



POPULAR ANNUAL FINANCIAL REPORT CITY OF LEWISVILLE, TEXAS



FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2023

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Message from the City Manager



Dear Residents,

We are pleased to present the City of Lewisville's Popular Annual Financial Report (PAFR) for the year ended September 30, 2023. The PAFR is a summarized version of the City's Annual Comprehensive Financial Report. Where the Annual Comprehensive Financial Report is voluminous and technically complex, the PAFR is designed to be more understandable for individuals who are not accounting professionals.

As city officials, we believe that good communication and transparency is integral to having a successful and responsive government. Although the Government Finance Officers Association (GFOA) encourages state and local governments to issue PAFRs, only a small number do so. The City's issuance of this PAFR is completely voluntary and reflects the City's ongoing commitment to transparency. The PAFR report for FY2022 was recognized by the GFOA as an award recipient. Upon receiving this recognition, Lewisville was named a **Triple Crown** winner by the Government Finance Officers Association. The award recognizes governments that have received the Certificate of Achievement for Excellence in Financial Reporting, the Popular Annual Financial Reporting Award, and the Distinguished Budget Presentation Award. The City will pursue this recognition for its FY2023 reports as well.

We thank you for taking an active role in your city and community. If you have any questions about the PAFR or any aspects of our finances, I encourage you to contact the City of Lewisville's Finance Department at 972-219-3420.

Respectfully,

A handwritten signature in blue ink that reads "Claire Powell". The signature is fluid and cursive, with a long horizontal line extending from the end.

Claire Powell
City Manager

The Mission of the City of Lewisville is to enhance the quality of life for our community and provide effective municipal service.



Meet the Leaders - Mayor

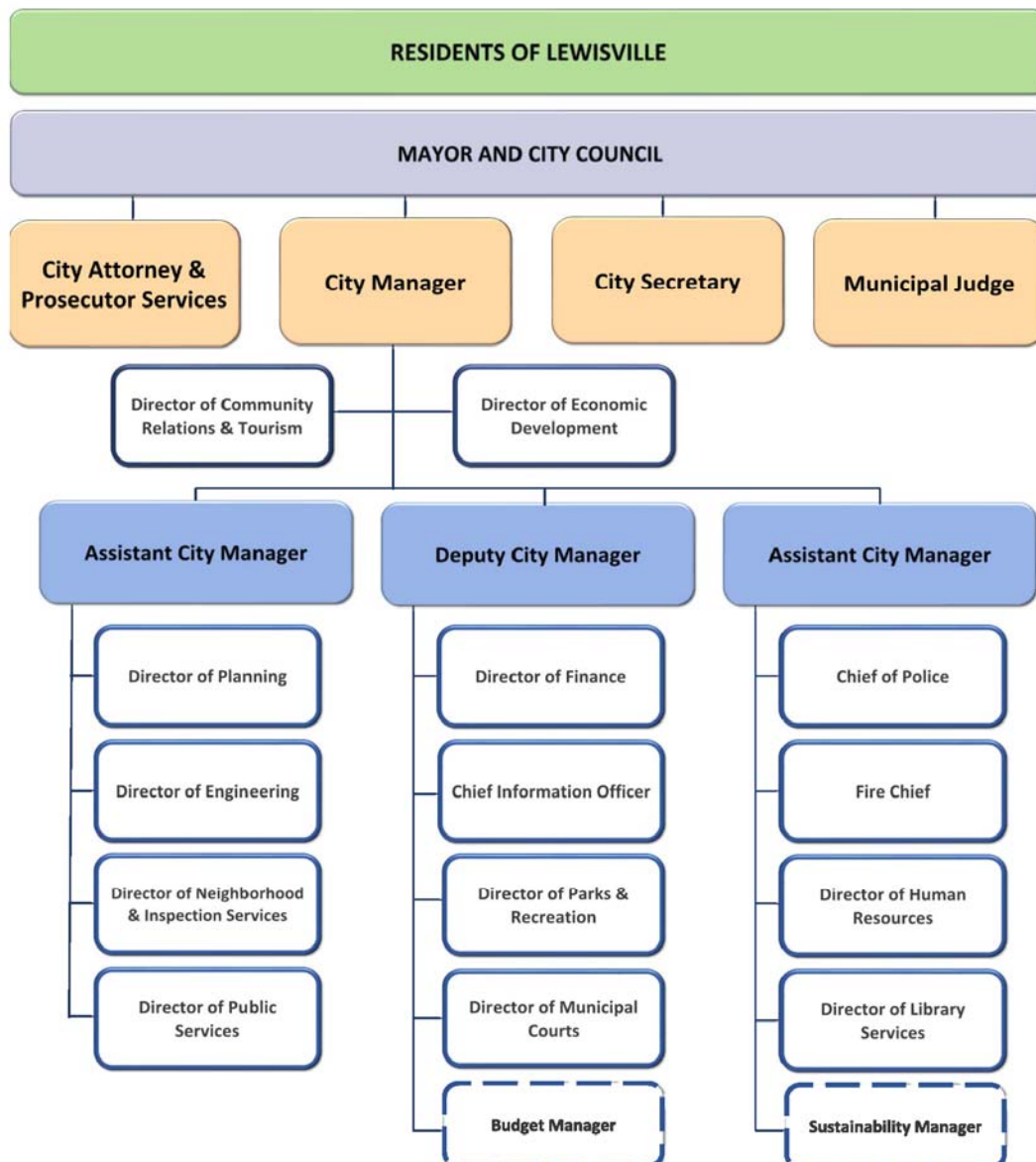


About the Mayor

TJ Gilmore was first elected Mayor in May 2021 after serving 10 years on the Lewisville City Council. He is a native of Arizona and a graduate of the University of Arizona with a degree in Social and Behavioral Science. Gilmore and his wife, Tanya, have lived in Lewisville since 2001 and have three children who are Lewisville High School graduates. In addition to serving as Mayor, Gilmore is chairman of the DCTA Board of Directors, and a Rotarian.

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City of Lewisville, Texas—Organizational Chart



Meet the Leaders - City Council



Back Row, Left to Right: Councilmember Brandon Jones, Mayor TJ Gilmore, Deputy Mayor Pro Tem Patrick Kelly. **Front Row, Left to Right:** Councilmember Bob Troyer, Councilwoman Ronni Cade, Councilwoman Kristin Green, and Mayor Pro Tem William J. Meridith.

