	<u>1,344,048</u>	<u>2,065,182</u>
Estimated Balance, Fiscal Year Ending 9/30/25		\$ 1,521,982

(1) Does not include self-supported debt.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS... The City has no authorized but unissued bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . The City does not anticipate the issuance of additional general obligation debt in the next 12 months.

TABLE 11 – OTHER OBLIGATIONS**Financed Purchases**

The annual requirements to amortize financed purchases as of September 30, 2024, are as follows:

Fiscal Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 382,694	\$ 104,911	\$ 487,605
2026	396,369	91,236	487,605
2027	230,870	77,053	307,923
2028	240,567	67,356	307,923
2029	250,671	57,252	307,923
Thereafter	1,112,472	176,465	1,288,937
Total	<u>\$ 2,613,643</u>	<u>\$ 574,273</u>	<u>\$ 3,187,916</u>

Fiscal Year Ended September 30,	Business-Type Activities		
	Principal	Interest	Total
2025	\$ 284,309	\$ 34,166	\$ 318,475
2026	293,046	25,429	318,475
2027	302,053	16,423	318,476
2028	311,335	7,140	318,475
Total	<u>\$ 1,190,743</u>	<u>\$ 83,158</u>	<u>\$ 1,273,901</u>

The City is obligated under certain leases that meet the criteria to be accounted for as financed purchases. The leased assets have a stated cost of \$4,022,126 in the governmental activities and \$2,609,518 in the business-type activities. Interest rates range from 1.60% to 2.61%. See Appendix B, "Excerpts from the City's Annual Financial Report" – Note 8. Long Term Liabilities.

Lease Liability

The City leases property and equipment from various third parties to conduct its operations, the terms of which expire 2024 through 2028. The measurement of the lease payables is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

As of September 30, 2024, the value of the lease liabilities was \$791,326. Incremental borrowing rates of 3.80% to 8.37% were used to measure lease payables. The value of the right-to-use assets as of the end of the current fiscal year was \$1,610,263 and had accumulated amortization of \$854,242. See Appendix B, "Excerpts from the City's Annual Financial Report" – Note 8. Long Term Liabilities.

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

Fiscal Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 317,962	\$ 38,987	\$ 356,949
2026	219,128	26,868	245,996
2027	158,201	19,398	177,599
2028	90,141	11,053	101,194
2029	5,894	723	6,617
Total	<u>\$ 791,326</u>	<u>\$ 97,029</u>	<u>\$ 888,355</u>

Subscription Based Information Technology Arrangements (SBITA)

The City has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The City is required to make annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The incremental borrowing rate of 4.02% was used to measure the SBITA payable.

The future principal and interest SBITA payments as of fiscal year end are as follows:

Fiscal Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 56,239	\$ 2,261	\$ 58,500
Total	<u>\$ 56,239</u>	<u>\$ 2,261</u>	<u>\$ 58,500</u>

The value of the subscription assets as of the end of the current fiscal year was \$162,281 and had accumulated amortization of \$106,151. See Appendix B, "Excerpts from the City's Annual Financial Report" – Note 8. Long Term Liabilities.

PENSION FUND. . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a state-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see Appendix B, "Excerpts from the City's Annual Financial Report" – "Note 9: Retirement Plan").

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TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues	2024	2023	2022	2021	2020
Taxes and Fees	\$ 21,932,517	\$ 20,401,668	\$ 18,570,911	\$ 16,494,386	\$ 14,386,828
Licenses and Permits	633,460	578,512	534,757	715,945	434,093
Charges for Services	96,909	138,285	146,441	99,847	120,397
Fines and Warrants	360,702	378,493	473,161	586,840	523,480
Interest Income	234,325	145,707	30,384	26,388	28,376
Intergovernmental	1,364,244	393,877	63,312	66,449	41,056
Miscellaneous	82,460	47,450	213,488	29,942	73,680
Total Revenues	<u>\$ 24,704,617</u>	<u>\$ 22,083,992</u>	<u>\$ 20,032,454</u>	<u>\$ 18,019,797</u>	<u>\$ 15,607,910</u>
Expenditures					
General Government	\$ 2,096,080	\$ 1,545,120	\$ 1,299,325	\$ 1,195,045	\$ 1,087,661
Public Safety	13,148,322	12,831,860	12,325,987	11,383,471	10,943,587
Public Works Department	2,992,753	2,732,854	2,154,886	1,911,662	1,827,664
Culture and Recreation	1,939,068	1,870,255	1,728,438	1,558,935	1,402,198
Debt Service:					
Principal	827,254	398,847	314,388	152,334	170,936
Interest and Fees	180,453	169,523	23,097	27,347	32,248
Capital Outlay	1,530,856	771,097	2,298,899	995,618	612,799
Total Expenditures	<u>\$ 22,714,786</u>	<u>\$ 20,319,556</u>	<u>\$ 20,145,020</u>	<u>\$ 17,224,412</u>	<u>\$ 16,077,094</u>
Excess (Deficit) Revenues					
Over Expenditures	<u>1,989,831</u>	<u>1,764,436</u>	<u>(112,566)</u>	<u>795,385</u>	<u>(469,184)</u>
Other Financing Sources (Uses)	<u>431,000</u>	<u>(3,556,313)</u>	<u>5,483,756</u>	<u>1,835,273</u>	<u>1,485,127</u>
Fund Balance at Beginning of Year	10,041,222	11,833,099	6,461,909	3,831,250	2,815,307
Prior Period Adjustment	-	-	-	-	-
Fund Balance at End of Year	<u>\$ 12,462,053 ⁽¹⁾</u>	<u>\$ 10,041,222</u>	<u>\$ 11,833,099</u>	<u>\$ 6,461,909</u>	<u>\$ 3,831,250</u>

- (1) The City's financial policies provide that the City will maintain a minimum balance in its General Fund equal to 17% of annual budgeted expenditures payable from the General Fund, and that any surplus funds over such amount may be transferred to the Capital Improvement Fund to be used to fund capital projects. The City anticipates transferring several million dollars from the General Fund to the Capital Improvement Fund prior to the end of its current fiscal year, in accordance with such financial policies, but expects to maintain more than 17% of annual budgeted expenditures as a balance in the General Fund. See "Table 1 - Valuation, Exemptions and General Obligation Debt" herein.

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In 1997, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2 of 1%) for economic development and an additional one-half of one percent (1/2 of 1%) for property tax reduction. In 2009, the voters of the City approved the use of one quarter of one percent (1/4 of 1%) of the 1/2 of 1% previously approved for property tax reduction to be used instead for street maintenance and repair. The sales and use taxes for economic development are collected solely for the benefit of the Balch Springs Industrial and Economic Development Corporation (4A Sales Tax) and the Balch Springs Community and Economic Development Corporations (4B Sales Tax) (collectively, the "Corporations"), and may only be pledged to secure payment of sales tax revenue bonds issued by the Corporations, which bonds are secured by a first lien on such sales tax revenues. **Sales tax revenues are not pledged to payment of the Certificates.**

Fiscal Year End 9/30	Total 1.5% Collected ⁽¹⁾	Percent of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2021	\$ 7,397,838	81%	\$ 0.6510	\$ 291.68
2022	8,256,757	78%	0.6209	298.24
2023	8,893,690	69%	0.5522	321.25
2024	8,910,102	61%	0.4135	321.03
2025	7,343,379 ⁽²⁾	45%	0.3613	262.99

(1) ¼% Balch Springs Industrial and Economic Development Corporation (4A Sales Tax) and ¼% Balch Springs Community and Economic Development Corporation collections are not included in this calculation. However, ¼% sales tax collections for property tax relief and ¼% for street maintenance/repair are included.

(2) Collections as of July 2025.

FINANCIAL MANAGEMENT POLICIES

Basis of Accounting . . . The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred. Interest on long term debt is recorded when due.

General Fund Balance . . . It is the policy of the City that fund balances will be maintained in an amount adequate to assure that any legal requirements are met and that adequate funds are available to meet cash flow requirements. It is the City's intention to maintain in the General Fund one month's equivalent of current annual General Fund expenditures. Cash balances are to be monitored yearly during budgeting preparation.

Use of Bond Proceeds, Grants, etc. . . . The City's policy is to use bond proceeds for capital expenditures only, not to fund normal City operations.

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning each October 1. Each year by the middle of June, the City departments submit a budget of estimated expenditures to the City Manager for the ensuing fiscal year. After review by the Finance Department and the City Manager, a budget of estimated revenues and expenditures is submitted to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction for the City. Various public hearings may be held as required for compliance with State statutes. The City Council will adopt a budget prior to October 1. If the Council fails to adopt a budget then the budget proposed by the City Manager is deemed to have been adopted.

INVESTMENTS

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

LEGAL INVESTMENTS. . . Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") 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 FDIC or the National

Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) 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 (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) 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), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer 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 by clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than 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 270 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations 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, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the City, (v) 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 (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. 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 pay no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bear no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, of each pooled fund group, (4) the book value and market value 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

ADDITIONAL PROVISIONS. . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt 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 entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (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 City's entire portfolio and requires an interpretation of subjective investment standards) and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (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 March 31, 2025, the City's investable funds were invested in the following categories:

Description of Investments	Market Value	Percent of Total Investment
TexPool	\$ 4,184,804	7.80%
LOGIC	29,357,952	54.72%
Money Market Accounts	20,105,524	37.48%
	<u>\$ 53,648,280</u>	<u>100.00%</u>

TAX MATTERS

On the date of initial delivery of the Certificates, McCall, Parkhurst and Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its opinion that, in accordance with 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 Code. Except as stated above, Bond Counsel to the City 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 opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate with respect to the issue, 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 to the City is conditioned on compliance by the City with the covenants and other requirements described in the preceding paragraph, and Bond Counsel to the City 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. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such 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 projects being financed or refinanced therewith. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not 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 audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer

and the holders of the Certificates 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 Certificate, 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 Certificates 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, all of which are 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 THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT CERTIFICATES 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 Internal Revenue Service. 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 foreign investors, 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 respective series of Certificates. The City is required to observe the agreement while it remains obligated to advance funds to pay such Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and the 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.

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 5 and 7 through 14 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.

NOTICE OF CERTAIN EVENTS... The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the 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) Obligation 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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any 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 purposes of clauses (15) and (16) above, "Financial Obligation" means (i) a debt obligation, (ii) a derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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.

LIMITATIONS AND AMENDMENTS. . . The City has agreed to update information and to provide notices of specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest 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 for the Certificates 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 all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATING

The Certificates are rated "AA-" (stable outlook) by S&P Global Ratings, a division of Standard & Poor's Financial business ("S&P") without regard to credit enhancement. The rating reflects only the 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 it will not be revised downward or withdrawn entirely by such rating company, if in the judgment such company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price or marketability of the Certificates.

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

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudence standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

Section 271.051, Texas Local Government Code, provides that the Certificates are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, 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 (V.T.C.A., 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 OPINION

The City will furnish to the Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond and the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that 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. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Certificates will also be furnished to the Initial Purchaser. Though it represents the Financial Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale and Bidding Instructions, the Official Bid Form or the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the 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 opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements, and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and ordinance. 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.

FINANCIAL ADVISOR

Hilltop Securities Inc., ("HilltopSecurities") 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. HilltopSecurities, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the 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 "Initial Purchaser of the Certificates") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of \$ _____. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser of the Certificates. 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 sole responsibility of the Initial Purchaser of the Certificates.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Certificates, the City will furnish to the Initial Purchasers 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 the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, 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) except as disclosed in the Official Statement, 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.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

The Ordinance authorizing the issuance of the Certificates will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Certificates by the Initial Purchasers.

Mayor
City of Balch Springs, Texas

ATTEST:

City Secretary
City of Balch Springs, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

THE CITY

The City of Balch Springs is located approximately ten miles from downtown Dallas, traversed by Interstate 635 and 20 and State Highway 175. The City's economy is based on retail and varied manufacturing. Principal manufactures produce leather and plastic bags, chain link fences and fabricated metals.

POPULATION

The City's 2020 census was 27,685. The 2025 estimated population, as provided by City Officials, is 27,923. The close proximity to downtown Dallas is an influential factor for the City's growth.

EDUCATION

Public education services and facilities for City residents are provided by the Mesquite Independent School District. The District encompasses an area of 59.41 square miles and is comprised of 52 school buildings including 34 elementary schools, 6 middle schools, and 6 senior high schools, and one K-12 alternative school. The District owns and operates its own FM radio station, a 500 foot broadcast tower and a 2,500 Megahertz 16-channel television station equipped to produce filmed, live, or taped programs on all four channels simultaneously, with a receiver in every classroom in the District. The station includes offices and studios as well as mechanical facilities.

A total of seventeen institutions of higher education are located in the County, including the Dallas County Community College District, Southern Methodist University, Southwestern Medical Center, and the University of Texas at Dallas.

