

**PRELIMINARY OFFICIAL STATEMENT**

**Ratings:**

**S&P: "AA" (stable outlook)**  
**(See "OTHER INFORMATION**  
**- Ratings" herein)**

**Dated: May 7, 2026**

**NEW ISSUE - Book-Entry-Only**

*In the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas ("Bond Counsel"), interest on the Certificates (defined below) 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.*

**\$25,300,000\***

**CITY OF WICHITA FALLS, TEXAS**  
**(Wichita County)**

**COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026**

**Dated Date: June 15, 2026**

**Due: September 1, as shown on page 2**

(Interest accrues from the Delivery Date)

**PAYMENT TERMS** . . . Interest on the \$25,300,000\* City of Wichita Falls, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2026 (the "Certificates") will accrue from the date of initial delivery to the underwriters named below (the "Underwriters") and will be payable March 1 and September 1 of each year commencing March 1, 2027, until maturity or prior redemption. Interest on the definitive Certificates 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 of principal amount 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" herein). The initial Paying Agent/Registrar for the Certificates 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") including particularly, Texas Local Government Code, Chapter 271, as amended, ("Chapter 271"), and Texas Government Code, Chapter 1371, as amended, ("Chapter 1371"), and are direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of limited surplus revenues (not to exceed \$1,000) of the City'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 City's revenue bonds or other obligations (now or hereafter outstanding), as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance"). In the Certificate Ordinance to be adopted on May 19, 2026, the City Council will delegate to an officer of the City, pursuant to certain provisions of Chapter 1371, authority to effect the sale of the Certificates and to establish certain terms related to the issuance and sale of the Certificates. The terms of the sale will be included in a "Pricing Certificate" which will complete the sale of the Certificates (the Certificate Ordinance and the Pricing Certificate are collectively referred to as the "Ordinance") (see "THE CERTIFICATES - Authority for Issuance").

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for the public purpose of (i) acquiring, constructing, renovating, installing and equipping parks and recreational improvements; (ii) acquiring, constructing, renovating and equipping public safety improvements; (iii) acquiring land and interests in land necessary for such projects; and (iv) paying legal, fiscal, engineering and architectural fees in connection with these projects, including paying the costs associated with the issuance of the Certificates (see "THE CERTIFICATES - Purpose").

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**CUSIP PREFIX: 967120 - MATURITY SCHEDULE & 9 DIGIT CUSIP - SEE SCHEDULE ON PAGE 2**

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**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see "APPENDIX C - Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas.

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on June 23, 2026 (the "Delivery Date").

**HILLTOPSECURITIES**

**FROST BANK**

**RAYMOND JAMES**

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE\*

CUSIP <sup>(1)</sup> Prefix: 967120

\$25,300,000\*

CITY OF WICHITA FALLS, TEXAS

COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2026

| <u>Maturity Date</u><br><u>(9/1)</u> | <u>Principal</u><br><u>Amount (\$)*</u> | <u>Interest</u><br><u>Rate (%)</u> | <u>Initial</u><br><u>Yield (%)</u> | <u>CUSIP No.</u><br><u>Suffix<sup>(1)</sup></u> |
|--------------------------------------|---|------------------------------------|------------------------------------|---|
| 2027                                 | 545,000                                 |                                    |                                    |   |
| 2028                                 | 810,000                                 |                                    |                                    |   |
| 2029                                 | 850,000                                 |                                    |                                    |   |
| 2030                                 | 895,000                                 |                                    |                                    |   |
| 2031                                 | 940,000                                 |                                    |                                    |   |
| 2032                                 | 985,000                                 |                                    |                                    |   |
| 2033                                 | 1,035,000                               |                                    |                                    |   |
| 2034                                 | 1,085,000                               |                                    |                                    |   |
| 2035                                 | 1,140,000                               |                                    |                                    |   |
| 2036                                 | 1,200,000                               |                                    |                                    |   |
| 2037                                 | 1,255,000                               |                                    |                                    |   |
| 2038                                 | 1,320,000                               |                                    |                                    |   |
| 2039                                 | 1,385,000                               |                                    |                                    |   |
| 2040                                 | 1,455,000                               |                                    |                                    |   |
| 2041                                 | 1,530,000                               |                                    |                                    |   |
| 2042                                 | 1,605,000                               |                                    |                                    |   |
| 2043                                 | 1,685,000                               |                                    |                                    |   |
| 2044                                 | 1,770,000                               |                                    |                                    |   |
| 2045                                 | 1,860,000                               |                                    |                                    |   |
| 2046                                 | 1,950,000                               |                                    |                                    |   |

(Interest to accrue from the Delivery Date)

\* Preliminary, subject to change.