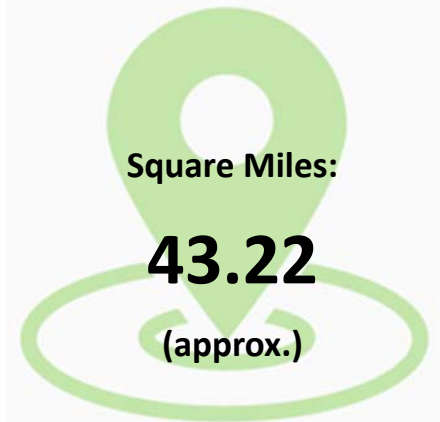
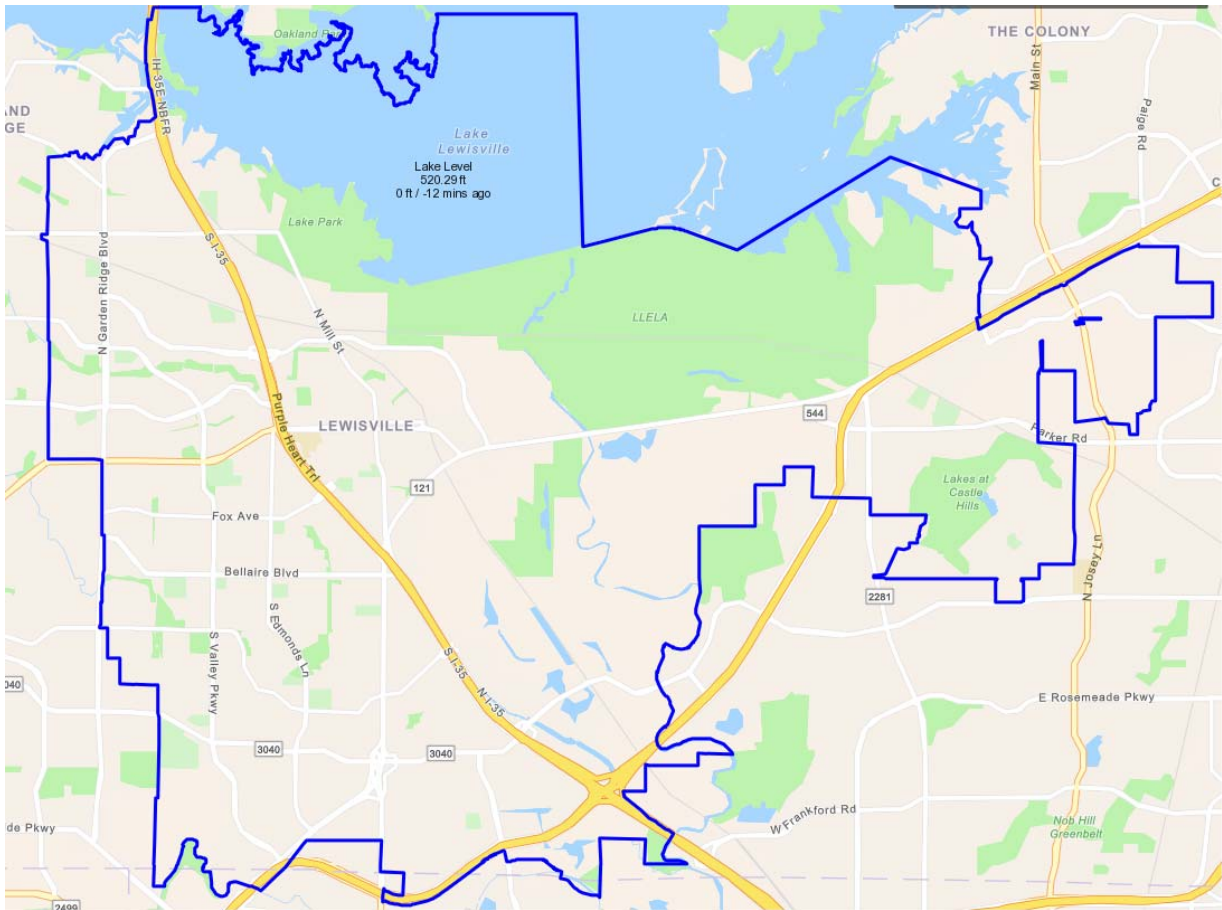
About City Council

Lewisville is a home-rule city and operates under the Council-Manager form of government. The City Council is comprised of the Mayor and six council members and is responsible for enacting ordinances, resolutions and regulations governing the City. In addition, the City Council appoints the members of various boards and commissions, the City Manager, City Attorney, Municipal Judge, and City Secretary. As chief administrative officer, the City Manager is responsible for implementing Council policies, overseeing all operations, and hiring and supervising the various department directors.

City Council meetings are held on the first and third Mondays of each month at 7 p.m. unless the meeting falls on a recognized holiday at which time the meeting will be held the next Monday. Council meetings are held in the Council Chambers at City Hall at 151 W. Church Street.

At a Glance

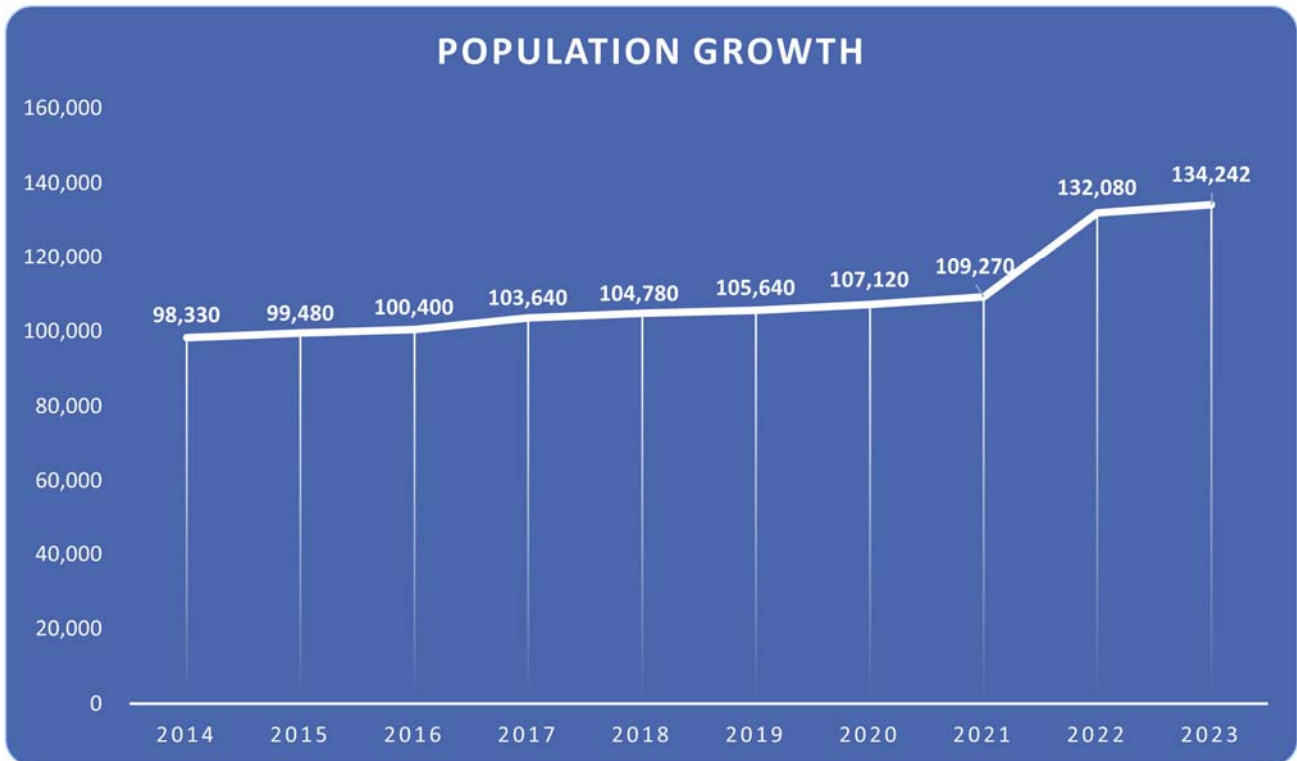
Lewisville is a vibrant community offering the best in education, sought-after business opportunities and a variety of recreational and entertainment options. Lewisville was incorporated in 1925 and is located in Denton County, in the northern part of the Dallas/Fort Worth metroplex. In November 2021, the City officially annexed Castle Hills, a 2,900 acre planned development located within the City's extraterritorial jurisdiction. The annexation brought with it over 17,000 residents, 4,500 utility accounts, and taxable value of property totaling \$2.95 billion.