RECREATION

The City operates and maintains an extensive park system in addition to a community center. The City provides numerous athletic activities for children, including football, baseball and soccer. Athletic, social and other extracurricular activities are also provided by the Mesquite Independent School District.

The nearby City of Dallas also offers numerous recreational and cultural options. The Dallas area hosts numerous national annual sporting events and has several large amusement parks, and over 60 lakes and reservoirs are within 100 miles of Dallas. Major golf tournaments include the Dallas CJ Cup Byron Nelson, Charles Schwab Challenge at Colonial, and LIV Golf Dallas. Local professional sports organizations include the Dallas Cowboys football team, Dallas Mavericks basketball team, Texas Rangers baseball team and the Dallas Stars hockey team. The City of Dallas is the site of the annual Cotton Bowl college football game. Local amusement parks include Six Flags Over Texas and Hurricane Harbor.

The Dallas area is the site of many cultural activities. Approximately 40 professional and community theaters, 13 symphony and chamber orchestras, four ballet groups, and two opera associations exist in the area. There are also 20 museums and 100 galleries. Dallas boasts a 60-acre Dallas Arts District, the largest downtown areas district in the country, anchored by the Dallas Museum of Art and the Morton H. Myerson Symphony Center. Entertainment districts within the City of Dallas include the West End Historical District, Deep Ellum, Greenville Avenue and McKinney Avenue.

EMPLOYMENT/LABOR FORCE ⁽¹⁾

Employment figures for Dallas County are as follows:

	Average Annual				
	2025 ⁽²⁾	2024	2023	2022	2021
Civilian Labor Force	1,447,603	1,433,463	1,400,967	1,380,726	1,354,284
Total Employed	1,390,869	1,375,000	1,344,877	1,327,910	1,278,432
Total Unemployed	56,734	58,463	56,090	52,816	75,852
Unemployment Rate	3.9%	4.1%	4.0%	3.8%	5.6%

(1) Source: Texas Employment Commission.

(2) Data as of June 2025.

APPENDIX B

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

The information contained in this Appendix consists of excerpts from the City of Balch Springs, 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.

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ANNUAL FINANCIAL REPORT



**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2024**

City of Balch Springs, Texas

Annual Financial Report

For the Fiscal Year Ended September 30, 2024

As Prepared by the
Finance Department

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City of Balch Springs, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2024
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City of Balch Springs, Texas
Annual Financial Report
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Financial Section

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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of Balch Springs, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. 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 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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

The Honorable Mayor and Members of the City Council
City of Balch Springs, Texas

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 non-major combining financial statements and 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.

The non-major combining financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the non-major combining financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
June 18, 2025

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Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the City of Balch Springs (City) for the fiscal year ended September 30, 2024. Readers of the financial statements are encouraged to consider the information included in the other sections of the Financial Statements e.g., combining statements and notes in conjunction with the MD&A.

FINANCIAL HIGHLIGHTS

The following financial highlights summarize the City's financial position and operations as presented in more detail in the Basic Financial Statements.

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at September 30, 2024, by \$79.0 million (net position). This was an increase of \$11.8 million from the prior year.
- Governmental activities restricted net position was \$8.5 million and unrestricted was \$9.7 million. Theoretically, the unrestricted net position is what is used to meet the City's ongoing obligations to citizens and creditors.
- Business-type activities unrestricted net position was \$11.0 million and had no restricted net position as of year-end.
- The ending unassigned fund balance for the General Fund was \$9.9 million or 43.5% of total General Fund budgeted expenditures.
- The City's governmental funds reported combined ending fund balances of \$27.5 million of which \$9.1 million is available for spending at the City's discretion.
- The City's enterprise fund reported combined ending net position of \$32.9 million of which \$11.0 million is available for spending at the City's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

Basic Financial Statements (BFS). The MD&A is intended to serve as an introduction to the City's BFS. The BFS are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements (FFS), and 3) Notes to Basic Financial Statements (Notes). This report also contains other Required Supplementary Information (RSI) in addition to the BFS.

Government-Wide Financial Statements (GWFS). The GWFS, shown on pages 17-19 of this report, contain the statement of net position and the statement of activities, described below:

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

The statement of activities presents a comparison between direct expenses and program revenues for each of the City's functions or programs. Direct expenses are specifically associated with an activity and are therefore clearly identifiable with that activity. Program revenues include charges paid by the recipient of the goods or services offered by the program. Program revenues also include grants and contributions restricted to meeting the operational or capital requirements of a particular activity. Revenues not directly related to a specific activity are presented as general revenues. The comparison of direct expenses with revenues from activities identifies the extent to which each activity is self-financing, or alternatively, draws from any City generated general revenues.

Governmental activities (activities principally supported by taxes and intergovernmental revenues) of the City include general government, public safety, public works, and community development and recreation. Business-type activities (activities intended to recover all of their costs through user fees and charges) of the City include water, sewer, and solid waste. All changes in net position are reported as soon as the underlying event occurs (accrual basis), regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as uncollected taxes and earned, but unused vacation leave.

Component Units. The GWFS include the City (primary government), and two legally separate entities (component units) for which the City is financially accountable. The component units consist of Balch Springs Industrial and Economic Development Corporation (type A sales tax) and the Balch Springs Community and Economic Development Corporation (type B sales tax). The component units provide economic development services, community services, and public improvement financing for the City. Financial information for the component units is reported separately in the GWFS to differentiate them from the City's financial information.

Fund Financial Statements. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The principal role of funds in the financial reporting model is to demonstrate fiscal accountability. The City, as with other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the FFS is on major funds. Major funds are those that meet minimum criteria (a percentage of assets, liabilities, revenue or expenditures/expenses of fund category, and of the governmental and enterprise funds combined) or those that the City chooses to report as major funds given their qualitative significance. Non-major funds are aggregated and shown in a single column in the appropriate financial statements. Combining schedules of nonmajor funds are included in this report following the Required Supplementary Information (RSI). All funds of the City can be divided into two categories: Governmental Funds and Proprietary Funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the GWFS. However, unlike the GWFS, governmental FFS focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the City's fiscal year. Such information is useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the GWFS (modified accrual versus accrual basis of accounting, and current financial resources versus economic resources), it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the GWFS. By doing so, the reader may better understand the long-term impact of near-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to facilitate the comparison between governmental funds and governmental activities.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is a major fund. The governmental FFS can be found on pages 20-23 of this report.

The City adopts a budget annually for the General Fund. In the RSI section, a budgetary comparison statement for the General Fund has been provided to demonstrate compliance with the budget.

Proprietary Funds. The City maintains one proprietary fund. It is reported as an Enterprise Fund which is used to report the same functions presented as business-type activities in the GWFS. Enterprise FFS provide the same type of information as the GWFS, only in more detail. The City uses its Utility Fund to account for Water, Wastewater, and Solid Waste services. The proprietary FFS can be found on pages 24-27 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The notes can be found on pages 33-64 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain RSI concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees and retirees. The General Fund budgetary comparison demonstrating the legal level of budgetary control can also be found as part of the RSI. The RSI can be found on pages 66-73 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position serves as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$79.0 million (net position) at the close of the fiscal year, compared to \$67.2 million (net position) at the end of the prior fiscal year. As a result of operations, total net position increased by \$11.8 million during the period.

Table 1
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 32,882,813	\$ 29,620,938	\$ 16,276,801	\$ 13,589,030	\$ 49,159,614	\$ 43,209,968
Capital assets	37,080,912	33,510,830	26,034,099	25,897,880	63,115,011	59,408,710
Total assets	69,963,725	63,131,768	42,310,900	39,486,910	112,274,625	102,618,678
Deferred outflows of resources	3,155,032	4,518,367	775,443	1,101,844	3,930,475	5,620,211
Long term liabilities	20,767,058	23,441,108	7,364,480	8,458,776	28,131,538	31,899,884
Other liabilities	5,738,941	6,076,028	2,770,591	2,676,196	8,509,532	8,752,224
Total liabilities	26,505,999	29,517,136	10,135,071	11,134,972	36,641,070	40,652,108
Deferred inflows of resources	463,263	331,277	73,245	39,490	536,508	370,767
Net position						
Net investment in capital assets	27,929,133	22,899,464	21,835,643	20,849,972	49,764,776	43,749,436
Restricted	8,493,157	8,109,372	-	-	8,493,157	8,109,372
Unrestricted (deficit)	9,727,205	6,792,886	11,042,384	8,564,320	20,769,589	15,357,206
Total net position	\$ 46,149,495	\$ 37,801,722	\$ 32,878,027	\$ 29,414,292	\$ 79,027,522	\$ 67,216,014

The majority of the City's net position reflects its investment in capital assets, including land, buildings, infrastructure, machinery, and equipment and lease assets, less accumulated depreciation and amortization and any related outstanding debt used to acquire those assets. The City uses capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

The City has restricted net position totaling 18.4 percent of total net position, which represent resources subject to external restrictions on how they may be used. Such resources include bond funds restricted to be spent for specified capital projects, debt service reserves restricted by bond covenants and special revenue funds restricted for specific purposes. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations. To recap the major categories of net position for the City as a whole, they are restricted of \$8.5 million for all activities, unrestricted of \$9.7 million for governmental activities and unrestricted of \$11.0 million for business-type activities.

The governmental and business-type net position increased by approximately \$8.3 million and \$3.5 million, respectively, and is shown in the following table:

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Charges for Services	\$ 1,073,537	\$ 1,516,591	\$ 16,836,122	\$ 16,765,012	\$ 17,909,659	\$ 18,281,603
Operating grants and contributions	1,869,113	856,526	-	-	1,869,113	856,526
Capital grants and contributions	2,424,370	2,965,502	-	-	2,424,370	2,965,502
General Revenues						
Taxes and fees	24,982,846	23,425,422	-	-	24,982,846	23,425,422
Other	979,612	355,586	638,425	216,732	1,618,037	572,318
Total revenues	31,329,478	29,119,627	17,474,547	16,981,744	48,804,025	46,101,371
Program Expenses						
General government	2,749,326	1,846,448	-	-	2,749,326	1,846,448
Public safety	14,396,193	14,765,392	-	-	14,396,193	14,765,392
Public works	4,170,870	4,096,334	-	-	4,170,870	4,096,334
Community development and recreation	2,496,580	2,402,890	-	-	2,496,580	2,402,890
Interest and fiscal charges	329,065	273,847	-	-	329,065	273,847
Utility fund	-	-	12,850,483	13,426,547	12,850,483	13,426,547
Total expenses	24,142,034	23,384,911	12,850,483	13,426,547	36,992,517	36,811,458
Increase (decrease) in Net Position						
Before Transfers	7,187,444	5,734,716	4,624,064	3,555,197	11,811,508	9,289,913
Transfers	1,160,329	1,176,575	(1,160,329)	(1,176,575)	-	-
Change in Net Position	8,347,773	6,911,291	3,463,735	2,378,622	11,811,508	9,289,913
Net Position at beginning of year	37,801,722	30,890,431	29,414,292	27,035,670	67,216,014	57,926,101
Net Position, End of Year	\$ 46,149,495	\$ 37,801,722	\$ 32,878,027	\$ 29,414,292	\$ 79,027,522	\$ 67,216,014

Changes in Net Position. Details of the above summarized information can be found on page 18 of this report.

Governmental Activities. The City's governmental activities experienced an increase in net position of approximately \$8.3 million, compared to an increase of approximately \$6.9 million during the prior fiscal year. Key elements of the operational increase include:

Revenues excluding transfers increased by \$2.2 million. The major changes in revenue from the prior year are as follows:

- Operating Grants and Contributions increased by \$1.0 million over the prior year due to the City receiving additional grant funding during 2024.
- Taxes and Fees increased by \$1.6 million due to increased property and sales tax collections from increased property valuations.

Business-Type Activities. Revenue from the City's business-type activities increased by \$0.5 million. Total revenue increased from \$17.0 million in the prior year to \$17.5 million in the current year. Key elements are as follows:

- Water sales remained stable decreasing from \$6.8 million to \$6.5 million resulting from water rates remaining the same year over year.
- Wastewater sales also remained stable, decreasing from \$5.7 million to \$5.5 million as wastewater rates remained the same year over year.
- Solid waste sales increased from \$4.2 million to \$4.8 million resulting from increased rates in fiscal year 2024.
- Expenses of the City's business-type activities decreased by \$0.6 million over the prior year due to decreased personnel costs associated with open positions.

Financial Analysis of the City's Funds

Governmental Funds. The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The Governmental Accounting Standards Board has defined five types of fund balances, which, are more fully described in the footnotes to the financials. The City has five types of fund balances: non spendable, restricted, committed, assigned and unassigned. At the end of the year, the City's governmental funds reported combined ending fund balances of \$27.5 million, compared to \$24.0 million at the end of the prior fiscal year.