- (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 Underwriters or the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

**REDEMPTION PROVISIONS . . .** 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"). If two or more consecutive serial maturities of the Certificates are grouped into a single maturity (the "Term Certificates") by the Underwriters, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance and will be described in the final Official Statement (see "THE CERTIFICATES – Mandatory Sinking Fund Redemption").

## USE OF INFORMATION IN THE PRELIMINARY OFFICIAL STATEMENT

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

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

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

*Certain information set forth herein has been obtained from sources other than the City that the City believes 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 City, the Underwriters or the Financial Advisor. 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 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.*

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

*None of the City, its Financial Advisor, or the Underwriters make any representation as to the accuracy, completeness, or adequacy of the information in this Official Statement regarding The Depository Trust Company New York, New York ("DTC") or its book entry only system, as such information has been provided by DTC.*

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

*THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE 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 THESE SECURITIES HAVE BEEN REGISTERED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.*

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

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The cover page hereof, this page, and 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 Wichita Falls (the "City") is a political subdivision and municipal corporation of the State located in Wichita County. The City covers approximately 70.77 square miles. The 2020 U.S. Census population was 102,316, while the estimated 2026 population is 102,317 (see "INTRODUCTION - Description of the City" and "APPENDIX A – General Information Regarding the City").
- THE CERTIFICATES** ..... The Certificates are issued as \$25,300,000\* Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2026 (the "Certificates") and mature on September 1 in the years 2027 through 2046,\* inclusive (see "THE CERTIFICATES - Description of the Certificates").
- PAYMENT OF INTEREST** ..... Interest on the Certificates accrues from the date of initial delivery to the underwriters listed on the cover page hereof (the "Underwriters"), and is payable commencing March 1, 2027, and each March 1 and September 1 thereafter, until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates" and "THE CERTIFICATES - Optional Redemption" and "- Mandatory Sinking Fund Redemption").
- AUTHORITY FOR ISSUANCE** ..... The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly, Texas Local Government Code, Chapter 271, as amended, ("Chapter 271"), and are direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of limited surplus revenues (not to exceed \$1,000) of the City'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 City's revenue bonds or other obligations (now or hereafter outstanding), as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance"). In the Certificate Ordinance to be adopted on May 19, 2026, the City Council will delegate to an officer of the City, pursuant to certain provisions of Chapter 1371, authority to effect the sale of the Certificates and to establish certain terms related to the issuance and sale of the Certificates. The terms of the sale will be included in a "Pricing Certificate" which will complete the sale of the Certificates (the Certificate Ordinance and the Pricing Certificate are collectively referred to as the "Ordinance") (see "THE CERTIFICATES - Authority for Issuance").
- 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 annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of limited surplus revenues (not to exceed \$1,000) of the City'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 City's revenue bonds or other obligations (now or hereafter outstanding), as provided in the Certificate Ordinance (see "THE CERTIFICATES – Security and Source of Payment").
- REDEMPTION PROVISIONS**..... 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"). If two or more consecutive serial maturities of the Certificates are grouped into a single maturity (the "Term Certificates") by the Underwriters, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance and will be described in the final Official Statement (see "THE CERTIFICATES – Mandatory Sinking Fund Redemption").

\*Preliminary, subject to change.

**TAX MATTERS** ..... 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.

**RATINGS** ..... The Certificates are rated "AA" (stable outlook) by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") (see "OTHER INFORMATION - Ratings").

**USE OF PROCEEDS** ..... Proceeds from the sale of the Certificates will be used for the public purpose of (i) acquiring, constructing, renovating, installing and equipping parks and recreational improvements; (ii) acquiring, constructing, renovating and equipping public safety improvements; (iii) acquiring land and interests in land necessary for such projects; and (iv) paying legal, fiscal, engineering and architectural fees in connection with these projects, including paying the costs associated with the issuance of the Certificates (see "THE CERTIFICATES - Purpose").