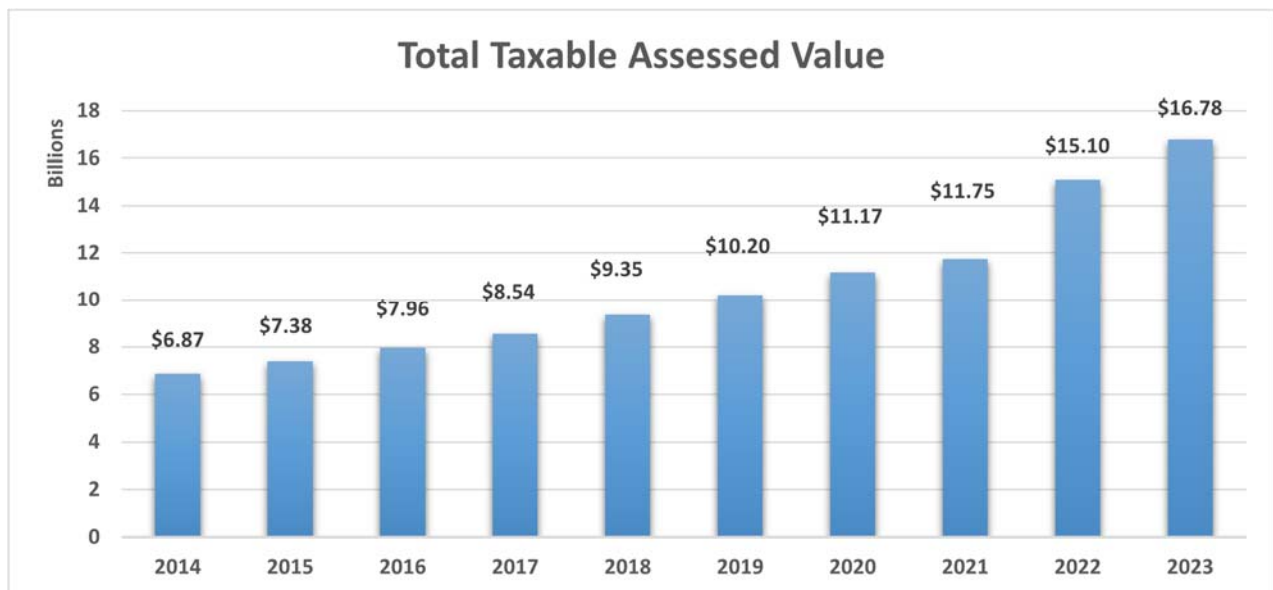
At a Glance

Between the years 2014 and 2023, Lewisville's population grew 37 percent from 98,330 to 134,242. The large increase in recent years was due to the 2021 annexation of Castle Hills, which added approximately 17,000 residents to Lewisville. The City has also added a tremendous number of new and infill development as well as redevelopment projects that have aided in the renewal and growth of the City.

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Lewisville's thriving economic climate has resulted in a higher quality of life, more entertainment options and greater access to jobs than ever before. The City's assessed valuation for 2023 was \$16.78 billion, an 11.1 percent increase from the prior year. This includes \$2.95 billion in taxable value brought on by the annexation of Castle Hills.



Success Stories



The City of Lewisville has been awarded the prestigious 28th Annual Achievement of Excellence in Procurement (AEP) for 2023 from the National Procurement Institute, Inc. (NPI).



The Texas Comptrollers Office recognized the City of Lewisville as achieving specific transparency goals through the Comptroller's Transparency Stars program.



The City of Lewisville received a star in the area of Traditional Finances, which recognizes entities for their outstanding efforts in making their spending and revenue information available. Scan the QR code to the left to access the City's website regarding the Financial Transparency page.

The Government Finance Officers Association (GFOA) has awarded to the City the Certificate of Achievement in Financial Reporting (FY 2022), the Popular Annual Report Award (FY 2022), and Distinguished Budget Presentation Award (FY 2023) during the most recent evaluation period. With this, Lewisville was recognized as a triple crown winner by the GFOA. The award recognizes governments that have received each of these three awards in a single evaluation period.



Economic Development

Lewisville was ranked #9 in the Top 100 U.S. cities for economic and population growth according to Smart Asset. The 2023 population estimate from the North Central Texas Council of Governments (NCTCOG) is 134,242, a slight increase from the prior year.

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Economic Success Stories

The City of Lewisville continues introducing new projects and advancing the local economy through several ongoing initiatives. Some of these projects and initiatives include:

- **Old Town** - Downtown Lewisville, the City's historic center, is also the core of Lewisville's identity for the future, offering the choice of urban living in Lewisville and including lively restaurants, entertainment, and a walkable environment. Transformative redevelopment is occurring and efforts to maintain the momentum are a top priority for the City. Lewisville will expand its competitive position with more destination dining, new walkable neighborhoods, and unique retail offerings. Old Town can maintain a historic charm and character while enhancing its image as a new, refreshed, and exciting place to be.
- **Extending the Green** - By connecting the green spaces to Lewisville's neighborhoods and businesses, everyone who lives or works in Lewisville can enjoy the benefits of this distinctive center. As a key Big Move focus in the City's Vision 2025 Plan, City investments should emphasize and provide aesthetic and health benefits throughout the city through enhancements to the City's public spaces and parks and recreation system. Special emphasis will be placed on creating parks and connections to the trail system in areas of Lewisville where residents do not have access to a public open space within a 10-minute walk of their home.
- **Residential Growth**—Several residential projects in the City's transit-oriented development areas such as Old Town, the northern gateway, and the southern gateway are nearing completion. The completed projects in Old Town include Legacy Pointe, a 97 single-family craftsman style home development, Brownstones on W. Walters, a 19-unit townhome development, and The Station at Old Town, a 286-unit multi-family development. Three new multi-family developments are under construction; Whitlow will include 429 units, Main and Mill Lofts will include 201 units, and Mill at Old Town will include 213 units, altogether bringing in more than 840 units to the Old Town area. In the northern gateway TOD, there are more than 1,500 residential units under design and construction that will provide additional townhome and multi-family units.



Government-Wide Financials - Statement of Net Position

The purpose of government-wide financial statements is to present the financial position and operating results of the governmental entity as a whole. The City's combined net position was \$907.3 million as of September 30, 2023, an increase of \$73.3 million from the prior year. The primary reasons for this increase were investment earnings and property tax revenues from assessed values of property. By far the largest portion of the City's net position (74.9%) reflects its investment in capital assets (streets, water/sewer system, buildings, machinery & equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Unrestricted net position, the portion available for future spending, increased \$30.5 million from the prior year to \$170.4 million.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. For fiscal year 2023, the following are included within the discretely presented component units: Lewisville Housing Finance Corporation, Lewisville Industrial Development Authority, Inc., Tax Increment Reinvestment Zone Number 1, and the Lewisville Parks and Library Development Corporation.