The General Fund is the chief operating fund of the City. The unassigned fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year. When fiscal year 2024 ended the General Fund had \$9.9 million unassigned fund balance, compared to \$7.6 million unassigned fund balance in fiscal year 2023. As a measure of the General Fund's liquidity, it is useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represented 43.5% of total General Fund expenditures compared to 38.4% of total General Fund expenditures in the prior year.

Proprietary Funds. The City's proprietary fund statements provide essentially the same type of information found in the government-wide financial statements but in more detail. Net position of the Utility Fund increased by \$3.5 million; from \$29.4 million to \$32.9 million in the current fiscal year.

General Fund Budgetary Highlights

For fiscal year 2024, General Fund actual revenues came in below budget by \$92 thousand. Taxes and fees fell below budget by \$956 thousand, while Intergovernmental revenue exceeded budget by \$676 thousand due to additional funding received.

For fiscal year 2024, the City Council adopted a General Fund operating budget that included expenditures of \$26.5 million.

For fiscal year 2024, General Fund actual expenditures came in under budget by \$3.7 million resulting from decreases in personnel expenditures due to vacancies mainly in Public Safety and Public Works departments.

The budget is adopted on a basis consistent with General Accepted Accounting Principles (GAAP).

Capital and Lease Assets and Debt Administration

Capital and Lease Assets. The City's investment in capital and lease assets, net of accumulated depreciation and amortization, for its governmental and business-type activities at September 30, 2024, totaled \$63.1 million, a \$3.7 million increase over the prior fiscal year's balance of \$59.4 million. The investment in capital and lease assets includes land, buildings, improvements, equipment, construction in progress, infrastructure, vehicles, and subscription-based IT arrangements (SBITAs).

Table 3
Capital Assets at Year-end
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 1,428,066	\$ 1,427,367	\$ 792,615	\$ 792,615	\$ 2,220,681	\$ 2,219,982
Building	8,119,425	8,119,425	2,522,980	2,425,960	10,642,405	10,545,385
Improvements	19,675,791	16,100,410	-	-	19,675,791	16,100,410
Vehicles	4,371,300	4,371,300	1,967,587	1,887,331	6,338,887	6,258,631
Equipment	4,550,260	4,089,663	6,506,218	6,252,427	11,056,478	10,342,090
Construction in progress	3,779,388	4,896,988	-	-	3,779,388	4,896,988
Streets and bridges	12,639,878	9,744,097	-	-	12,639,878	9,744,097
System improvements	-	-	37,005,623	36,008,802	37,005,623	36,008,802
Lease vehicles	1,610,263	1,197,726	-	-	1,610,263	1,197,726
SBITA assets	162,281	162,281	-	-	162,281	162,281
Accumulated depreciation and amortization	(19,255,740)	(16,598,427)	(22,760,924)	(21,469,255)	(42,016,664)	(38,067,682)
Total	\$ 37,080,912	\$ 33,510,830	\$ 26,034,099	\$ 25,897,880	\$ 63,115,011	\$ 59,408,710

Remaining construction project costs as of September 30, 2024, include the following items:

- Multiple Highway Safety Improvement projects \$600,000 budgeted:
 - Lake June Traffic Signal spent \$84,600
 - Elam at Shephard spent \$109,945
 - Lake June at Pioneer Bluff spent \$35,821
 - Pioneer at McKenzie spent \$78,664
 - Amazon Driveway at Beltline spent \$20,199
- Hickory Tree Road reconstruction spent \$68,463, out of a budgeted \$12.4 million.
- Safe Routes to School spent \$796,000, out of a budgeted \$1.4 million.
- 2024 Street Paving Improvements spent \$144,905, out of a budgeted \$1,000,000. \$500,000 is reimbursable.

Additional information about the City's capital and lease assets can be found in Note 7.

Long-term Debt. A summary of the City's total outstanding debt follows:

Table 4
Outstanding Debt
Outstanding Debt and Liabilities

	Governmental activities		Business-type activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Gross bonded debt						
General obligation bonds	\$ 1,520,000	\$ 2,070,000	\$ -	\$ -	\$ 1,520,000	\$ 2,070,000
Certificates of obligation	4,030,000	4,130,000	-	-	4,030,000	4,130,000
Revenue bonds	-	-	3,740,000	4,265,000	3,740,000	4,265,000
Lease liabilities	791,326	795,810	-	-	791,326	795,810
SBITA liabilities	56,239	110,305.00	-	-	56,239	110,305.00
Financed purchases	2,613,643	2,983,150	-	-	2,613,643	2,983,150
Total	\$ 9,011,208	\$ 10,089,265	\$ 3,740,000	\$ 4,265,000	\$ 12,751,208	\$ 14,354,265

There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter that limits the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation. The Attorney General of the State of Texas permits an allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation bonds debt service. The FY2024 interest and sinking fund tax rate per \$100 of assessed valuation was \$0.041036, which is significantly below the maximum allowable tax rate.

As of September 30, 2024, the City's total outstanding debt has decreased by \$1.6 million, or 11% from the prior fiscal year. The main reason for the decrease in outstanding debt is attributed to scheduled Fiscal Year 2024 debt payments.

The bond rating from Standard and Poor's is A+ on both obligations.

Additional information about the City's long-term debt can be found in Note 8.

Economic Factors and the Next Fiscal Year's Budget and Rates

The property tax rate for Fiscal Year 2025 is 0.794629 per \$100 of assessed value which remained the same from fiscal year 2024.

Per the Bureau of Labor Statistics, the Dallas/Fort Worth/Arlington area April unemployment rate decreased to 3.7% from 3.8% the year before. Prices, as measured by the Consumer Price Index for all Urban Consumer (CPI-U), dropped to 0.1% for the two months ending in March 2025 and up 0.5% over the year. Despite increased prices, fiscal year 2024 sales tax activity remained very strong through the year, however reflecting a year-to-date decrease over the prior year of 1.32% through September 2024 receipts.

Property tax values continue to increase as the region continues to show growth. Property tax receipts have already exceeded prior year by \$1.58 million as of May 2025. Supply of homes on market will begin to increase as the City has 3 developers building homes.

Despite economic challenges, the city continues to grow, and budget continues to be tremendously positive. Economic Development teams relentless efforts of engaging with developers and thinking outside the box has generated tremendous growth. In addition, Grants Administration's continued efforts to capitalize on external funding opportunities has enabled the City to pursue avenues that may not otherwise, be feasible.

The City also continues to implement long and short-term strategies to maintain revenue high and expenditures low. Through internal efficiency study, the City is planning personnel re-structure to ensure efficient use of all resources throughout all departments. We believe an early financial response will mitigate extreme actions later. We will continue to monitor revenues and cash flows on a month-to-month basis and make changes to operations, as necessary. When necessary, spending or hiring freeze will be implemented to slow the flow of money out the door and keep budget balanced.

We look forward to another challenging yet promising year.

Requests for Information

The financial report is designed to provide a general overview of the City of Balch Spring's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Director of Finance, City of Balch Springs, 13503 Alexander Road, Balch Springs, Texas 75181-3401 or by email at financemanager@cityofbalchsprings.com.

Basic Financial Statements

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City of Balch Springs, Texas

Statement of Net Position

September 30, 2024

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Pooled cash and cash equivalents	\$ 26,480,391	\$ 11,771,337	\$ 38,251,728	\$ 9,443,522
Receivables, net of allowance				
Ad valorem taxes, net	918,312	-	918,312	-
Sales taxes	1,573,830	-	1,573,830	524,608
Fines, net	557,342	-	557,342	-
Accounts, net	-	2,434,004	2,434,004	-
Leases	142,172	-	142,172	-
Other	628,416	-	628,416	-
Due from other governments	9,638	-	9,638	-
Prepaid expenses and other assets	2,572,712	8,825	2,581,537	-
Inventory	-	382,865	382,865	-
Restricted cash and cash equivalents	-	1,679,770	1,679,770	175,496
Capital and lease assets, net of accumulated depreciation / amortization				
Non-depreciable	5,207,454	792,615	6,000,069	1,109,396
Depreciable	31,873,458	25,241,484	57,114,942	-
TOTAL ASSETS	69,963,725	42,310,900	112,274,625	11,253,022
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pensions	3,084,873	694,096	3,778,969	77,122
Deferred outflows of resources - OPEB	70,159	15,786	85,945	1,754
Deferred loss on debt refunding	-	65,561	65,561	20,954
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,155,032	775,443	3,930,475	99,830
LIABILITIES				
Accounts payable	2,887,447	850,741	3,738,188	332,597
Accrued liabilities	304,251	129,691	433,942	9,267
Accrued interest payable	35,722	23,617	59,339	15,554
Customer meter deposits	-	802,570	802,570	-
Due to other governments	24,775	-	24,775	-
Unearned revenue	614,561	-	614,561	-
Long-term liabilities				
Due within one year	1,872,185	963,972	2,836,157	288,726
Due in more than one year	12,077,505	5,409,330	17,486,835	3,874,812
Net pension liability	8,328,217	1,873,849	10,202,066	208,206
Total OPEB liability	361,336	81,301	442,637	9,034
TOTAL LIABILITIES	26,505,999	10,135,071	36,641,070	4,738,196
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pensions	191,675	43,127	234,802	4,792
Deferred inflows of resources - OPEB	133,859	30,118	163,977	3,346
Lease related	137,729	-	137,729	-
TOTAL DEFERRED INFLOWS OF RESOURCES	463,263	73,245	536,508	8,138
NET POSITION				
Net investment in capital assets	27,929,133	21,835,643	49,764,776	(445,153)
Restricted for				
Court security	79,894	-	79,894	-
Debt service	730,607	-	730,607	-
Law enforcement	772,323	-	772,323	-
Street maintenance	3,888,424	-	3,888,424	-
Capital projects	12,956	-	12,956	-
Public safety	149,944	-	149,944	-
Promotion of tourism and hotel industry	832,563	-	832,563	-
Economic development	2,026,446	-	2,026,446	7,051,671
Unrestricted	9,727,205	11,042,384	20,769,589	-
TOTAL NET POSITION	\$ 46,149,495	\$ 32,878,027	\$ 79,027,522	\$ 6,606,518

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Balch Springs, Texas

Statement of Activities

For the Fiscal Year Ended September 30, 2024

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
Primary government:				
Functions/Programs:				
Governmental activities:				
General government	\$ 2,749,326	\$ 736,500	\$ 98,324	\$ -
Public safety	14,396,193	337,037	1,440,789	-
Public works	4,170,870	-	-	1,451,540
Community development and recreation	2,496,580	-	330,000	972,830
Interest on long-term debt	329,065	-	-	-
Total governmental activities	24,142,034	1,073,537	1,869,113	2,424,370
Business-type activities:				
Utility fund	12,850,483	16,836,122	-	-
Total business-type activities	12,850,483	16,836,122	-	-
Total primary government	\$ 36,992,517	\$ 17,909,659	\$ 1,869,113	\$ 2,424,370
Component units:				
Balch Springs Industrial and Economic Development Corporation	\$ 947,072	\$ -	\$ -	\$ -
Balch Springs Community and Economic Development Corporation	1,596,863	-	-	-
Total component units	\$ 2,543,935	\$ -	\$ -	\$ -
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Other local taxes				
Interest on investments				
Miscellaneous				
Transfers in (out)				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year				
Net position, end of year				

The Notes to the Basic Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,914,502)	\$ -	\$ (1,914,502)	\$ -
(12,618,367)	-	(12,618,367)	-
(2,719,330)	-	(2,719,330)	-
(1,193,750)	-	(1,193,750)	-
(329,065)	-	(329,065)	-
(18,775,014)	-	(18,775,014)	-
-	3,985,639	3,985,639	-
-	3,985,639	3,985,639	-
\$ (18,775,014)	\$ 3,985,639	\$ (14,789,375)	\$ -
\$ -	\$ -	\$ -	\$ (947,072)
-	-	-	(1,596,863)
\$ -	\$ -	\$ -	\$ (2,543,935)
\$ 14,651,191	\$ -	\$ 14,651,191	\$ -
8,891,822	-	8,891,822	2,963,940
1,001,660	-	1,001,660	-
438,173	-	438,173	-
711,090	492,533	1,203,623	39,766
268,522	145,892	414,414	-
1,160,329	(1,160,329)	-	-
27,122,787	(521,904)	26,600,883	3,003,706
8,347,773	3,463,735	11,811,508	459,771
37,801,722	29,414,292	67,216,014	6,146,747
\$ 46,149,495	\$ 32,878,027	\$ 79,027,522	\$ 6,606,518