**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 of principal amount 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 payment of its bonded indebtedness.

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

**SELECTED FINANCIAL INFORMATION**

| Fiscal Year Ended 9/30 | Estimated Population <sup>(1)</sup> | Taxable Assessed Valuation <sup>(2)</sup> | G.O. Tax Debt Outstanding at End of Year | Taxable Assessed Valuation Per Capita | Ratio of                                    | G.O. Tax Debt Per Capita |
|------------------------|-------------------------------------|---|--|---------------------------------------|---|--------------------------|
|                        |                                     |   |  |                                       | G.O. Tax Debt to Taxable Assessed Valuation |                          |
| 2022                   | 104,568                             | \$5,807,983,335                           | \$74,450,000                             | \$55,543                              | 1.28%                                       | \$712                    |
| 2023                   | 104,568                             | 6,596,548,411                             | 68,830,000                               | 63,084                                | 1.04%                                       | 658                      |
| 2024                   | 102,664                             | 7,219,792,277                             | 63,045,000                               | 70,324                                | 0.87%                                       | 614                      |
| 2025                   | 102,691                             | 7,671,263,859                             | 57,095,000                               | 74,702                                | 0.74%                                       | 556                      |
| 2026                   | 102,317                             | 7,957,509,505                             | 76,625,000 <sup>(3)</sup>                | 77,773                                | 0.96% <sup>(3)</sup>                        | 749 <sup>(3)</sup>       |

- (1) Source: The City.
- (2) As reported by the Appraisal District (defined herein) on the City's annual State Property Tax Board Report, subject to change during the ensuing year.
- (3) Projected; subject to change. Includes the Certificates.

For additional information regarding the City, please contact:

Stephen Calvert, CFO/Director of Finance  
City of Wichita Falls  
705 8<sup>th</sup> Street  
1<sup>st</sup> Floor  
Wichita Falls, Texas 76301  
(940) 761-7462

Murphy Davis, Jr., President  
Sentry Management, Inc.  
#5 Eureka Circle  
Suite E  
Wichita Falls, Texas 76308  
(940) 696-2100

CITY OFFICIALS, STAFF AND CONSULTANTS

**ELECTED OFFICIALS**

| <u>City Council</u>         | <u>Length of Service</u> | <u>Term Expires</u> | <u>Occupation</u>      |
|-----------------------------|--------------------------|---------------------|------------------------|
| Tim Short, Mayor            | 2 Years                  | November 2026       | Business Owner         |
| Whitney Flack, District 1   | 1 Years                  | November 2027       | Homemaker              |
| Robert Brooks, District 2   | 1 Years                  | November 2027       | Business Owner         |
| Jeff Browning, District 3   | 8 Years                  | November 2026       | Business Owner         |
| Mike Battaglino, District 4 | 3 Years                  | November 2026       | Educator               |
| Tom Taylor, District 5      | 3 Years                  | November 2026       | Retired Military       |
| Austin Cobb, At Large       | 1 Years                  | November 2027       | Oil & Gas Professional |

**SELECTED ADMINISTRATIVE STAFF**

| <u>Name</u>     | <u>Position</u>         | <u>Length of Government Service</u> |
|-----------------|-------------------------|-------------------------------------|
| Jeff Jenkins    | City Manager            | 21 Years                            |
| James McKechnie | Deputy City Manager     | 14 Years                            |
| Paul Menzies    | Assistant City Manager  | 27 Years                            |
| Blake Jurecek   | Assistant City Manager  | 20 Years                            |
| Stephen Calvert | CFO/Director of Finance | 4 Years                             |
| Marie Balthrop  | City Clerk              | 25 Years                            |
| Kinley Hegglund | City Attorney           | 26 Years                            |

**CONSULTANTS AND ADVISORS**

Auditors .....Edgin, Parkman, Fleming & Fleming, PC  
Wichita Falls, Texas

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

Financial Advisor..... Sentry Management, Inc.  
Wichita Falls, Texas

**PRELIMINARY OFFICIAL STATEMENT**

**RELATING TO**

**\$25,300,000\***

**CITY OF WICHITA FALLS, TEXAS  
COMBINATION TAX AND LIMITED SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2026**

**INTRODUCTION**

This Official Statement, which includes the Appendices attached hereto, provides certain information regarding the issuance of the \$25,300,000\* City of Wichita Falls, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2026 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings as provided in the ordinance authorizing the Certificates (the "Certificate Ordinance"). In the Certificate Ordinance to be adopted on May 19, 2026, the City Council will delegate to an officer of the City, pursuant to certain provisions of Chapter 1371, authority to effect the sale of the Certificates and to establish certain terms related to the issuance and sale of the Certificates. The terms of the sale will be included in a "Pricing Certificate" which will complete the sale of the Certificates (the Certificate Ordinance and the Pricing Certificate are collectively referred to as the "Ordinance").