Statement of Net Position

| | Primary Government | | | Component Unit |
|--|-------------------------|--------------------------|-----------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Current and other assets | \$ 406,895,444 | \$ 160,848,547 | \$ 567,743,991 | \$ 24,748,502 |
| Capital assets | 592,350,290 | 327,715,288 | 920,065,578 | 6,724,858 |
| Total Assets | 999,245,734 | 488,563,835 | 1,487,809,569 | 31,473,360 |
| * DEFERRED OUTFLOWS OF RESOURCES | 38,697,723 | 5,183,801 | 43,881,524 | 514,259 |
| LIABILITIES | | | | |
| Noncurrent liabilities | 426,780,575 | 97,319,553 | 524,100,128 | 13,801,712 |
| Other liabilities | 82,789,164 | 10,630,972 | 93,420,136 | 476,845 |
| Total Liabilities | 509,569,739 | 107,950,525 | 617,520,264 | 14,278,557 |
| * DEFERRED INFLOWS OF RESOURCES | 5,128,890 | 1,789,362 | 6,918,252 | 32,107 |
| NET POSITION | | | | |
| Net investment in capital assets | 369,850,957 | 309,407,609 | 679,258,566 | 3,604,858 |
| Restricted for debt service | 11,931,444 | 9,098,723 | 21,030,167 | - |
| Restricted for capital projects | 18,130,493 | - | 18,130,493 | - |
| Restricted for public safety | 10,782,045 | - | 10,782,045 | - |
| Restricted for grant purposes | 54,388 | - | 54,388 | - |
| Restricted for tourism | 6,080,719 | - | 6,080,719 | - |
| Restricted for other | 1,525,425 | - | 1,525,425 | - |
| Restricted for tax increment reinvestment zone | - | - | - | 1,269,854 |
| Unrestricted | 104,889,357 | 65,501,417 | 170,390,774 | 12,802,239 |
| Total Net Position | \$ 523,244,828 | \$ 384,007,749 | \$ 907,252,577 | \$ 17,676,951 |

* Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Examples include differences in expected and actual pension/OPEB experience and differences in projected and actual earnings on OPEB assets.

Government-Wide Financials - Statement of Net Position

Net position represents the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources.

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Governmental activities

are activities that are generally financed through taxes and other non-exchange revenues. It includes the general fund, debt service, capital projects and special revenues like grants and donations.

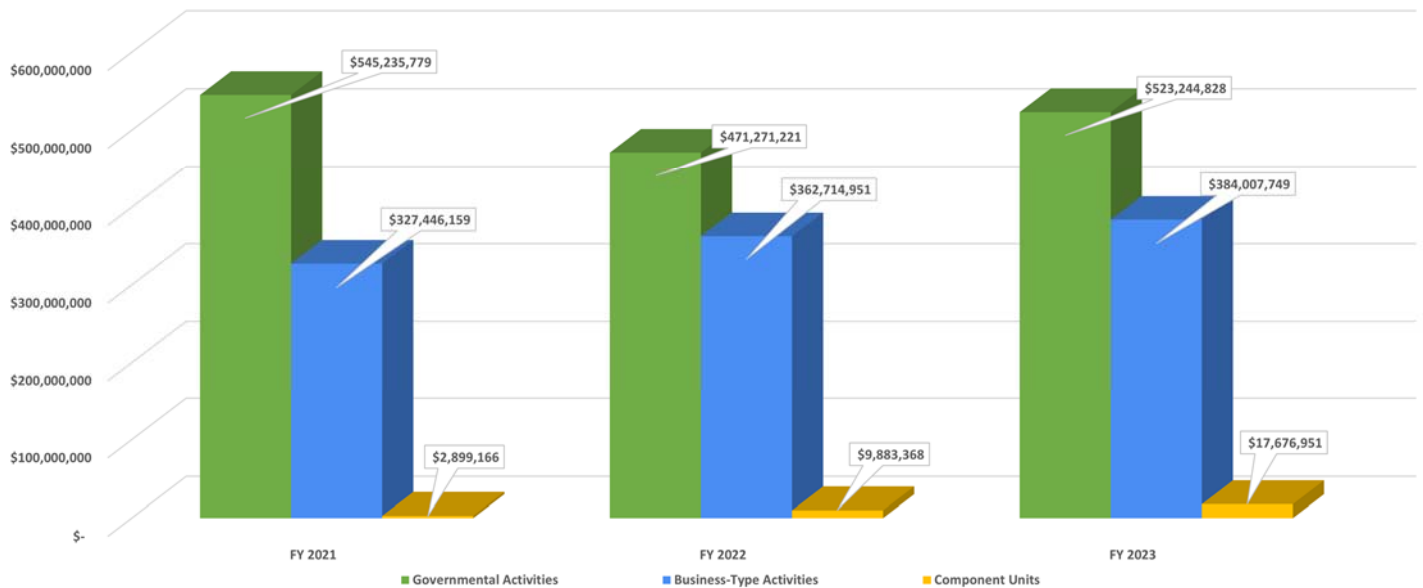
Business type activities

are activities financed in whole or in part by fees charged to external customers for goods or services like water, wastewater, and drainage and their related capital projects.

Discretely Presented Component Units

are legally separate organizations for which the City is financially accountable. An example of this would be Tax Increment Reinvestment Zone Number 1.

Total Net Position



Government-Wide Financials - Statement of Activities

The City's general revenues and transfers increased by 17.0% or \$24.3 million primarily due to investment earnings and property tax revenues from assessed values of property. Governmental activities relating to operating grants and contributions decreased \$8.6 million over the previous year due to increased interest and fiscal charges in addition to utilization of American Rescue Plan Act funding. Capital grants and contributions decreased \$1.5 million from 2022 mainly due to a decrease in contributions received through Texas Department of Transportation. The most significant governmental expense for the City is payroll and personnel-related cost. For the year, these costs were \$90.9 million or 56.7 percent of total expenses. This was an increase in payroll cost from prior year of \$9.2 million due to an increase in personnel and merit salary increases. Payroll costs are closely monitored to ensure they fall in line with budgeted amounts. Due to vacancies throughout the year, payroll costs came in \$2.5 million less than originally budgeted.

Business-type activities increased the City's net position by \$21.3 million. The City's water and sewer system recorded charges for services of \$53.5 million. This revenue source increased \$4.9 million from the prior fiscal year. Revenues for the stormwater utility in fiscal year 2023 amounted to \$5.9 million. This was an increase in stormwater utility of \$1.4 million, primarily due to an increase in the drainage utility fee. Non-cash capital contributions from developers and cash receipts in the form of development impact fees amounted to \$5.8 million. This was a decrease of \$4.4 from 2022 as a result of decreases in capital recovery fees and contributed revenue.

| | Primary Government | | |
|------------------------------------|-----------------------|-----------------------|-------------------------|
| | 2023 | 2022 | 2021 |
| REVENUES | | | |
| Program revenues | | | |
| Charges for services | \$ 78,872,592 | \$ 70,245,962 | \$ 60,852,917 |
| Operating grants and contributions | 12,631,279 | 4,028,678 | 17,727,042 |
| Capital grants and contributions | 18,492,051 | 24,325,141 | 15,225,806 |
| General revenues: | | | |
| Property taxes | 80,559,488 | 74,634,101 | 54,432,099 |
| Other taxes | 64,942,851 | 63,649,263 | 60,140,312 |
| Other | 20,168,191 | (147,836,461) (1) | 2,826,479 |
| Total Revenues | <u>275,666,452</u> | <u>89,046,684</u> | <u>211,204,655</u> |
| EXPENSES | <u>202,403,047</u> | <u>162,775,133</u> | <u>147,525,003</u> |
| Change in net position | 73,263,405 | (73,728,449) | 63,679,652 |
| Net position - beginning | 833,989,172 | 907,717,621 (2) | 809,002,286 |
| NET POSITION - ENDING | <u>\$ 907,252,577</u> | <u>\$ 833,989,172</u> | <u>\$ 872,681,938 *</u> |

(1) Other Revenues include a one-time special item charge of \$141.9 million, related to the annexation of Castle Hills and refinancing of its outstanding debt. Also included in Other Revenues are investment losses (unrealized) of \$12.1 million, which are due to the annual fair market adjustment in accordance with GASB 72 - *Fair Value Measurement and Application*.

(2) Beginning Net Position increased \$35.0 million due to the annexation of Castle Hills which consisted of eight Fresh Water Supply Districts. Combination of District financials into the City financials was done in accordance with GASB 69 - *Government Combinations and Disposals of Government Operations*.

Government-Wide Financials - Statement of Activities

Operating Grants

are those grants received to finance regular operations of a specific purpose. These include City activities such as social service agencies supported through the Community Development Block Grant (CDBG).