City of Balch Springs, Texas

Balance Sheet

Governmental Funds

September 30, 2024

	General Fund	Capital Projects Fund	Grant Fund	Street Maintenance Tax	Non-major Governmental Funds	Total
ASSETS						
Pooled cash and cash equivalents	\$ 10,510,282	\$ 7,085,521	\$ 293,748	\$ 3,771,025	\$ 4,819,815	\$ 26,480,391
Receivables, net of allowance						
Property taxes	872,051	-	-	-	46,261	918,312
Sales taxes	1,311,526	-	-	262,304	-	1,573,830
Fines	557,342	-	-	-	-	557,342
Leases	142,172	-	-	-	-	142,172
Other	89,314	-	524,191	-	14,911	628,416
Due from other governments	9,638	-	-	-	-	9,638
Prepaid items	2,571,137	-	-	-	1,575	2,572,712
Total assets	<u>\$ 16,063,462</u>	<u>\$ 7,085,521</u>	<u>\$ 817,939</u>	<u>\$ 4,033,329</u>	<u>\$ 4,882,562</u>	<u>\$ 32,882,813</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Accounts and contracts payable	\$ 1,168,732	\$ -	\$ 1,568,593	\$ 144,905	\$ 5,217	\$ 2,887,447
Accrued liabilities	302,608	-	1,643	-	-	304,251
Due to other governments	24,775	-	-	-	-	24,775
Unearned revenue	613,004	-	1,557	-	-	614,561
Total liabilities	<u>2,109,119</u>	<u>-</u>	<u>1,571,793</u>	<u>144,905</u>	<u>5,217</u>	<u>3,831,034</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues - property taxes	842,126	-	-	-	45,195	887,321
Unavailable revenues - court fines	512,435	-	-	-	-	512,435
Lease related	137,729	-	-	-	-	137,729
Total deferred inflows of resources	<u>1,492,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,195</u>	<u>1,537,485</u>
FUND BALANCES						
Nonspendable:						
Prepaid items	2,571,137	-	-	-	1,575	2,572,712
Restricted:						
Court security	-	-	-	-	79,894	79,894
Debt service	-	-	-	-	719,559	719,559
Law enforcement	-	-	-	-	772,323	772,323
Street maintenance	-	-	-	3,888,424	-	3,888,424
Capital projects	-	-	-	-	12,956	12,956
Public safety	-	-	-	-	149,944	149,944
Promotion of tourism and hotel industry	-	-	-	-	832,563	832,563
Economic development	-	-	-	-	2,026,446	2,026,446
Committed:						
Emergency management reserve	-	-	-	-	237,728	237,728
Assigned:						
Capital projects		7,085,521				7,085,521
Unassigned	9,890,916	-	(753,854)	-	(838)	9,136,224
Total fund balances	<u>12,462,053</u>	<u>7,085,521</u>	<u>(753,854)</u>	<u>3,888,424</u>	<u>4,832,150</u>	<u>27,514,294</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 16,063,462</u>	<u>\$ 7,085,521</u>	<u>\$ 817,939</u>	<u>\$ 4,033,329</u>	<u>\$ 4,882,562</u>	<u>\$ 32,882,813</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Balch Springs, Texas

Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position September 30, 2024

Total fund balances - governmental fund		\$	27,514,294
Amounts reported for governmental activities in the statement of net position are different because:			
Capital, lease and SBITA assets (net of accumulated depreciation/amortization) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital, lease, and SBITA assets are reported in the government-wide financial statements, net of accumulated depreciation/amortization.			37,080,912
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet			(35,722)
Revenues earned but not available within sixty days of fiscal year-end are not recognized as revenue in the governmental funds financial statements.			1,399,756
Deferred outflows of resources, \$3,155,032, and deferred inflows of resources (\$325,534) related to the City's net pension and OPEB liabilities, combined, result in an increase in net position in the government-wide financial statements. This is the net amount of the deferred outflows and inflows.			2,829,498
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund financial statements.			
Long-term liabilities at year-end consist of:			
General obligation bonds	\$	(1,520,000)	
Certificates of obligation		(4,030,000)	
Premiums on bond debt		(140,571)	
Compensated absences		(4,752,911)	
Financed purchases		(2,613,643)	
Lease liabilities		(791,326)	
SBITA liabilities		(56,239)	
Claims and judgements		(45,000)	
Total OPEB liability		(361,336)	
Net pension liability		(8,328,217)	(22,639,243)
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$	46,149,495

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Balch Springs, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds For the Fiscal Year Ended September 30, 2024

	General Fund	Capital Projects Fund	Grant Fund	Street Maintenance Tax	Non-major Governmental Funds	Total
Revenues:						
Taxes and fees	\$ 21,932,517	\$ -	\$ -	\$ 1,481,970	\$ 1,415,203	\$ 24,829,690
Licenses and permits	633,460	-	-	-	-	633,460
Intergovernmental	1,364,244	-	2,830,915	-	98,324	4,293,483
Charges for services	96,909	-	-	-	6,131	103,040
Fines and forfeitures	360,702	-	-	-	68,529	429,231
Interest	234,325	223,053	36,141	112,340	105,231	711,090
Miscellaneous revenues	82,460	-	-	-	36,736	119,196
Total revenues	24,704,617	223,053	2,867,056	1,594,310	1,730,154	31,119,190
Expenditures:						
Current:						
General government	2,096,080	-	-	-	8,904	2,104,984
Public safety	13,148,322	-	650,338	-	71,784	13,870,444
Public works	2,992,753	-	46,473	109,339	16,400	3,164,965
Community development and recreation	1,939,068	-	12,322	-	132,441	2,083,831
Capital outlay	1,530,856	-	3,608,826	956,786	150,888	6,247,356
Debt service:						
Principal retirement	827,254	-	-	-	650,000	1,477,254
Interest and fiscal charges	180,453	-	-	-	192,200	372,653
Total expenditures	22,714,786	-	4,317,959	1,066,125	1,222,617	29,321,487
Excess (deficiency) of revenues over (under) expenditures	1,989,831	223,053	(1,450,903)	528,185	507,537	1,797,703
Other financing sources (uses):						
Transfers in	1,229,017	1,234,280	17,000	-	129,292	2,609,589
Transfers out	(1,303,815)	-	-	(13,720)	(131,725)	(1,449,260)
Insurance recoveries	93,261	-	-	-	-	93,261
Sale of equipment	-	-	-	-	56,065	56,065
Leases (as lessee)	412,537	-	-	-	-	412,537
Total other financing sources (uses)	431,000	1,234,280	17,000	(13,720)	53,632	1,722,192
Net change in fund balances	2,420,831	1,457,333	(1,433,903)	514,465	561,169	3,519,895
Fund balance at beginning of year	10,041,222	5,628,188	680,049	3,373,959	4,270,981	23,994,399
Fund balance, end of year	\$ 12,462,053	\$ 7,085,521	\$ (753,854)	\$ 3,888,424	\$ 4,832,150	\$ 27,514,294

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Balch Springs, Texas

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to Statement of Activities

For the Fiscal Year Ended September 30, 2024

Net change in fund balances - total governmental funds	\$	3,519,895
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay (\$6,227,395) in the current period.		6,227,395
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Depreciation/amortization expense on capital and lease assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation/amortization expense is not reported as expenditures in the governmental funds.		(2,657,313)
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Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the government-wide statement of net position. Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:

Leases (as lessee)	\$	(399,157)	
General and certificates of obligation bonds		650,000	
Financed purchases		369,547	
Lease liability		403,641	
SBITA liability		54,066	
Amortization of premiums on bonds issued		<u>35,918</u>	1,114,015

Implementation of GASB 68 and 75 requires certain expenditures to be de-expended and recorded as deferred. The following is the net effect of current year pension and OPEB expense, amortization of prior deferred pension and OPEB inflows and outflows, and contributions made after the measurement date.		(378,383)
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Current year change in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		408,572
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Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		7,670
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Long-term liabilities, including claims and judgments are not due and payable in the current period and therefore are not reported in the governmental funds.		44,960
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Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these balances for the year.		<u>60,962</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>8,347,773</u>
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City of Balch Springs, Texas

Statement of Net Position

Proprietary Funds

September 30, 2024

	Utility Fund
ASSETS	
Current assets:	
Pooled cash and cash equivalents	\$ 11,771,337
Receivables (net of allowance for uncollectibles):	
Accounts	2,434,004
Prepaid expenses	8,825
Inventory	382,865
	<hr/>
Total current assets	14,597,031
Noncurrent assets:	
Restricted cash and cash equivalents	1,679,770
Capital assets:	
Land and right of way easements	792,615
Buildings	2,522,980
Machinery, equipment and vehicles	8,473,805
Water and sewer distribution systems	37,005,623
Less: accumulated depreciation	(22,760,924)
	<hr/>
Total noncurrent assets	27,713,869
	<hr/>
Total assets	42,310,900
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on debt refunding	65,561
Deferred outflows - pensions	694,096
Deferred outflows - OPEB	15,786
	<hr/>
Total deferred outflows of resources	775,443
	<hr/>
Total assets and deferred outflows of resources	<hr/> \$ 43,086,343 <hr/>

The Notes to the Basic Financial Statements are an integral part of this statement.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities:

Accounts payable	\$ 850,741
Accrued wages	42,806
Accrued expenses	86,885
Compensated absences - current portion	134,663
Payable from restricted resources:	
Bonds payable	545,000
Financed purchases	284,309
Accrued interest payable	23,617
Customer meter deposits	802,570

Total current liabilities 2,770,591

Non-current liabilities:

Bonds payable	3,290,938
Financed purchases	906,434
Net pension liability	1,873,849
Net OPEB liability	81,301
Compensated absences	1,211,958

Total noncurrent liabilities 7,364,480

Total liabilities 10,135,071

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pensions	43,127
Deferred inflows - OPEB	30,118

Total deferred inflows of resources 73,245

Net position:

Net investment in capital assets	21,835,643
Unrestricted	11,042,384

Total net position 32,878,027

Total liabilities, deferred inflows of resources and net position \$ 43,086,343

City of Balch Springs, Texas

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds For the Fiscal Year Ended September 30, 2024

	Utility Fund
Operating revenues:	
Charges for services	\$ 16,836,122
Miscellaneous	3,066
	<hr/>
Total operating revenues	16,839,188
	<hr/>
Operating expenses:	
Personnel services	1,776,455
Professional services	308,420
Materials and supplies	125,674
Utilities	148,043
Repairs and maintenance	539,742
Minor equipment and rental	25,599
Benefits provided	676,505
Insurance	122,491
Purchase of water	1,975,595
Sewage	1,595,412
Solid waste	3,894,823
Other services and charges	238,047
Depreciation	1,292,219
	<hr/>
Total operating expenses	12,719,025
	<hr/>
Operating income	4,120,163
	<hr/>
Non-operating revenues (expenses):	
Interest income	492,533
Interest and fiscal charges	(131,458)
Insurance proceeds	142,826
	<hr/>
Total non-operating revenue (expenses)	503,901
	<hr/>
Income before transfers	4,624,064
	<hr/>
Transfers out	(1,160,329)
	<hr/>
Change in net position	3,463,735
	<hr/>
Net position at beginning of year	29,414,292
	<hr/>
Net position, end of year	\$ 32,878,027

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Balch Springs, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2024

	Utility Fund
Cash flow from operating activities:	
Cash received from customers	\$ 16,785,274
Cash paid to employees for services	(1,670,058)
Cash paid for goods and services	(9,632,977)
Net cash provided by operating activities	<u>5,482,239</u>
Cash flow from noncapital financing activities:	
Transfers to other funds	<u>(1,160,329)</u>
Net cash used in noncapital financing activities	<u>(1,160,329)</u>
Cash flow from capital and related financing activities:	
Principal paid on revenue bond maturities and financed purchases	(800,832)
Interest paid	(145,688)
Acquisition of capital assets	(1,285,612)
Net cash used in capital financing activities	<u>(2,232,132)</u>
Cash flow from investing activities:	
Interest income	<u>492,533</u>
Net cash provided by investing activities	<u>492,533</u>
Net increase in cash and cash equivalents	2,582,311
Cash and cash equivalents, beginning of year (including \$1,592,737 reported in restricted accounts)	<u>10,868,796</u>
Cash and cash equivalents, end of the year (including \$1,679,770 reported in restricted accounts)	<u>\$ 13,451,107</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 4,120,163
Adjustments to reconcile operating income to Net cash provided by operating activities:	
Depreciation	1,292,219
(Increases) decreases in assets and deferred outflows:	
Accounts receivable	(144,759)
Inventories	47,374
Prepaid expenses	(8,075)
Deferred outflows of resources	306,751
Increases (decreases) in liabilities and deferred inflows:	
Accounts payable and accrued liabilities	(21,925)
Compensated absences	21,261
Customer meter deposits	90,845
Net pension liability	(262,199)
Total OPEB liability	6,829
Deferred inflows of resources	<u>33,755</u>
Net cash provided by operating activities	<u>\$ 5,482,239</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

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City of Balch Springs, Texas
Statement of Net Position
Component Units
September 30, 2024