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, Sentry Management Inc., Wichita Falls, Texas.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision located in Wichita County operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters. The City utilizes a Council-Manager form of government and the City Council is comprised of five members elected from separate districts, and a Mayor and a sixth council member elected at-large. The City Council appoints the City Manager. The 2020 U. S. Census population for the City was 102,316, while the estimated 2026 population is 102,317. The City covers approximately 70.77 square miles (see "APPENDIX A – General Information Regarding the City").

**THE CERTIFICATES**

**DESCRIPTION OF THE CERTIFICATES . . .** The Certificates are dated June 15, 2026 and mature on September 1 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates 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, commencing March 1, 2027, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and 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. **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 issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Texas Local Government Code, Chapter 271, as amended, ("Chapter 271"), Texas Government Code, Chapter 1371, as amended, ("Chapter 1371"), and the Certificate Ordinance.

**PURPOSE . . .** Proceeds from the sale of the Certificates will be used for the public purpose of (i) acquiring, constructing, renovating, installing and equipping parks and recreational improvements; (ii) acquiring, constructing, renovating and equipping public safety improvements; (iii) acquiring land and interests in land necessary for such projects; and (iv) paying legal, fiscal, engineering and architectural fees in connection with these projects, including paying the costs associated with the issuance of the Certificates.

**SECURITY AND SOURCE OF PAYMENT . . .** The Certificates are direct obligations of the City payable from a continuing direct annual ad valorem tax levied by the City, within the limits prescribed by law, on all taxable property within the City, as provided in the authorizing Ordinance. In addition, the Certificates are payable from and secured by a limited surplus pledge (not to exceed \$1,000) of the net revenues of the City's Waterworks and Sewer System (the "System"), as provided in the Certificate Ordinance.

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\* Preliminary, subject to change.

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

While State law does not provide for any allocation of the City's tax between debt service and operations, administratively, the Attorney General of the State will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax supported debt, as calculated at the time of issuance and based on a 90% collection rate. The City's tax rate for fiscal year 2026 is \$0.682500 of which \$0.025773 is for debt service purposes (see "TAX INFORMATION - Table 4 – Tax Rate, Levy and Collection History" 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. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

**MANDATORY SINKING FUND REDEMPTION . . .** If two or more consecutive serial maturities of the Certificates are grouped into a single maturity (the "Term Certificates") by the Underwriters, such Term Certificates will be subject to mandatory sinking fund redemption in accordance with the provisions of the Ordinance and will be described in the final Official Statement.

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

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 is conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Certificates have not been redeemed.

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The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Certificate called for redemption or any other action premised or any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificate held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificate from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. See "THE CERTIFICATES - Book-Entry-Only System" herein.

**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 a paying agent or making available to a paying agent or other escrow agent (1) money sufficient to make such payment or (2) Defeasance Securities, to mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates, 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: (1) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (2) 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 are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved 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. The City may modify the definition of Defeasance Securities in the Pricing Certificate.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to take any 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.

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 may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other defeasance security will be maintained at any particular rating category.

**BOOK-ENTRY-ONLY SYSTEM . . .** *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by 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 and the Underwriters believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.*

*The City and the Underwriters cannot and do 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 United States 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, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 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 Certificates 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 register and request that copies of the notices be provided directly to them.

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

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

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Principal and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar of each series, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar of each series, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, Certificates, as appropriate, 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 Underwriters.

**EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . .** In the event that the Book-Entry-Only System of the Certificates is discontinued, printed Certificates will be issued to the DTC Participants or the holder, as the case may be, and such 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 for the Certificates is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, printed Certificates will be delivered to the registered owners of the Certificates and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar of such printed certificates and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 of principal amount for any one maturity for a like type 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 Certificates (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificates 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 the Certificates.