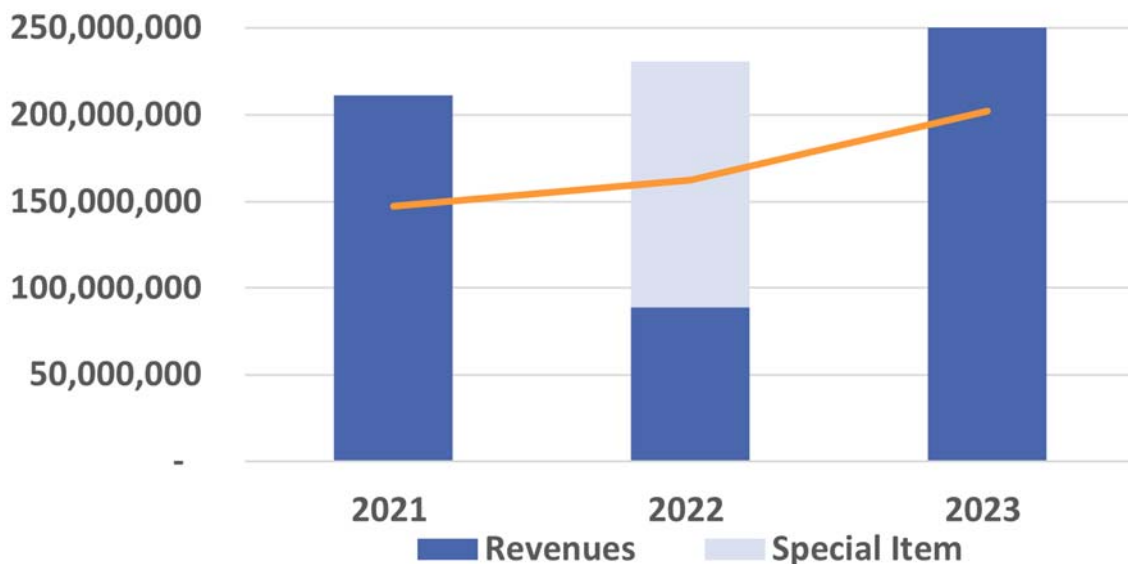
Capital Grants

are grants or other capital assets received by the City restricted for capital purposes. These include funding from Texas Department of Transportation to support capital projects.

Contributions

are revenue received in support of City activities such as a donation for a special event.

Revenue and Expense Comparison



Light shaded bar for 2022 represents a one-time special item charge of \$141.9 million, related to the annexation of Castle Hills and refinancing of its outstanding debt. This special item is reflected as a reduction in revenue.

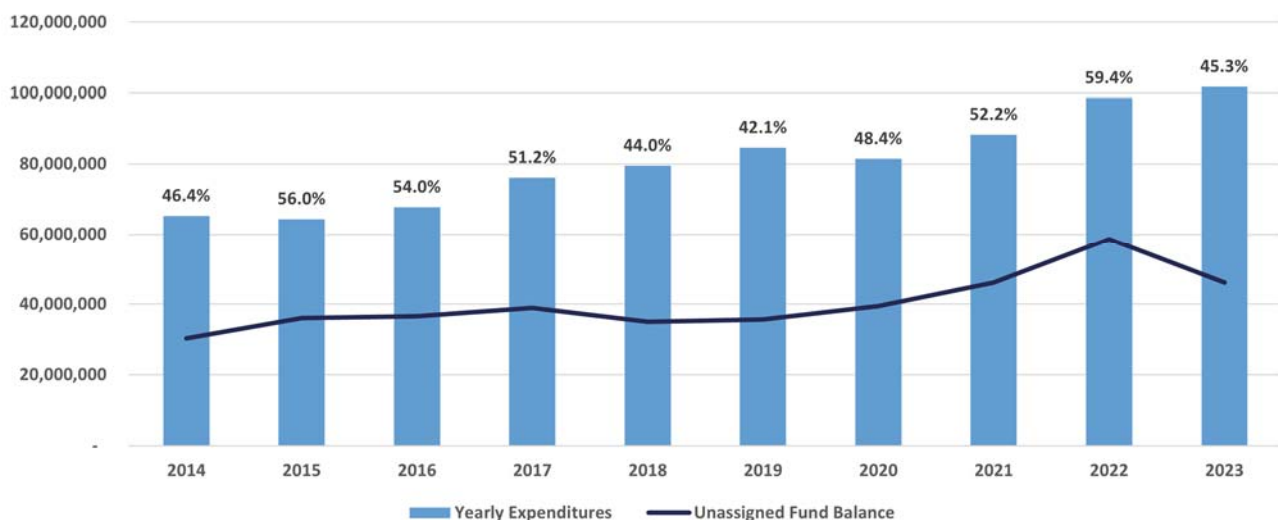
General Fund - Overview

General Fund Balance vs. Expenditures - Total fund balance for the General Fund as of September 30, 2023 was \$48.3 million, a decrease of \$12.0 million or 19.9 percent from the prior year. Fund balance is the difference between assets and liabilities and indicates funds available to support non-recurring City services. The decrease was primarily attributable to a \$43.5 million transfer from the General Fund to the General Capital Projects Fund offset by \$12.0 million increase in Property and other taxes and a \$4.4 million increase in Investment Earnings. Non-spendable and assigned fund balance totaling \$2.2 million accounts for prepaid items and supplemental appropriations committed for a specific purpose. The remaining unassigned fund balance of \$46.1 million can be used for supporting one-time or emergency-type uses. A General Fund reserves plan is approved annually by City Council that utilizes these added reserves for one-time purchases and capital projects.

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| Fiscal Year | Unassigned Fund Balance | Yearly Expenditures | % of Expenditures | Total Fund Balance |
|-------------|-------------------------|---------------------|-------------------|--------------------|
| 2014 | 30,287,824 | 65,259,892 | 46.4% | 31,643,561 |
| 2015 | 36,088,467 | 64,391,906 | 56.0% | 37,241,953 |
| 2016 | 36,616,542 | 67,748,301 | 54.0% | 37,906,452 |
| 2017 | 38,970,279 | 76,111,021 | 51.2% | 40,288,130 |
| 2018 | 34,946,844 | 79,510,046 | 44.0% | 36,617,879 |
| 2019 | 35,634,844 | 84,601,539 | 42.1% | 36,712,653 |
| 2020 | 39,458,391 | 81,450,307 | 48.4% | 40,811,640 |
| 2021 | 46,122,974 | 88,286,096 | 52.2% | 47,519,845 |
| 2022 | 58,523,542 | 98,581,421 | 59.4% | 60,376,922 |
| 2023 | 46,129,365 | 101,759,836 | 45.3% | 48,348,896 |

Unassigned Fund Balance as a Percent of Yearly Expenditures



The City of Lewisville seeks to maintain a reserve level above 20% of expenditures. As you can see above, the City exceeds that goal annually. Unassigned fund balance for fiscal year 2023 is 45.3% of yearly expenditures. The City has an ongoing five-year plan for future expenditures of reserves.