	Balch Springs Industrial and Economic Development Corporation	Balch Springs Community and Economic Development Corporation	Total
ASSETS			
Current assets			
Pooled cash and cash equivalents	\$ 5,299,424	\$ 4,144,098	\$ 9,443,522
Receivables, net of allowance			
Sales tax	262,304	262,304	524,608
Total current assets	5,561,728	4,406,402	9,968,130
Noncurrent assets			
Capital not being depreciated			
Land	1,109,396	-	1,109,396
Restricted cash and cash equivalents	-	175,496	175,496
Total noncurrent assets	1,109,396	175,496	1,284,892
TOTAL ASSETS	6,671,124	4,581,898	11,253,022
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	38,561	38,561	77,122
Deferred outflows of resources - OPEB	877	877	1,754
Deferred loss on debt refunding	20,954	-	20,954
TOTAL DEFERRED OUTFLOWS OF RESOURCES	60,392	39,438	99,830
LIABILITIES			
Current liabilities			
Accounts payable	19,010	313,587	332,597
Accrued liabilities	4,634	4,633	9,267
Accrued interest payable	4,754	10,800	15,554
Current portion of compensated absences	4,363	4,363	8,726
Current portion of bonds payable	195,000	85,000	280,000
Total current liabilities	227,761	418,383	646,144
Noncurrent liabilities			
Compensated absences	39,269	39,269	78,538
Bonds payable, including premium	1,530,859	2,265,415	3,796,274
Net pension liability	104,103	104,103	208,206
Total OPEB liability	4,517	4,517	9,034
Total noncurrent liabilities	1,678,748	2,413,304	4,092,052
TOTAL LIABILITIES	1,906,509	2,831,687	4,738,196
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	2,396	2,396	4,792
Deferred inflows of resources - OPEB	1,673	1,673	3,346
TOTAL DEFERRED INFLOWS OF RESOURCES	4,069	4,069	8,138
NET POSITION			
Net investment in capital assets	(445,153)	-	(445,153)
Restricted for:			
Economic development	5,266,091	1,785,580	7,051,671
TOTAL NET POSITION	\$ 4,820,938	\$ 1,785,580	\$ 6,606,518

The Notes to the Basic Financial Statements are an integral part of this statement.

City of Balch Springs, Texas
 Statement of Activities
 Component Units
 For the Year Ended September 30, 2024

		Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
			Contributions	Contributions
Component units:	Expenses			
Balch Springs Industrial and Economic Development Corporation	\$ 947,072	\$ -	\$ -	\$ -
Balch Springs Community and Economic Development Corporation	1,596,863	-	-	-
Total component units	\$ 2,543,935	\$ -	\$ -	\$ -
		General revenues:		
		Taxes		
		Sales taxes		
		Investment earnings		
		Total general revenues		
		Change in net position		
		Net position at beginning of year		
		Net position, end of year		

The Notes to the Basic Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Balch Springs Industrial and Economic Development Corporation	Balch Springs Community and Economic Development Corporation	Total
\$ (947,072)	\$ -	\$ (947,072)
-	(1,596,863)	(1,596,863)
<u>\$ (947,072)</u>	<u>\$ (1,596,863)</u>	<u>\$ (2,543,935)</u>
\$ 1,481,970	\$ 1,481,970	\$ 2,963,940
19,120	20,646	39,766
<u>1,501,090</u>	<u>1,502,616</u>	<u>3,003,706</u>
554,018	(94,247)	459,771
<u>4,266,920</u>	<u>1,879,827</u>	<u>6,146,747</u>
<u>\$ 4,820,938</u>	<u>\$ 1,785,580</u>	<u>\$ 6,606,518</u>

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City of Balch Springs, Texas

Notes to the Basic Financial Statements

Note 1. Summary of Significant Accounting Policies

The accounting policies of the City of Balch Springs, Texas (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures, other finances sources (uses), and nonoperating revenues (expenses). Actual results could vary from the estimates that are used. Significant policies of the City are described below.

The City, originally incorporated in 1990, is a municipal corporation incorporated under Article XI of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the public safety (police and fire), water and sewer utilities, public works, library, parks and recreation, and general administrative services of the City, and its residents. The City is governed by an elected mayor and a six-member council and has the authority to make decisions, appoint administrators and managers and significantly influence operations. It also has the primary accountability for fiscal matters.

A. Financial Statement Presentation

The City's basic financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of GASB Statement No. 14, *the Financial Reporting Entity*, as amended by GASB 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14 and GASB Statement 61, *the Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14. GASB Statement No. 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either: (1) the primary government must be able to impose its will or (2) the primary government may potentially benefit financially or be financially responsible for the component unit. The Balch Springs Industrial and Economic Development Corporation 4A (4A) and the Balch Springs Community and Economic Development Corporation 4B (4B) are nonprofit economic development corporations formed in October of 1982 and 1997, respectively, under the Development Corporation Act of 1979. Both 4A and 4B are organized exclusively for the purposes of benefiting and accomplishing public purposes and to act on behalf of the City. This includes the construction and renovation of streets and municipal buildings, the acquisition, improvement, and operation of parks, as well as other economic development purposes.

The affairs of these corporations are managed by two separate Boards of Directors, which are appointed by the City Council. The City Council approves annual budgets and issuances of debt. 4A and 4B have been presented as discretely presented component units in the accompanying financial statements. Separate financial statements of the individual component units are not available.

City of Balch Springs, Texas

Notes to the Basic Financial Statements

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

C. Fund Financial Statements

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

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

General Fund: The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other funds 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.

Capital Projects Fund: To account for financial activity associated with long-term capital projects within governmental funds.

Grant Fund: To account for financial activity associated with federal, state, and local grants. Resources are only spent according to the terms of the grant.

City of Balch Springs, Texas

Notes to the Basic Financial Statements

Street Maintenance Tax Fund: To account for the financial activity associated with the one-quarter cent ($\frac{1}{4}\%$) sales tax dedicated for street maintenance.

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

Utility Fund: The Utility Fund is used to account for the acquisition, operation and maintenance of municipal water, sewer utility, and solid waste services, supported primarily by user charges to the public.

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. Operating expenses for the Proprietary Funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Classification of Fund Equity

Fund balances are classified as non-spendable, restricted, committed, assigned, or unassigned in governmental funds. Non-spendable fund balances cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors or other governments; or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on Council direction. Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City designates restricted amounts to be spent first if both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

E. Measurement Focus

Measurement focus is the accounting convention, which determines which assets and liabilities are included on the balance sheet of a fund type and whether a fund type's operating statement presents "financial flow" or "capital maintenance" information per fund.

The government-wide statements and fund financial statements for Proprietary Funds are reported using the economic resources measurement focus, which means all assets, deferred outflows of resources and liabilities (whether current or noncurrent), deferred inflows of resources are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position.

City of Balch Springs, Texas

Notes to the Basic Financial Statements

Governmental Fund financial statements are reported using the current financial resources measurement focus, which means only current assets and current liabilities are generally included on their balance sheets.

Their reported fund balance (net current position) is considered a measure of "available spendable resources." Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Proprietary Funds are accounted for on a "net income and capital maintenance" measurement focus. This means that all assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues, expenses, and transfers relating to the activity of a Proprietary Fund are accounted for through the Proprietary Fund. The measurement focus is used in the determination of net income, financial position and cash flows.

F. Basis of Accounting

Basis of accounting refers to when revenues and expenditures, other financing sources (uses) or nonoperating revenues (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for Proprietary Funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

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

Ad valorem, franchise and sales tax, and court fine revenues recorded in the General Fund are considered to be susceptible to accrual. Licenses and permits, charges for services (except for sanitation services), other fines and forfeits, and rents and concessions are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

G. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. To maximize investment opportunities, all funds participate in a pooling of cash and investments.

Statutes authorize the City to invest in obligation of the U.S. Treasury, agencies and instrumentalities; obligations of the State of Texas and related agencies; obligations of state, agencies, counties, cities, and other political subdivisions of any state rated A or above by Standard & Poor's Corporation or Moody's Investors Service; certificates of deposit issued by state or national banks and savings banks domiciled in Texas; fully collateralized direct repurchase agreements; prime domestic banker's acceptance (BA's); commercial paper with a stated maturity of 180 days or less and a rating of not less than A-1+ or its equivalent¹ and state or local government investment pools.

City of Balch Springs, Texas

Notes to the Basic Financial Statements

Investment in debt securities and money market mutual funds for the City are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City considers quoted market price at September 30, 2024, to be the fair value of investments. The government investment pools, TexPool and LOGIC, operate in accordance with state laws and regulations. Investments in external pools are carried at either net asset value or amortized cost, as determined by each pool's individual investment valuation method and whether there is a readily determinable fair value of the pool as of the City's fiscal year end. In instances where pools transact at amortized cost, such as TexPool, no readily determinable fair value is deemed available.

H. Allowance for Uncollectible Accounts

An allowance for uncollectible taxes including penalties and interest, water and sewer, and court fees and fines billed receivables is provided based on an analysis of historical trends. The allowances at September 30, 2024, were \$158,084 for uncollectible taxes, \$25,986 for water and sewer billings, and \$3,654,946 for court fees and fines.

I. Lease Receivable

The City is a lessor for noncancellable leases related to cellular towers. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of 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.

J. Interfund Receivables and Payables

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

K. Transactions Between Funds

Interfund services provided and used are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except interfund services provided and used and reimbursements, are recorded as transfers.

L. Capital Assets and Leased Assets

Capital and leased assets, which include property, plant equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for Proprietary Funds and discretely presented component units. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have a useful life of over one year. Depreciation, which includes amortization of leased assets and financed purchases, is recorded on each class of depreciable property utilizing the straight-line method over the shorter of the estimated useful life or lease term of the related assets at the acquisition date or date placed in service. Estimated useful lives of major categories of property are:

Assets	Years
Vehicles	7 - 15 years
Furniture and equipment	5 - 15 years
Machinery and equipment	15 years
Buildings and improvements	10 - 50 years
Leased vehicles	1-5 years
Subscription-based IT arrangements (SBITA)	1-5 years

City of Balch Springs, Texas

Notes to the Basic Financial Statements

M. Deferred Outflows/Inflows of Resources

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

- Deferred loss on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.
- Pension and other postemployment benefit (OPEB) contributions after measurement date –These contributions are deferred and recognized in the following fiscal year.
- Differences between expected and actual economic experience for the City's pension and OPEB plan – These effects on the pension and OPEB liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).
- Change in pension and OPEB assumptions – These changes are deferred and recognized over the estimated average remaining service lives of all employees that are provided with pensions and OPEB through the pension and OPEB plans (active and inactive employees) determined as of the beginning of the measurement period.
- Net difference in projected and actual earnings (pensions) – 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.

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

- Difference in expected versus actual experience for the City's pension and OPEB plan – This difference is deferred and amortized over the estimated average remaining service lives of all employees that are provided with pensions and OPEB through the pension and OPEB plans (active and inactive employees) determined as of the beginning of the measurement period.
- Changes in actuarial assumptions and other inputs included in determining the OPEB liability. This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Net difference in projected and actual earnings (pensions) – 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.
- 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.
- Unavailable revenue – This amount represents property taxes and court fines receivable that were not collected within the 60-day availability period subsequent to year-end. This amount is deferred and recognized once payments are made in the following fiscal year. This item is only presented in the Balance Sheet - Governmental Funds.

City of Balch Springs, Texas

Notes to the Basic Financial Statements

N. Unearned Revenue

Governmental funds report a liability, unearned revenue, in connection with resources that have been received, but not yet earned, which consists primarily of grant dollars received in advance of incurring eligible expenditures.

O. Accumulated Unpaid Vacations, Sick Leave, and Other Employee Benefit Amounts

The City's Police and Fire Department employees (civil service) accumulate 10 sick hours and 15 sick hours per month, respectively. The leave may be accumulated without limit. Upon termination, the civil service employees will receive lump sum payment for the full amount of sick days, if not more than 90 days are accumulated. If accumulation is in excess of 90 days, the lump sum payment is limited to that amount which would remain if the employee was allowed to use 90 days in the last six months of employment.

All other City employees accumulate 10 hours of sick leave per month. Non-civil service employees are required to be a City employee for at least 10 years to receive pay for unused sick leave. This pay is limited to 90 days.

Vacation time for the City's Police and Fire Department employees will accumulate up to 15 days (120 hours) per year with accumulation from year to year only upon the approval of the City Council. All other employees will accrue vacation according to length of service and accumulation from year to year will be only upon the approval of the City Manager. Upon termination, all employees will be paid for their accumulated vacation time. At September 30, 2024, the liability for accrued compensated absences is approximately \$6,194,000. The amount expected to be paid from current resources is immaterial.

P. 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.

Q. Lease Liabilities

The City is a lessee for noncancellable leases of vehicles. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

City of Balch Springs, Texas

Notes to the Basic Financial Statements

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

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

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

Lease assets are reported with capital and leased assets and lease liabilities are reported with long-term liabilities on the statement of net position.