**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 (whether or not a business day) of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least 5 business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder 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 for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders. The Ordinance further provides that the holders of the Certificates aggregating in principal amount 51% of the outstanding respective 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.

**CERTIFICATEHOLDERS' REMEDIES . . .** The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or Certificates of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates, as applicable, or the Ordinance and the City's Certificates 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 holders of the 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. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson I"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("Wasson II", and together with *Wasson I*, "Wasson"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court ruled in *Tooke v. City of Mexia* (197 S.W.3d 325 (Tex. 2006)), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in clear and unambiguous language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits

the City to waive sovereign immunity in the proceedings authorizing its debt, but the City has not waived sovereign immunity pursuant to Chapter 1371. 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, holders of the Certificates 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 creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Certificates. Initially, the only registered owner of the Certificates will be DTC. See "THE CERTIFICATES - Book-Entry-Only System" herein.

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

|                             |                 |
|-----------------------------|-----------------|
| Sources of Proceeds         |                 |
| Par Amount                  | \$ _____        |
| Reoffering Premium          | \$ _____        |
| <hr/>                       |                 |
| Total Sources of Proceeds   | <u>\$ _____</u> |
|                             |                 |
| Uses of Proceeds            |                 |
| Deposit to the Project Fund | \$ _____        |
| Underwriters' Discount      | \$ _____        |
| Cost of Issuance            | \$ _____        |
| <hr/>                       |                 |
| Total Uses of Proceeds      | <u>\$ _____</u> |

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## TAX INFORMATION

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

**VALUATION OF TAXABLE PROPERTY . . .** The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Wichita Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,000,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. After the 2024 tax year, through December 31, 2026 (unless extended by the State Legislature), the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. For the 2026 tax year, the maximum property value was increased to \$5,320,000.

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

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

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

An appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,320,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal district office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. Unless extended by the State Legislature, the foregoing prohibition expires on December 31, 2026.

**LOCAL OPTION HOMESTEAD EXEMPTIONS . . .** The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

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

**PERSONAL PROPERTY . . .** Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

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

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

**EXEMPTION FOR QUALIFYING CHILD-CARE FACILITIES . . .** The City has exempted from all ad valorem taxes levied by the City a portion of the appraised value of qualifying child-care facilities, as defined under Chapter 11 of the Texas Tax Code, as periodically amended. Effective January 1, 2024, the amount of the aforesaid exemption is equal to 100 percent of the appraised value of qualifying child-care facilities for the tax year 2024 and for each year thereafter.

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

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

**TAX ABATEMENT AGREEMENTS . . .** Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION – City Application of Tax Code" and "Table 1 – Valuation, Exemptions and General Obligation Debt."

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

**LEVY AND COLLECTION OF TAXES . . .** The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1.

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

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

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

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

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

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

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

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

"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 greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2023 through 2025 divided by the current total value.

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

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

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate 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, during the 89th Regular Session, the Legislature adopted Senate Bill 1851 ("SB 1851"), which will become effective in connection with the adoption of an ad valorem tax rate for tax year 2026 and thereafter. Under SB 1851, if the Texas Attorney General determines that a city has (a) not had its records and accounts audited and an annual financial statement prepared based on the audit or (b) failed to file its financial statements and auditor's opinion on such financial statements with the city secretary or city clerk 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 for (i) the tax year that begins on or after the date of the Attorney General's determination or (ii) a subsequent tax year that begins before the date the city has had an annual audit completed and financial statements prepared or filed the financial statement and auditor's opinion on such financial statement with the city secretary, as applicable.

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

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

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

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next

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

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

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

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

**CITY APPLICATION OF TAX CODE . . .** The City grants a local option exemption of \$18,000 to the market value of the residence homestead of persons sixty-five (65) years of age or older. The City does not grant a local option exemption to the residential homestead of the disabled.

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

Ad valorem taxes are not levied by the City against the exempt value of residence homestead for the payment of debt. The City does not tax non-business personal property or non-business vehicles.

The City does not tax Freeport Property.

The City has taken action to tax Goods-in-Transit.

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

The City does not permit split payments for taxpayers over 65 years of age or disabled, and discounts are not allowed.

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

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

**TAX INCREMENT FINANCING ZONE . . .** The City has created multiple tax increment reinvestment zones to support revitalization and development within the City.