General Fund - Financials

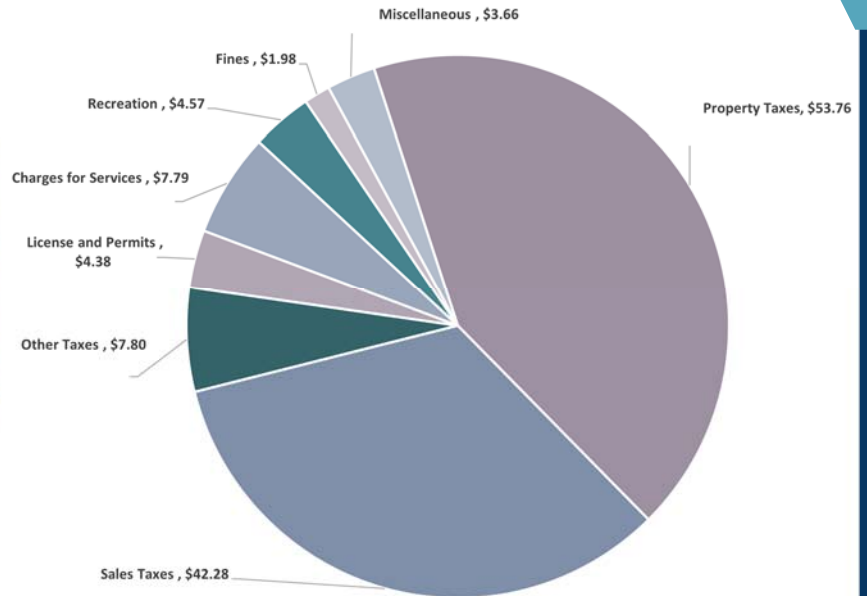
Statement of Revenues, Expenditures, and Changes in Fund Balance (in millions)

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Starting Fund Balance 9/30/2022 \$ 60.38

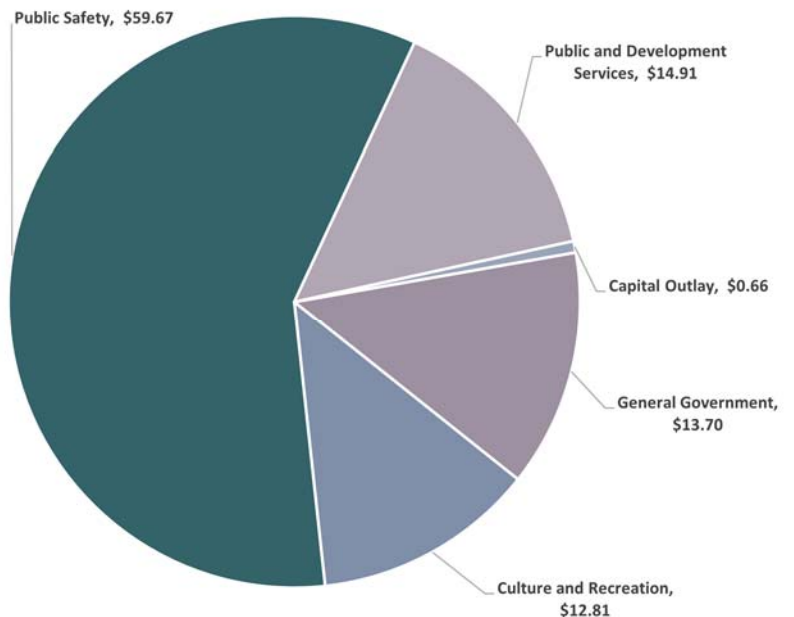
Revenues

| | | |
|----------------------|-----------|---------------|
| Property Taxes | \$ | 53.76 |
| Sales Taxes | | 42.28 |
| Other Taxes | | 7.80 |
| License and Permits | | 4.38 |
| Charges for Services | | 7.79 |
| Recreation | | 4.57 |
| Fines | | 1.98 |
| Miscellaneous | | 3.66 |
| Total Revenue | \$ | 126.22 |



Expenditures

| | | |
|---------------------------------|-----------|---------------|
| General Government | \$ | 13.70 |
| Culture and Recreation | | 12.81 |
| Public Safety | | 59.67 |
| Public and Development Services | | 14.91 |
| Capital Outlay | | 0.66 |
| Total Expenditures | \$ | 101.75 |



Other Financing Sources (Uses)

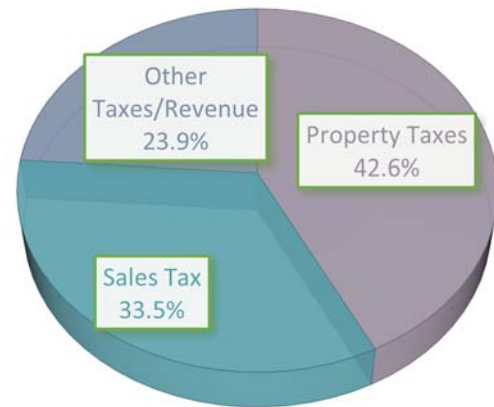
| | | |
|-------------------------|--|---------|
| Other Financing Sources | | 7.30 |
| Other Financing Uses | | (43.80) |

Ending Fund Balance 9/30/2023 \$ 48.35

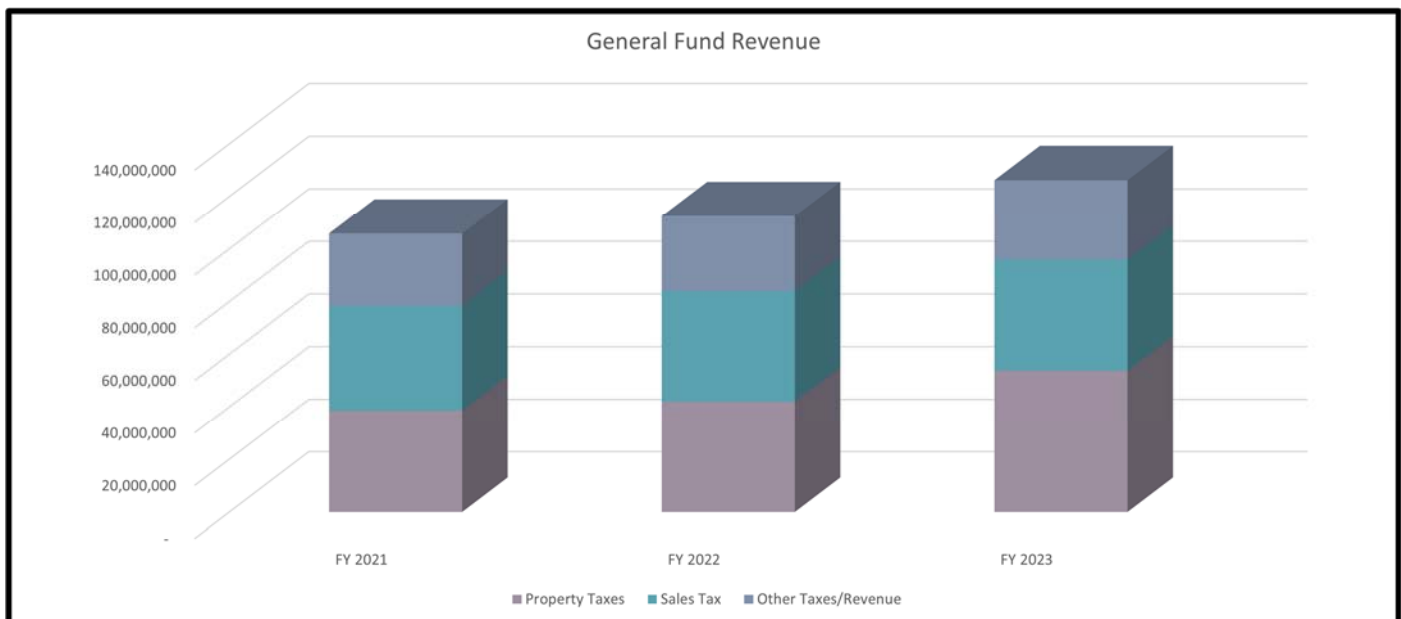
General Fund Revenue

The General Fund's largest source of revenue is property tax, accounting for 42.6 percent of total revenues. Property tax revenue for FY2023 was \$53.8 million, an increase of \$5.9 million as a result of growth in the taxable assessed value of properties in the city. Sales tax is the second largest source of revenue accounting for \$42.3 million or 33.5 percent of total revenues.