R. Subscription-Based Information Technology Arrangements (SBITAs)

The City has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The City recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$50,000 or more.

At the commencement of an SBITA, the City initially 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 SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

Key estimates and judgments related to SBITAs 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 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 SBITAs.
- The subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the City is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

City of Balch Springs, Texas

Notes to the Basic Financial Statements

S. Defined Benefit Pension Plan

For purposes of measuring the net pension liability, pension related deferred outflows of resources, and deferred 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 reported by TMRS. For this purpose, plan contributions are recognized in the period compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.

T. Defined Benefit Other Postemployment Benefit Plan

The City has a single-employer defined benefit other postemployment benefit (OPEB) plan (Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

U. 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 and leased 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."

City of Balch Springs, Texas

Notes to the Basic Financial Statements

V. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Non-spendable:** 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 be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **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 or 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 ordinance of the City Council. 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 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:** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

W. Fund Balance and Net Position Flow Assumptions

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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.

City of Balch Springs, Texas

Notes to the Basic Financial Statements

X. GASB Pronouncements Implemented by the City

GASB Statement No. 100, *Accounting Changes and Error Corrections*, establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). The requirements of this statement are effective for reporting periods beginning after June 15, 2023, with earlier application encouraged. The requirements of this Statement have no impact on the City's financial statements.

Y. Future Financial Reporting Requirements

The City has reviewed GASB pronouncements that become effective in future years and notes the following statements are applicable to the City.

GASB Statement No. 101, *Compensated Absences* – This statement addresses the recognition and measurement of compensated absences. This statement will be effective for the City in fiscal year 2025.

GASB Statement No. 102, *Certain Risk Disclosures* – This statement establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or restraints. This statement will be effective for the City in fiscal year 2025.

GASB Statement No. 103, *Financial Reporting Model Improvements* – This statement establishes new accounting and financial reporting requirements or modifies existing requirements. This statement will be effective for the City in fiscal year 2026.

Statement No. 104, *Disclosure of Certain Capital Assets* – This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis* – for State and Local Governments. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this standard are effective in fiscal year 2026.

Note 2. Pooled Cash and Investments

A. Cash

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies or instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by the state statutes at September 30, 2024. At year-end, the carrying amount of the City's cash and cash equivalents was \$49,550,516 (composed of \$39,931,498 related to the primary government and \$9,619,018 related to discretely presented component units). Of this amount, the amount of the City's cash and cash equivalents that was fully collateralized was \$16,672,587 (composed of \$7,156,987 related to the primary government and \$9,515,600 related to discretely presented component units). The remaining amount of the City's cash and cash equivalents balance relates to pooled investments held with TexPool and LOGIC.

Restricted cash refers to assets that are held for a specific purpose and therefore not available for immediate or general business use. The restrictions are generally by contractual agreements or regulatory agreements. The City reports restricted investments for debt service and customer meter deposits related to the Utility Fund as well as restricted unspent bond proceeds in the discretely presented component units.

City of Balch Springs, Texas

Notes to the Basic Financial Statements

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and municipal pools. During the year ended September 30, 2024, the City's investments were fully comprised of external investment pools.

Governmental investments are categorized as either: (1) insured or registered for which securities are held by the City or its agent in the City's name (2) uninsured and unregistered for which securities are held by the counterparty's trust department or agent in the City's name, or (3) uninsured and unregistered for which the securities are held by the counterparty or its trust department or agent, but not in the City's name.

B. Interest Rate Risk

The strategy of the City is to maintain sufficient liquidity in its portfolio and structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity.

C. Custodial Credit Risk

Custodial credit risk is the risk that a government will not be able to recover: (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. To minimize such risk, the City requires collateralization of most deposits in excess of coverage, utilizes the delivery vs. payment method for investment purchases and contracts with a third-party safekeeping agent.

The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the net asset value of TexPool shares.

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC investments are not categorized in accordance with GASB Statement No. 3, Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements, disclosure requirements since the City has not issued securities, but rather it owns an individual beneficial interest in the assets of the related investment pools. LOGIC is measured at net asset value and is designed to approximate the share value. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the City's general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

City of Balch Springs, Texas

Notes to the Basic Financial Statements

D. Credit Risk

In compliance with the City's Investment Policy as of September 30, 2024, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, pre-qualifying financial institutions, broker/dealers, and advisors with which the City does business and diversifying the investment portfolio so that potential losses on individual securities are minimized.

Investments carried as cash equivalents due to liquidity measured as of September 30, 2024, are as follows:

	Carrying Amount	Fair Value	Weighted-Average Maturity (Years)
Primary government			
TexPool	\$ 4,091,109	\$ 4,091,109	0.071
LOGIC	28,683,402	28,683,402	0.129
Total primary government	32,774,511	32,774,511	
Component units			
TexPool	103,418	103,418	0.071
Total component units	103,418	103,418	
Total	\$ 32,877,929	\$ 32,877,929	

Deposits and investments as of September 30, 2024, are as follows:

Primary government	
Deposits	\$ 7,156,987
Investments	31,094,741
Restricted investments	1,679,770
Total primary government	39,931,498
Component units	
Deposits	9,515,600
Investments	103,418
Total component units	9,619,018
Total cash and cash equivalents	\$ 49,550,516

City of Balch Springs, Texas

Notes to the Basic Financial Statements

Note 3. Disclosures About Fair Values of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

A. Investment in State Investment Pools

During the year, the City invested in two public fund investment pools, including TexPool and LOGIC. The fair value of the position of the pools for LOGIC is measured at net asset value and is designed to approximate the share value. The fair value of the position of in TexPool is measured at amortized cost per share as the pool meets requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

B. Recurring Measurements

As of the September 30, 2024, the City's primary government had investments in TexPool and LOGIC of \$4,091,109 and \$28,683,402, respectively, and Component Units had investments in TexPool of \$103,418.

Certain 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. The fair value amounts included above approximate net asset value for all related external investment pool balances.

Note 4. Property Taxes

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1, and are due and payable on or before January 31, of the following year. All unpaid taxes become delinquent February 1, of the following year. Tax collections for the year ended September 30, 2024, were 97.2% of the levy. Dallas County bills and collects property taxes for the City. Any uncollected property taxes at September 30, that are collected within 60 days are recognized as revenue and recorded as taxes receivable. Any uncollected property taxes at September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflow of resources. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable, and their validity seems certain.

City of Balch Springs, Texas

Notes to the Basic Financial Statements

The statutes of the state of Texas do not prescribe a legal debt limit, nor does the City's charter provide for a debt limit. However, provision of Article XI, Section 5 of the Texas Constitution applicable to cities with populations greater than 5,000 limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. However, as a city operating under a Home Rule Charter, the City has a debt limit of \$1.50 per \$100 assessed valuation. For the year ended September 30, 2024, the City had a combined tax rate to finance general government service and debt service of \$0.795 per \$100.00 assessed valuation.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set 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.

Note 5. Lease Receivable

The City leases a portion of its property to various cell phone companies and businesses who use the space to conduct their operations, the terms of which expire 2024 through 2033. 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 \$18,040 in lease revenue and \$3,273 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 \$142,172. 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 \$137,729.

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

Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total Receipts
2025	\$ 15,892	\$ 2,944	\$ 18,836
2026	15,892	2,609	18,501
2027	15,892	2,267	18,159
2028	15,892	1,917	17,809
2029	15,892	1,560	17,452
2030-2033	62,712	2,531	65,243
Total	\$ 142,172	\$ 13,828	\$ 156,000

City of Balch Springs, Texas

Notes to the Basic Financial Statements

Note 6. Interfund Transactions

Interfund transfers represent payments between funds that are designed to cover various operating and overhead expenses and to allocate charges for services performed by one fund on behalf of another fund.

For the year ended September 30, 2024, interfund transactions were as follows:

Transfer Out	Transfer In				
	General Fund	Capital Projects Fund	Grant Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 1,234,280	\$ 17,000	\$ 52,535	\$ 1,303,815
Grant Fund	-	-	-	-	-
Street Maintenance Tax Fund	13,720	-	-	-	13,720
Non-major Governmental Funds	54,968	-	-	76,757	131,725
Utility Fund	1,160,329	-	-	-	1,160,329
Total	\$ 1,229,017	\$ 1,234,280	\$ 17,000	\$ 129,292	\$ 2,609,589

During the fiscal year, the transfers were used to fund City improvements, capital asset purchases, and to fund an Emergency Reserve Fund to create and grow a financial reserve for instances of disaster, economic instability, and other emergencies within the City.

Note 7. Capital and Leased Assets

Capital and leased assets of the Governmental Activities are as follows:

	Balance October 1, 2023	Increases	Decreases	Adjustments/ Transfers	Balance September 30, 2024
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,427,367	\$ 699	\$ -	\$ -	\$ 1,428,066
Construction in progress	4,896,988	2,890,201	-	(4,007,801)	3,779,388
Total capital assets, not being depreciated	6,324,355	2,890,900	-	(4,007,801)	5,207,454
Capital assets being depreciated/amortized:					
Buildings	8,119,425	355,874	-	(355,874)	8,119,425
Improvements	16,100,410	665,384	-	2,909,997	19,675,791
Furniture and equipment	4,089,663	460,597	-	-	4,550,260
Vehicles	4,371,300	-	-	-	4,371,300
Infrastructure	9,744,097	1,345,209	-	1,550,572	12,639,878
Leased vehicles	1,197,726	412,537	-	-	1,610,263
SBITAs	162,281	-	-	-	162,281
Total capital assets being depreciated/amortized	43,784,902	3,239,601	-	4,104,695	51,129,198
Less accumulated depreciation/amortization for:					
Buildings	4,706,173	247,149	-	-	4,953,322
Improvements	2,999,315	826,703	-	-	3,826,018
Furniture and equipment	2,358,936	364,192	-	-	2,723,128
Vehicles	3,063,845	397,564	-	-	3,461,409
Infrastructure	2,995,801	335,669	-	-	3,331,470
Leased vehicles	420,263	433,979	-	-	854,242
SBITAs	54,094	52,057	-	-	106,151
Total accumulated depreciation/amortization	16,598,427	2,657,313	-	-	19,255,740
Total capital assets being depreciated/amortized, net	27,186,475	582,288	-	4,104,695	31,873,458
Governmental activities capital and leased assets, net	\$ 33,510,830	\$ 3,473,188	\$ -	\$ 96,894	\$ 37,080,912

City of Balch Springs, Texas

Notes to the Basic Financial Statements

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

General and administrative	\$ 93,092
Public safety	956,533
Public works	1,181,876
Community development and recreation	425,812
Total depreciation and amortization expense - governmental activities	\$ 2,657,313

Capital assets of the Utility Fund are as follows:

	Balance October 1, 2023	Increases	Decreases	Adjustments/ Transfers	Balance September 30, 2024
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 263,984	\$ -	\$ -	\$ -	\$ 263,984
Right of way easements	528,631	-	-	-	528,631
Total capital assets, not being depreciated	792,615	-	-	-	792,615
Capital assets being depreciated:					
Buildings	2,425,960	97,020	-	-	2,522,980
Equipment	6,252,428	253,790	-	-	6,506,218
Infrastructure and improvement	36,008,802	996,821	-	-	37,005,623
Vehicles	1,887,331	80,256	-	-	1,967,587
Total capital assets being depreciated	46,574,521	1,427,887	-	-	48,002,408
Less accumulated depreciation	21,469,256	1,292,219	-	(551)	22,760,924
Total capital assets being depreciated, net	25,105,265	135,668	-	551	25,241,484
Business-type activities capital assets, net	\$ 25,897,880	\$ 135,668	\$ -	\$ 551	\$ 26,034,099

Depreciation expense of \$1,292,219 was charged as a direct expense to the Utility fund within the primary government.