*Wichita Falls Reinvestment Zone #2.* On August 16, 2005, the City of Wichita Falls, Texas, with the advice and consent of the Wichita Falls Independent School District and Wichita County, approved the creation of the Wichita Falls Reinvestment Zone #2 ("Zone #2"). Zone #2 is permitted by Article 1066e of the State of Texas Tax Increment Financing Act passed in 1981. The area of Zone #2 is approximately 236 acres and includes the Lawrence Road area of the City. The purpose of Zone #2 is to capture increments of growth in real property values in Zone #2 from base values established on January 1, 2004, and use the ad valorem taxes derived from these increments to contribute to the zoned area. Tax funds derived from the increment can only be spent for public improvements in Zone #2 or for the payment of debt service on bonds issued to provide funds for public improvements. Zone #2 terminates on December 31, 2025, or when all debt has been paid if later. After all costs have been paid at the end of the tax increment financing period, any money remaining is to be remitted to the taxing entities. Since the City Council appoints a majority of its Board, approves its budget, and exercises final authority over its operations, Zone #2 is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit and utilizes full accrual accounting.

*Wichita Falls Reinvestment Zone #3.* On September 1, 2009, the City of Wichita Falls, Texas, with the advice and consent of the Wichita Falls Independent School District and Wichita County, approved the creation of the Wichita Falls Reinvestment Zone #3 ("Zone #3"). Zone #3 is permitted by Article 1066e of the State of Texas Tax Increment Financing Act passed in 1981. The area of Zone #3 is approximately 630 acres and includes a significant portion of the Eastside Neighborhood. The purpose of Zone #3 is to capture increments of growth in real property values in Zone #3 from base values established on January 1, 2009, and use the ad valorem taxes derived from these increments to contribute to Zone #3 area. Tax funds derived from the increment can only be spent for public improvements in Zone #3 or for the payment of debt service on bonds issued to provide funds for public improvements. Zone #3 terminates on December 31, 2029. After all costs have been paid at the end of the tax increment financing period, any money remaining is to be remitted to the taxing entities. Since the City Council appoints a majority of its Board, approves its budget, and exercises final authority over its operations, the Wichita Falls Reinvestment Zone #3 is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. Zone #3 utilizes full accrual accounting.

*Wichita Falls Reinvestment Zone #4.* On March 17, 2015, the City of Wichita Falls, Texas, with the advice and consent of the Wichita Falls Independent School District and Wichita County, approved the creation of the Wichita Falls Reinvestment Zone #4 ("Zone #4"). Zone #4 is permitted by Article 1066e of the State of Texas Tax Increment Financing Act passed in 1981. The area of Zone #4 is approximately 246 acres and includes a significant portion of the downtown area. The purpose of Zone #4 is to capture increments of growth in real property values in Zone #4 from base values established on January 1, 2015, and use the ad valorem taxes derived from these increments to contribute to the zoned area. Tax funds derived from the increment can only be spent for public improvements in Zone #4 or for the payment of debt service on bonds issued to provide funds for public improvements. Zone #4 terminates on December 31, 2035. After all costs have been paid at the end of the tax increment financing period, any money remaining is to be remitted to the taxing entities. Since the City Council appoints a majority of its Board, approves its budget, and exercises final authority over its operations, the Wichita Falls Reinvestment Zone #4 is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. Zone #4 utilizes full accrual accounting.

The City of Wichita Falls Downtown Petroleum Reinvestment Zone (the "Downtown Zone") was established February 18, 2022, with an expiration date of February 18, 2027. The Downtown Zone comprises .69 acres within the City's corporate limits and was created to support a tax abatement agreement with Kate WF LLC ("Kate WF"). In exchange for Kate WF's capital investment related to the renovation of a former hotel to multifamily, the City will abate a percentage of the tax increment within the Downtown Zone. The Downtown Zone has no bonded debt.

The Westlake Reinvestment Zone (the "Westlake Zone") was established on December 19, 2023, and is set to expire on December 18, 2028. The Westlake Zone comprises 53 acres within the City's corporate limits and was created to support a tax abatement agreement with Westlake Pipe and Fitting Corp. ("Westlake Pipe"). In exchange for Westlake Pipe's capital investment to construct a new manufacturing facility and its commitment to create new full-time jobs, the City will abate a percentage of the tax increment within the Westlake Zone over the course of the 10-year agreement. The Westlake Zone has no bonded debt.