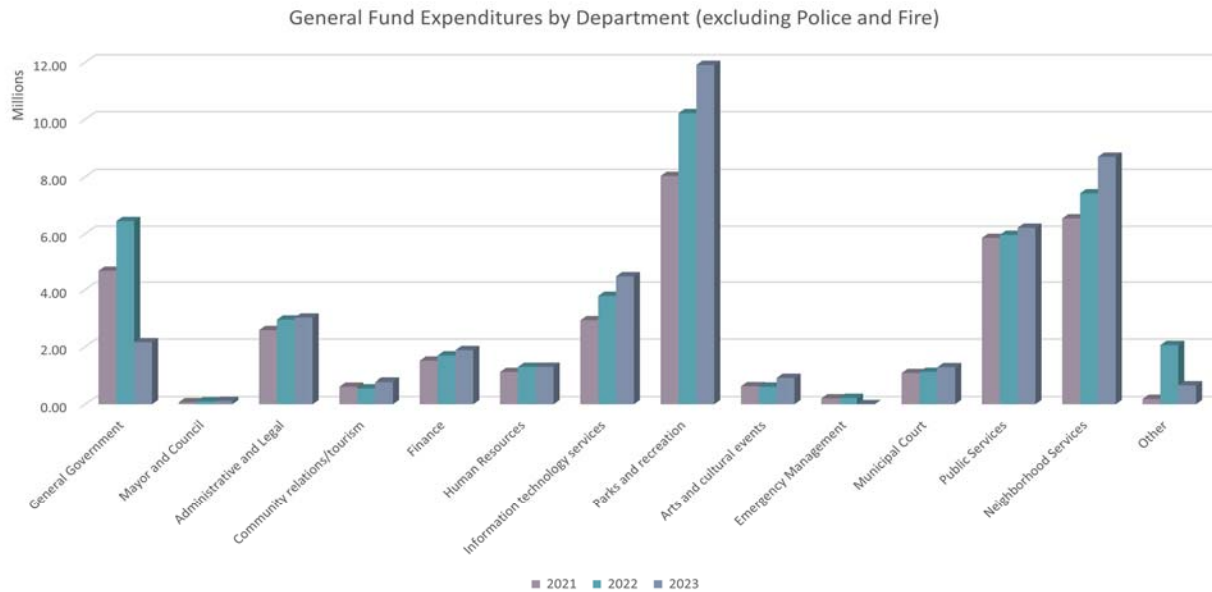
FY 2023



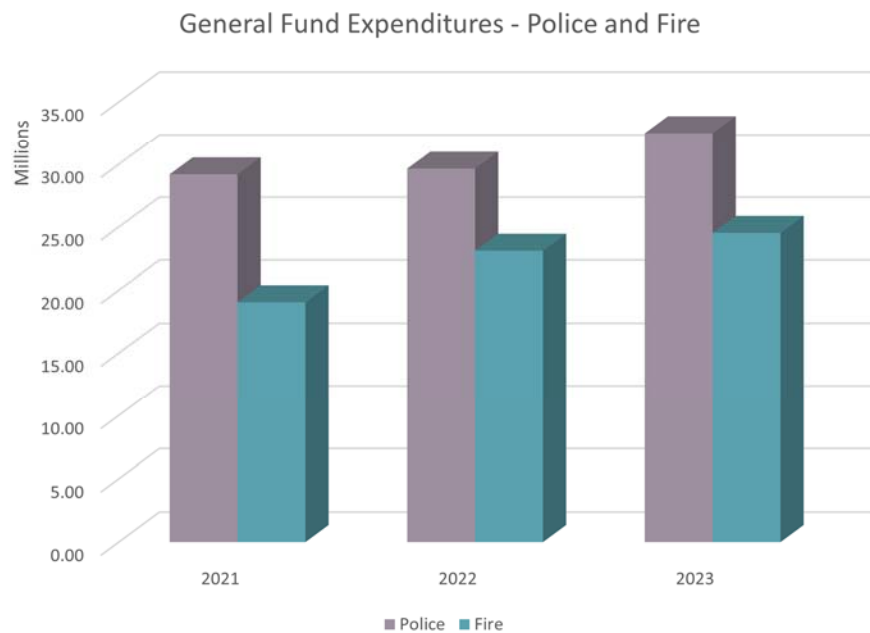
Other Revenue accounted for \$30.2 million or 23.9 percent of total General Fund revenues.



General Fund Expenditures



A FUND is an accounting entity with a set of self-balancing accounts that is used to account for financial transactions for specific activities of government functions.



About the Fund

The General Fund is the City's primary operating fund and is the foundation for all governmental activities.

Expenditure Categories

General Government - City Administration, Finance, Legal, and other departments.

Culture and Recreation - Parks and Recreation and Arts and Cultural Events

Public Safety - Police, Fire, Emergency Management, Municipal Court

Public & Development Services - Public Services and Neighborhood Services

Capital Outlay - Machinery and equipment, vehicles, project costs

Enterprise Funds

The City reports two major enterprise funds. Enterprise Funds are defined as funds where user fees are set at a level sufficient to cover the costs of services provided. User fees collected are restricted in their use and can only be used to support the operation and maintenance of the utility system. Activity listed here is also reflected in the government-wide financials found on page ten of this report.

Water and Sewer Utility Enterprise Fund – This Enterprise Fund is used to account for operations of the City’s water and wastewater systems.

Stormwater Utility Enterprise Fund – This Enterprise Fund is used to account for the Drainage Utility Fee revenue established in January 2018 to fund stormwater programs and infrastructure.

(in millions)

Net Position, September 30, 2022 \$ 361.64

Operating Revenues

| | | |
|---------------------------------|-----------|--------------|
| Charges for sales and services | \$ | 59.38 |
| Miscellaneous | | 0.02 |
| Total Operating Revenues | \$ | 59.40 |

Operating Expenses

| | |
|---|-----------------|
| Cost of sales and services, net of reimbursements | 21.68 |
| Personal services and administrative | 9.50 |
| Depreciation | 9.05 |
| Total Operating Expenses | \$ 40.23 |

Operating Income \$ 19.17

Non-operating Revenues (Expenses)

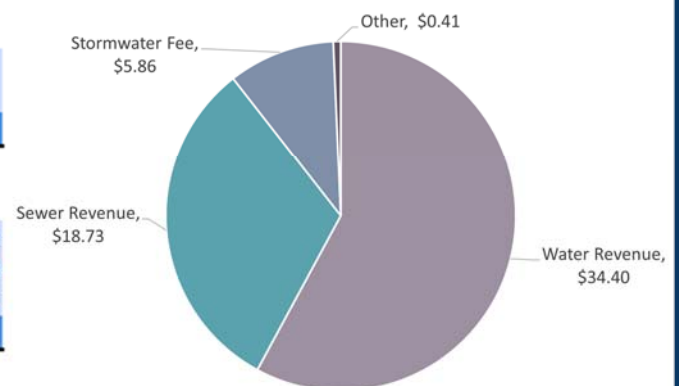
| | | |
|---|-----------|-------------|
| Investment earnings | \$ | 5.42 |
| Interest expense and fiscal agent fees | \$ | (2.58) |
| Gain on disposal of capital assets | \$ | - |
| Total non-operating revenues(expenses) | \$ | 2.84 |