Capital assets of the Balch Springs Industrial and Economic Development Corporation are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Balch Springs Industrial and Economic Development Corporation				
Capital assets not being depreciated:				
Land	\$ 1,109,396	\$ -	\$ -	\$ 1,109,396
Total capital assets, not being depreciated	\$ 1,109,396	\$ -	\$ -	\$ 1,109,396

City of Balch Springs, Texas
Notes to the Basic Financial Statements

Note 8. Long-term Liabilities

The following is a summary of changes in long-term liabilities:

	Balance October 1, 2023	Additions	Retired or Refunded	Balance September 30, 2024	Amount Due within One year
Governmental activities					
General obligation bonds	\$ 2,070,000	\$ -	\$ (550,000)	\$ 1,520,000	\$ 490,000
Certificates of obligation	4,130,000	-	(100,000)	4,030,000	105,000
Premiums on bond debt	176,489	-	(35,918)	140,571	-
Compensated absences	5,161,483	800,948	(1,209,520)	4,752,911	475,291
Financed purchases	2,983,150	-	(369,507)	2,613,643	382,693
Claims and judgments	90,000	-	(45,000)	45,000	45,000
Lease liabilities	795,810	399,157	(403,641)	791,326	317,962
SBITA liabilities	110,305	-	(54,066)	56,239	56,239
Total governmental activities	<u>\$ 15,517,237</u>	<u>\$ 1,200,105</u>	<u>\$ (2,767,652)</u>	<u>\$ 13,949,690</u>	<u>\$ 1,872,185</u>
Business-type activities					
Revenue bonds	\$ 4,265,000	\$ -	\$ (525,000)	\$ 3,740,000	\$ 545,000
Premiums on bond debt	124,693	-	(28,755)	95,938	-
Compensated absences	1,325,360	115,764	(94,503)	1,346,621	134,663
Financed purchases	<u>1,466,575</u>	<u>-</u>	<u>(275,832)</u>	<u>1,190,743</u>	<u>284,309</u>
Total business-type activities	<u>\$ 7,181,628</u>	<u>\$ 115,764</u>	<u>\$ (924,090)</u>	<u>\$ 6,373,302</u>	<u>\$ 963,972</u>
Discretely Presented Component Units					
Revenue bonds	\$ 4,125,000	\$ -	\$ (265,000)	\$ 3,860,000	\$ 280,000
Premiums on bond debt	241,025	-	(24,751)	216,274	-
Compensated absences	<u>94,560</u>	<u>16,393</u>	<u>(23,689)</u>	<u>87,264</u>	<u>8,726</u>
Total discretely presented component units	<u>\$ 4,460,585</u>	<u>\$ 16,393</u>	<u>\$ (313,440)</u>	<u>\$ 4,163,538</u>	<u>\$ 288,726</u>

General long-term liabilities consist of financed purchases, lease liabilities, liabilities for accrued vacation leave, liabilities due to the State, and general obligation bonds and certificates of obligation which are direct obligations, issued on the full faith and credit of the City. Principal and interest payments on the general obligation bonds are secured by ad valorem taxes levied on all taxable property within the City and made in the Debt Service fund. Although these bonds are secured by the full faith and credit of the City, they have no specific claim against Utility Fund assets. Debt service requirements of the Utility fund including principal and interest are secured by operating revenues of the Utility fund and are expected to be less than 50% of net revenues.

City of Balch Springs, Texas

Notes to the Basic Financial Statements

Accordingly, this debt is reflected as an obligation of the Utility Fund. Proceeds from Utility fund debt issued are for the primary purpose of water and sewer distribution system improvements. Debt service requirements of the component units are secured and paid for by sales tax revenues. The total pledged revenue for each related debt issuance is included in the amortization tables later in this note.

General obligation bonds and revenue bonds outstanding at September 30, 2024, consist of the following:

	Governmental Activities	Business-type Activities	Total Primary Government	Discretely Presented Component Unit
<u>General Obligation Bonds</u>				
\$7,200,000, 2012 General Obligation Refunding Bonds, due in annual installments through August 1, 2027, 2.00% - 3.50%	\$ 1,520,000	\$ -	\$ 1,520,000	\$ -
<u>Certificates of Obligation</u>				
\$4,495,000, 2019 Combination Tax and Revenue Certificates of Obligation, due in annual installments through September 1, 2039, 2.50% - 5.00%	\$ 4,030,000	\$ -	\$ 4,030,000	\$ -
<u>Revenue Bonds</u>				
\$6,795,000, 2016 Revenue Refunding Bonds, due in annual installments through September 1, 2031, 2.15%	\$ -	\$ 3,740,000	\$ 3,740,000	\$ -
\$2,580,000, 2019 Sales Tax Revenue Bonds, due in bi-annual installments through August 15, 2042, 2031, 2.50% - 5.00%	-	-	-	2,160,000
\$2,255,000, 2021 Sales Tax Revenue Refunding Bonds, due in bi-annual installments through August 15, 2032, 2.50% - 4.00%	-	-	-	1,700,000
Total	\$ 5,550,000	\$ 3,740,000	\$ 9,290,000	\$ 3,860,000

City of Balch Springs, Texas

Notes to the Basic Financial Statements

The annual requirements to amortize the long-term debt as of September 30, 2024, are as follows:

General Obligation Bonds and Certificates of Obligation			
Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 595,000	\$ 167,200	\$ 762,200
2026	615,000	144,800	759,800
2027	640,000	122,726	762,726
2028	120,000	99,750	219,750
2029	125,000	94,950	219,950
2030-2034	1,220,000	401,600	1,621,600
2035-2039	2,235,000	164,594	2,399,594
Total	\$ 5,550,000	\$ 1,195,620	\$ 6,745,620
Revenue Bonds			
Fiscal Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2025	\$ 545,000	\$ 86,545	\$ 631,545
2026	560,000	70,195	630,195
2027	575,000	53,395	628,395
2028	590,000	41,895	631,895
2029	600,000	30,095	630,095
2030-2031	870,000	23,685	893,685
Total	\$ 3,740,000	\$ 305,810	\$ 4,045,810
Revenue Bonds			
Fiscal Year Ending September 30,	Discretely Presented Component Units		
	Principal	Interest	Total
2025	\$ 280,000	\$ 124,428	\$ 404,428
2026	295,000	113,228	408,228
2027	295,000	106,426	401,426
2028	305,000	99,191	404,191
2029	315,000	91,353	406,353
2030-2034	1,220,000	328,724	1,548,724
2035-2039	675,000	178,000	853,000
2040-2042	475,000	38,600	513,600
Total	\$ 3,860,000	\$ 1,079,950	\$ 4,939,950

City of Balch Springs, Texas

Notes to the Basic Financial Statements

Financed Purchases			
Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2025	\$ 382,694	\$ 104,911	\$ 487,605
2026	396,369	91,236	487,605
2027	230,870	77,053	307,923
2028	240,567	67,356	307,923
2029	250,671	57,252	307,923
Thereafter	1,112,472	176,465	1,288,937
Total	\$ 2,613,643	\$ 574,273	\$ 3,187,916

Financed Purchases			
Fiscal Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2025	\$ 284,309	\$ 34,166	\$ 318,475
2026	293,046	25,429	318,475
2027	302,053	16,423	318,476
2028	311,335	7,140	318,475
Total	\$ 1,190,743	\$ 83,158	\$ 1,273,901

The City is obligated under certain leases that meet the criteria to be accounted for as financed purchases. The leased assets have a stated cost of \$4,022,126 in the governmental activities and \$2,609,518 in the business-type activities. Interest rates range from 1.60% to 2.61%.

A. Lease Liability

The City leases property and equipment from various third parties to conduct its operations, the terms of which expire 2024 through 2028. The measurement of the lease payables is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

As of September 30, 2024, the value of the lease liabilities was \$791,326. Incremental borrowing rates of 3.80% to 8.37% were used to measure lease payables. The value of the right-to-use assets as of the end of the current fiscal year was \$1,610,263 and had accumulated amortization of \$854,242.

City of Balch Springs, Texas

Notes to the Basic Financial Statements

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

Fiscal Year Ending September 30,	Lease Liabilities		
	Governmental Activities		Total Requirements
	Principal	Interest	
2025	\$ 317,962	\$ 38,987	\$ 356,949
2026	219,128	26,868	245,996
2027	158,201	19,398	177,599
2028	90,141	11,053	101,194
2029	5,894	723	6,617
Total	\$ 791,326	\$ 97,029	\$ 888,355

B. Subscription Based Information Technology Arrangements (SBITA)

The City has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The City is required to make annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The incremental borrowing rate of 4.02% was used to measure the SBITA payable.

The future principal and interest SBITA payments as of fiscal year end are as follows:

Fiscal Year Ending September 30,	SBITA Liabilities		
	Governmental Activities		Total Requirements
	Principal	Interest	
2025	\$ 56,239	\$ 2,261	\$ 58,500
Total	\$ 56,239	\$ 2,261	\$ 58,500

The value of the subscription assets as of the end of the current fiscal year was \$162,281 and had accumulated amortization of \$106,151.

Note 9. Retirement Plan

A. Plan Description

The City and its two component units participate as one of approximately 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of 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 (ACFR) that can be obtained at www.tmr.com.

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

City of Balch Springs, Texas
Notes to the Basic Financial Statements

B. Benefits Provided

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

At retirement, the Member's benefit is calculated based on the sum of the Members' 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 Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

Employee deposit rate	7.00%
Matching ration (City to employee)	2 - 1
Years required for vesting	5
Service requirement eligibility (expressed as age/years of service)	60/5 , 0/20
Updated service credit	100% repeating, Transfers
Annuity increase (to retirees)	70% of CPI repeating

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	136
Inactive employees entitled to but not yet receiving benefits	142
Active employees	162
Total	440

C. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the city matching ratios are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) 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 of Balch Springs were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 14.37% and 13.64% in calendar years 2024 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$2,007,157, and were equal to the required contributions.

City of Balch Springs, Texas

Notes to the Basic Financial Statements

D. Net Pension Liability

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

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP2021 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
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%	

City of Balch Springs, Texas

Notes to the Basic Financial Statements

E. Discount Rate

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

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended September 30, 2024, were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of October 1, 2023	\$ 54,468,624	\$ 42,601,693	\$ 11,866,931
Changes for the year:			
Service cost	2,071,861	-	2,071,861
Interest on total pension liability	3,666,936	-	3,666,936
Effect of difference in expected and actual experience	724,378	-	724,378
Changes in assumptions	(336,671)	-	(336,671)
Benefit payments	(2,359,165)	(2,359,165)	-
Administrative expense	-	(31,368)	31,368
Member contributions	-	883,792	(883,792)
Net investment income	-	4,949,486	(4,949,486)
Employer contributions	-	1,781,472	(1,781,472)
Other changes	-	(219)	219
Net Changes	3,767,339	5,223,998	(1,456,659)
Balance as of September 30, 2024	\$ 58,235,963	\$ 47,825,691	\$ 10,410,272
City	\$ 57,071,244	\$ 46,869,178	\$ 10,202,066
Component units	\$ 1,164,719	\$ 956,513	\$ 208,206

City of Balch Springs, Texas

Notes to the Basic Financial Statements

F. Sensitivity to Interest Rate Changes

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

	1% Decrease in Discount Rate (5.75%)	Current Single Rate Assumption 6.75%	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 19,328,257	\$ 10,202,066	\$ 2,830,951
Component unit's net pension liability	394,454	208,206	57,775

G. 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.tmr.com.

H. 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 Units recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$2,390,950 and \$48,795, respectively, and at September 30, 2024, reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary government		
Differences between expected and actual economic experience	\$ 1,140,434	\$ 223
Changes of assumptions	-	234,579
Net difference between projected and actual investment earnings	1,095,982	-
Contributions subsequent to the measurement date	1,542,553	-
Total	\$ 3,778,969	\$ 234,802
Component units		
Differences between expected and actual economic experience	\$ 23,274	\$ 6
Changes of assumptions	-	4,786
Net difference between projected and actual investment earnings	22,367	-
Contributions subsequent to the measurement date	31,481	-
Total	\$ 77,122	\$ 4,792

City of Balch Springs, Texas
Notes to the Basic Financial Statements

At September 30, 2024, the City and its Component Units reported \$1,542,553 and \$31,481 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date. These amounts will be recognized as a reduction in the net pension liability for the year ending September 30, 2024.

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

Primary Government		
	Fiscal Year Ended September 30,	
2025	\$	888,731
2026		617,535
2027		901,824
2028		(406,476)
Thereafter		-
	\$	<u>2,001,614</u>
Component Units		
	Fiscal Year Ended September 30,	
2025	\$	18,137
2026		12,603
2027		18,405
2028		(8,296)
Thereafter		-
	\$	<u>40,849</u>

Note 10. Postemployment Benefits Other Than Pensions

A. Plan Description

The City contributes to a single-employer defined benefit OPEB plan, the group-term life insurance plan known as the SDBF. This is a voluntary program administered by the Texas Municipal Retirement System (TMRS) in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The 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. 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).

City of Balch Springs, Texas
Notes to the Basic Financial Statements

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.