The Heart of the Falls Reinvestment Zone (the "Heart of the Falls Zone") is more recently established, beginning June 3, 2025, and expiring June 2, 2030. The Heart of the Falls Zone comprises 56 acres within the City's corporate limits and was created to support the City's tax abatement program for neighborhood revitalization within the Heart of the Falls neighborhood. The City has retained authority to approve projects and abatements within the Heart of the Falls Zone. The Heart of the Falls Zone has no bonded debt.

For the fiscal year ended September 30, 2025, the City abated property taxes totaling \$1,821,442 under this program and received payments in lieu of taxes totaling \$1,726,189.

**CHAPTER 380 AGREEMENTS** . . . The City is currently party to one Chapter 380 Local Government Code agreement with OH-Wichita Falls, LLC, which became effective on July 29, 2021, and is scheduled to expire on July 29, 2041. This agreement encompasses multiple economic development incentives and programs designed to support the project, including a waiver or reduction of hotel occupancy tax, waiver of building permit fees, an economic development performance agreement and associated incentives, a grant of money, a sales tax rebate, and a tax abatement agreement.

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

|   |                   |                         |
|---|-------------------|-------------------------|
| 2025/26 Market Valuation Established by Wichita Appraisal District<br>(excluding totally exempt property) |                   | \$ 11,343,542,702       |
| Less Exemptions/Reductions at 100% Market Value:  |                   |                         |
| Local Option Over 65 Homestead Exemptions   | \$150,033,201     |                         |
| Disabled Veterans Exemptions  | 305,532,714       |                         |
| Productivity Loss   | 33,239,909        |                         |
| Abatement   | 18,972,294        |                         |
| Child Care Facility   | 2,548,074         |                         |
| Community Housing   | 7,047,000         |                         |
| Freeport Exemptions   | 34,920,915        |                         |
| Pollution Control Exemptions  | 1,595,394         |                         |
| Personal Property Vehicle   | 2,649,594         |                         |
| Solar Exemptions  | 27,428,010        |                         |
| Circuit Breaker Limitation  | 59,298,668        |                         |
| Homestead Cap Adjustment  | 74,432,061        | 3,386,033,197           |
| 2025/26 Taxable Assessed Valuation  | <u>74,432,061</u> | <u>\$ 7,957,509,505</u> |
| <br>  |                   |                         |
| City Funded Debt Payable from Ad Valorem Taxes  |                   |                         |
| General Obligation Debt Outstanding as of 9/30/25   | \$ 57,095,000     |                         |
| The Certificates <sup>(1)</sup>   | 25,300,000        |                         |
| City Funded Debt Payable from Ad Valorem Taxes  |                   | \$ 82,395,000           |
| <br>  |                   |                         |
| Less: Self-Supporting General Obligation Debt <sup>(2)</sup>  |                   |                         |
| Water and Sewer   | \$ 30,405,000     |                         |
| Storm Water   | 386,750           |                         |
| West Texas Utility  | 930,000           |                         |
| Airport   | 4,659,424         |                         |
| 4B Sales Tax Corporation <sup>(3)</sup>   | 21,538,374        |                         |
| Economic Development Corporation  | 972,912           |                         |
| Federal Aviation Grant  | <u>1,876,805</u>  | <u>\$ 60,769,265</u>    |
| <br>  |                   |                         |
| Net General Obligation Debt Payable from Ad Valorem Taxes <sup>(4)</sup>                                  |                   | \$ 21,625,735           |
| <br>  |                   |                         |
| General Obligation Interest and Sinking Fund as of 9/30/25  |                   | \$ 1,370,151            |
| <br>  |                   |                         |
| Net Funded Debt Payable from Ad Valorem Taxes as of 9/30/25 <sup>(4)</sup>                                |                   | \$ 20,255,584           |
| <br>  |                   |                         |
| Ratio of Net General Obligation Debt to Taxable Assessed Valuation <sup>(4)</sup>                         |                   | 0.27%                   |

**2026 Estimated Population - 102,317**  
**Per Capita Taxable Assessed Valuation - \$77,773**  
**Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$211**

(1) Preliminary, subject to change.