Transfers and Capital Contributions

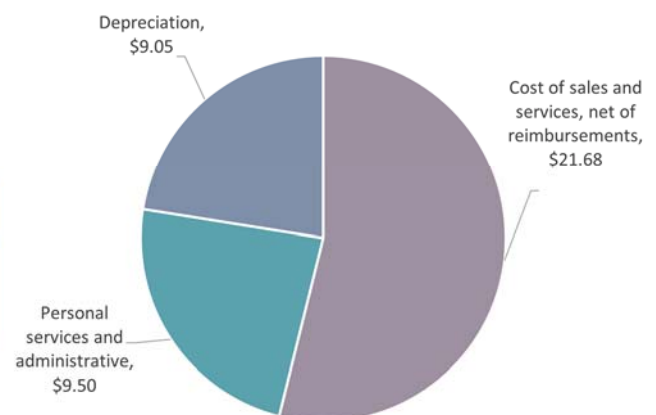
| | | |
|-------------------------------|-----------|--------------|
| Transfers in | \$ | 0.12 |
| Transfers out | \$ | (7.23) |
| Contributions from developers | \$ | 3.31 |
| Contributions - impact fees | \$ | 2.53 |
| Change in Net Position | \$ | 20.74 |

Net Position, September 30, 2023 \$ 382.38

OPERATING REVENUES

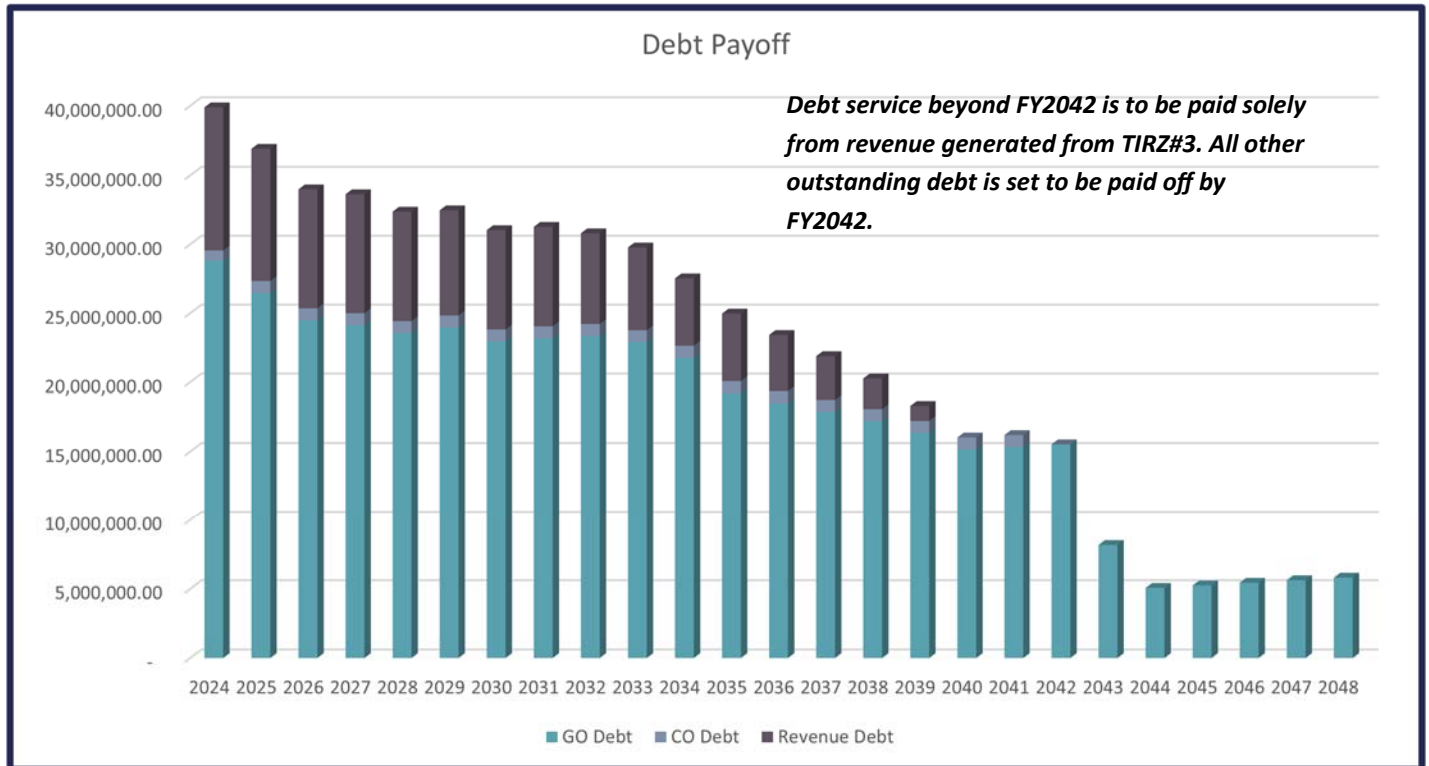


OPERATING EXPENSES



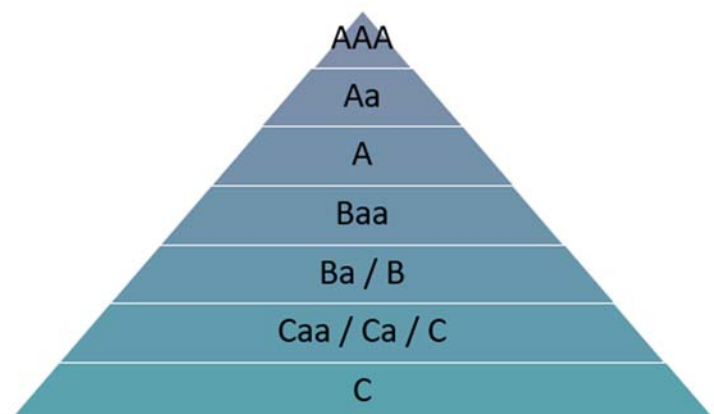
Debt

The City utilizes bond financing to support long-lived infrastructure assets such as roads and bridges, facilities, and utility system improvements. The City primarily issues debt that is exempt from federal and state income taxes, which lowers the City's cost of borrowing. The City has called for a May 2024 General Obligation (GO) Bond election that will affect the graph below, if approved by voters.



- ◆ General Obligation (GO) Debt is debt used for public improvements where repayment is supported by ad valorem taxes or other alternative revenues to pay for principal and interest on the bonds
- ◆ Certificates of Obligation (CO) Debt is non referendum debt used for public improvements where payment is supported by ad valorem taxes or other alternative revenues to pay for principal and interest on the bonds
- ◆ Revenue Debt is debt used for public improvements that is supported by pledged revenues to pay for principal and interest on the bonds

The City's underlying bonds ratings at September 30, 2023 were AAA from both Standard & Poor's and Fitch Ratings for the City's General Obligation, Certificate of Obligation and Revenue bonds. The higher rating leads to lower overall cost of borrowing.



To the Reader



This Popular Annual Financial Report is intended to provide information on the City's financial condition in a summarized, easily understandable format. Information in the Popular Annual Financial Report is drawn from the 2023 Annual Comprehensive Financial Report. Please note that the Annual Comprehensive Financial Report discloses detailed information regarding all of the information provided herein.

The FY 2023 Annual Comprehensive Financial Report can be accessed from the QR or from the link below.

<https://www.cityoflewisville.com/city-hall/city-departments/financial-services/annual-financial-reports>

Comments or suggestions for improving the document should be addressed to the City of Lewisville, Finance Department, 151 West Church Street, Lewisville, TX 75057. Phone: 972-219-3420, Email: financedepartment@cityoflewisville.com

Additionally, metrics related to City activity can be found using the QR code below.