As of December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	80
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>162</u>
Total employees	<u><u>258</u></u>

An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

B. Total OPEB Liability

The City's total OPEB liability of \$451,671 (\$442,637 City and \$9,034 component units) was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

C. Actuarial Assumptions

The total OPEB liability in the December 31, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Discount Rate	3.77% as of December 31, 2023
	Source: Fidelity Index's "20-Year Municipal GO AA Index"
Retirees' share of benefit related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

Note: The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

City of Balch Springs, Texas

Notes to the Basic Financial Statements

D. Changes in Total OPEB Liability

	Total OPEB Liability
Balance as of October 1, 2023	\$ 413,732
Changes for the year	
Service Cost	16,414
Interest on Total OPEB Liability	16,884
Differences between expected and actual experience	(7,414)
Effect of assumption changes (discount rate change)	22,155
Benefit payments	(10,100)
Balance as of September 30, 2024	\$ 451,671
City	\$ 442,637
Component units	\$ 9,034

Sensitivity of the total OPEB liability to changes in the discount rate. The total OPEB liability of the City has been calculated using a discount rate of 3.77%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease (2.77%)	Current Discount Rate (3.77%)	1% Increase (4.77%)
City's total OPEB liability	\$ 531,576	\$ 442,637	\$ 373,172
Component unit's total OPEB liability	10,848	9,034	7,616

E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2024, the City and its Component Units recognized OPEB expense of \$18,600 and \$380, respectively. At September 30, 2024, the City and its Component Units reported deferred outflows of resources related to OPEB from the following sources:

Primary government	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,434	\$ 16,771
Changes in actuarial assumptions	71,484	147,206
Contributions subsequent to the measurement date	9,027	-
	\$ 85,945	\$ 163,977

City of Balch Springs, Texas

Notes to the Basic Financial Statements

Component Units	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 111	\$ 342
Changes in actuarial assumptions	1,459	3,004
Contributions subsequent to the measurement date	184	-
	<u>\$ 1,754</u>	<u>\$ 3,346</u>

At September 30, 2024, the City and its Component Units reported \$9,027 and \$184 as deferred outflows of resources related to the OPEB plan resulting from City contributions subsequent to the measurement date. These amounts will be recognized as a reduction in the total OPEB liability for the year ending September 30, 2024.

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

Primary Government

Fiscal Year Ended	
2025	\$ (13,716)
2026	(16,474)
2027	(25,813)
2028	(32,188)
2029	1,132
Thereafter	-
	<u>\$ (87,059)</u>

Component units

Fiscal Year Ended	
2025	\$ (280)
2026	(336)
2027	(527)
2028	(657)
2029	24
Thereafter	-
	<u>\$ (1,776)</u>

City of Balch Springs, Texas

Notes to the Basic Financial Statements

Note 11. Commitments and Contingencies

A. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is part of the Texas Municipal League Intergovernmental Risk Pool (Pool). Premiums are paid to the Pool, which retain a limit of loss. Reinsurance companies insure the risks beyond those limits. The City retains, as a risk, only the deductible amount of each policy. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in any of the past three fiscal years.

B. Federal and State Programs

The City participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that if the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2024, may be impaired.

C. 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. The amount of ultimate loss, if any, could differ materially.

Note 12. Subsequent Event

The City of Balch Springs Public Improvement District #1 issued \$6,181,000 of Special Assessment Revenue Bonds, Series 2025, on April 28, 2025.

Required Supplementary Information

City of Balch Springs, Texas

Texas Municipal Retirement System

Schedule of Changes in Net Pension Liability and Related Ratios

Last Ten Measurement Years

(Unaudited)

	Measurement Year				
	2023	2022	2021	2020	2019
Total pension liability:					
Service cost	\$ 2,071,861	\$ 1,878,960	\$ 1,881,108	\$ 1,773,241	\$ 1,774,058
Interest (on the Total Pension Liability)	3,666,936	3,398,071	3,108,301	2,892,515	2,671,471
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	724,378	808,312	1,274,176	(8,535)	(202,781)
Change in assumptions	(336,671)	-	-	-	117,794
Benefit payments, including refunds of employee contributions	(2,359,165)	(2,038,051)	(1,901,212)	(1,127,430)	(1,043,383)
Net change in total pension liability	3,767,339	4,047,292	4,362,373	3,529,791	3,317,159
Total pension liability - beginning	54,468,624	50,421,332	46,058,959	42,529,168	39,212,009
Total pension liability - ending (a)	58,235,963	54,468,624	50,421,332	46,058,959	42,529,168
Plan fiduciary net position:					
Contributions - employer	1,781,472	1,563,629	1,556,379	1,487,553	1,505,228
Contributions - employee	883,792	811,896	811,822	765,271	761,865
Net investment income	4,949,486	(3,339,439)	5,221,956	2,747,086	4,684,138
Benefit payments, including refunds of employee contributions	(2,359,165)	(2,038,051)	(1,901,212)	(1,127,430)	(1,043,383)
Administrative expense	(31,368)	(28,803)	(24,087)	(17,721)	(26,380)
Other	(219)	34,370	165	(691)	(793)
Net change in plan fiduciary net position	5,223,998	(2,996,398)	5,665,023	3,854,068	5,880,675
Plan fiduciary net position - beginning	42,601,693	45,598,091	39,933,068	36,079,000	30,198,325
Plan fiduciary net position - ending (b)	47,825,691	42,601,693	45,598,091	39,933,068	36,079,000
Net pension liability - ending (a) - (b)	\$ 10,410,272	\$ 11,866,931	\$ 4,823,241	\$ 6,125,891	\$ 6,450,168
Plan fiduciary net position as a percentage of total pension liability	82.12%	78.21%	90.43%	86.70%	84.83%
Covered payroll	\$ 12,625,601	\$ 11,598,516	\$ 11,597,462	\$ 10,932,438	\$ 10,883,790
Net pension liability as a percentage of covered payroll	82.45%	102.31%	41.59%	56.03%	59.26%

Other Information: The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability.

Measurement Year				
2018	2017	2016	2015	2014
\$ 1,669,833	\$ 1,616,166	\$ 1,588,187	\$ 1,588,374	\$ 1,111,639
2,462,606	2,283,954	2,114,326	1,968,932	1,805,251
-	-	-	-	-
(168,017)	(399,111)	(322,634)	464,652	(17,723)
-	-	-	(1,315)	-
(801,111)	(961,171)	(800,546)	(849,057)	(749,402)
3,163,311	2,539,838	2,579,333	3,171,586	2,149,765
36,048,698	32,877,112	30,337,274	27,757,941	25,608,176
39,212,009	35,416,950	32,916,607	30,929,527	27,757,941
1,446,376	1,407,797	1,344,107	1,532,886	1,420,005
711,000	684,402	667,305	681,706	646,296
(893,537)	3,492,211	1,518,848	31,089	1,069,250
(801,111)	(961,171)	(800,546)	(849,057)	(749,402)
(17,225)	(18,064)	(17,126)	(18,929)	(11,161)
(900)	(915)	(922)	(935)	(920)
444,603	4,604,260	2,711,666	1,376,760	2,374,068
29,753,722	25,149,462	22,437,796	21,061,036	18,686,968
30,198,325	29,753,722	25,149,462	22,437,796	21,061,036
\$ 9,013,684	\$ 5,663,228	\$ 7,767,145	\$ 8,491,731	\$ 6,696,905
77.01%	84.01%	76.40%	72.54%	75.87%
\$ 10,157,138	\$ 9,777,168	\$ 9,532,935	\$ 9,738,654	\$ 9,232,798
88.74%	57.92%	81.48%	87.20%	72.53%

City of Balch Springs, Texas
Texas Municipal Retirement System
Schedule of Pension Contributions
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
	2024	2023	2022	2021	2020
Actuarially determined contribution	\$ 2,007,157	\$ 1,772,553	\$ 1,596,587	\$ 1,567,771	\$ 1,511,814
Contributions in relation of the actuarially determined contribution	2,007,157	1,772,553	1,596,587	1,567,771	1,511,814
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 13,246,922	\$ 12,480,781	\$ 11,697,182	\$ 11,491,244	\$ 11,063,241
Contributions as a percentage of covered payroll	15.15%	14.20%	13.65%	13.64%	13.67%

Other Information: There were no benefit changes during the year.

The information in this schedule has been determined as of the City's most recent fiscal year-end.

Fiscal Year				
2019	2018	2017	2016	2015
\$ 1,519,431	\$ 1,443,961	\$ 1,400,137	\$ 1,397,512	\$ 1,444,542
1,519,431	1,443,961	1,400,137	1,397,512	1,444,542
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 10,157,138	\$ 10,107,933	\$ 9,780,905	\$ 9,593,837	\$ 9,311,322
14.96%	14.29%	14.32%	14.57%	15.51%

City of Balch Springs, Texas

Texas Municipal Retirement System - Supplemental Death Benefit Fund Schedule of Changes in Total OPEB Liability and Related Ratios Last Seven Measurement Years (Unaudited)

	Measurement year						
	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability:							
Changes for the year							
Service Cost	\$ 16,414	\$ 32,476	\$ 34,792	\$ 25,145	\$ 18,502	\$ 21,331	\$ 17,599
Interest on Total OPEB Liability	16,884	11,210	10,964	12,598	13,546	12,164	11,659
Changes of benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(7,414)	3,022	6,803	(19,173)	(15,766)	(3,565)	-
Changes in assumptions or other inputs	22,155	(221,934)	18,942	73,552	76,643	(27,721)	30,913
Benefit payments	(10,100)	(8,119)	(10,438)	(3,280)	(3,265)	(3,047)	(2,934)
Net change in total OPEB liability	37,939	(183,345)	61,063	88,842	89,660	(838)	57,237
Total OPEB Liability - beginning	413,732	597,077	536,014	447,172	357,512	358,350	301,113
Total OPEB Liability - ending	\$ 451,671	\$ 413,732	\$ 597,077	\$ 536,014	\$ 447,172	\$ 357,512	\$ 358,350
Covered-employee payroll	\$ 12,625,601	\$ 11,598,516	\$ 11,597,462	\$ 10,932,438	\$ 10,883,790	\$ 10,157,138	\$ 9,777,168
Total OPEB Liability as a percentage of covered-employee payroll	3.58%	3.57%	5.15%	4.90%	4.11%	3.52%	3.67%

Other Information: The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

City of Balch Springs, Texas

Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – General Fund For the Year Ended September 30, 2024 (Unaudited)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes and fees	\$ 22,888,075	\$ 22,888,075	\$ 21,932,517	\$ (955,558)
Licenses and permits	457,200	457,200	633,460	176,260
Intergovernmental	688,000	688,000	1,364,244	676,244
Charges for services	205,178	205,178	96,909	(108,269)
Fines and forfeitures	449,000	449,000	360,702	(88,298)
Interest	80,000	80,000	234,325	154,325
Miscellaneous	29,000	29,000	82,460	53,460
Total revenues	24,796,453	24,796,453	24,704,617	(91,836)
Expenditures:				
Current:				
General government	2,236,814	2,240,684	2,096,080	144,604
Public safety	16,097,170	16,107,852	13,148,322	2,959,530
Public works	3,864,448	3,946,682	2,992,753	953,929
Community development and recreation	2,689,254	2,590,915	1,939,068	651,847
Capital outlay	364,000	1,079,769	1,530,856	(451,087)
Debt service:				
Principal retirement	369,507	369,507	827,254	(457,747)
Interest and fiscal charges	118,097	118,097	180,453	(62,356)
Total expenditures	25,739,290	26,453,506	22,714,786	3,738,720
Excess (deficiency) of revenues over (under) expenditures	(942,837)	(1,657,053)	1,989,831	3,646,884
Other financing sources (uses):				
Operating transfers in	1,989,584	1,989,584	1,229,017	(760,567)
Operating transfers out	(563,161)	(1,797,441)	(1,303,815)	493,626
Proceeds from financed purchase	-	-	-	-
Leases (as lessee)	-	-	412,537	412,537
Insurance recoveries	-	-	93,261	93,261
Total other financing sources (uses)	1,426,423	192,143	431,000	238,857
Net change in fund balance	483,586	(1,464,910)	2,420,831	3,885,741
Fund balance at beginning of year	10,041,222	10,041,222	10,041,222	-
Fund balance, end of year	\$ 10,524,808	\$ 8,576,312	\$ 12,462,053	\$ 3,885,741

City of Balch Springs, Texas

Notes to Required Supplementary Information
For the Fiscal Year Ended September 30, 2024

Note 1. Pension Plan

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis with Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis with Scale MP-2021 (with immediate convergence).

Other information:

There were no benefit changes during the year.

City of Balch Springs, Texas

Notes to Required Supplementary Information - Continued
For the Fiscal Year Ended September 30, 2024

Note 2. Budgets and Budgetary Accounting

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.

An operating budget for the General Fund is legally adopted each fiscal year.

The budget is adopted on a basis consistent with GAAP.

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget including proposed expenditures and the means of financing them is submitted to the City Council by the City Manager.
2. Upon receipt of the budget estimates, the City Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City.
3. A public hearing on the budget is held.
4. Prior to October 1, the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. 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. Budgetary control has been established at the detail level by line item activity for management control.

Departmental appropriations that have not been expended or encumbered by the departments at the end of the fiscal year will lapse.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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*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 BALCH SPRINGS, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2025, DATED AUGUST 15, 2025,
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$_____

AS BOND COUNSEL FOR THE ISUER (the “Issuer”) of the Certificates 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 a limited pledge (not to exceed \$1,000) of surplus revenues 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,

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