(2) It is the City's current policy to pay such self-supporting debt from the respective revenue sources; this policy is subject to change in the future, although the City has no current plans to change its policy. In the event the City changes its policy, or if such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy and ad-valorem tax to pay such debt service (see Tables 1 and 10 herein for more detailed information on the City's general obligation self-supporting debt).

(3) Includes a portion of the Certificates. Preliminary, subject to change.

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

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

| Category                                  | Taxable Appraised Value for Fiscal Year Ended September 30, |               |                         |               |                         |               |
|---|---|---------------|-------------------------|---------------|-------------------------|---------------|
|   | 2026  |               | 2025                    |               | 2024                    |               |
|   | Amount  | % of Total    | Amount                  | % of Total    | Amount                  | % of Total    |
| Real, Residential, Single-Family          | \$ 5,517,314,957  | 48.64%        | \$ 5,390,167,928        | 48.93%        | \$ 5,172,068,931        | 49.72%        |
| Real, Residential, Multi-Family           | 419,414,874   | 3.70%         | 410,093,235             | 3.72%         | 391,585,614             | 3.76%         |
| Real, Vacant Lots/Tracts                  | 79,526,785  | 0.70%         | 65,225,879              | 0.59%         | 53,216,170              | 0.51%         |
| Real, Acreage (Land Only)                 | 35,138,030  | 0.31%         | 34,671,563              | 0.31%         | 31,979,297              | 0.31%         |
| Real, Farm and Ranch Improvements         | 21,948,034  | 0.19%         | 18,649,844              | 0.17%         | 18,432,587              | 0.18%         |
| Real, Commercial                          | 1,423,976,962   | 12.55%        | 1,357,128,731           | 12.32%        | 1,250,113,360           | 12.02%        |
| Real, Industrial                          | 69,609,378  | 0.61%         | 65,574,872              | 0.60%         | 63,931,471              | 0.61%         |
| Real, Oil, Gas and Other Mineral Reserves | 910,770   | 0.01%         | 1,191,100               | 0.01%         | 1,198,320               | 0.01%         |
| Real and Tangible Personal, Utilities     | 248,458,476   | 2.19%         | 222,881,252             | 2.02%         | 205,756,615             | 1.98%         |
| Tangible Personal, Commercial             | 596,416,186   | 5.26%         | 585,395,732             | 5.31%         | 552,438,533             | 5.31%         |
| Tangible Personal, Industrial             | 188,112,821   | 1.66%         | 194,725,318             | 1.77%         | 200,966,493             | 1.93%         |
| Tangible Personal, Mobile Homes           | 8,176,645   | 0.07%         | 8,286,143               | 0.08%         | 8,279,052               | 0.08%         |
| Real, Property Inventory                  | 13,334,207  | 0.12%         | 11,174,299              | 0.10%         | 11,683,850              | 0.11%         |
| Special Inventory                         | 36,142,797  | 0.32%         | 36,888,372              | 0.33%         | 39,063,350              | 0.38%         |
| Totally Exempt Property                   | <u>2,685,061,780</u>  | <u>23.67%</u> | <u>2,613,347,857</u>    | <u>23.72%</u> | <u>2,401,760,727</u>    | <u>23.09%</u> |
| Total Appraised Value Before Exemptions   | \$ 11,343,542,702   | 100.00%       | \$ 11,015,402,125       | 100.00%       | \$ 10,402,474,370       | 100.00%       |
| Less: Total Exemptions/Reductions         | <u>(3,386,033,197)</u>                                      |               | <u>(3,344,138,266)</u>  |               | <u>(3,182,682,093)</u>  |               |
| Taxable Assessed Value                    | <u>\$ 7,957,509,505</u>                                     |               | <u>\$ 7,671,263,859</u> |               | <u>\$ 7,219,792,277</u> |               |

| Category                                  | Taxable Appraised Value for Fiscal Year Ended September 30, |               |                         |               |
|---|---|---------------|-------------------------|---------------|
|   | 2023  |               | 2022                    |               |
|   | Amount  | % of Total    | Amount                  | % of Total    |
| Real, Residential, Single-Family          | \$ 4,743,915,089  | 50.96%        | \$ 3,813,624,618        | 48.11%        |
| Real, Residential, Multi-Family           | 361,043,616   | 3.88%         | 299,868,932             | 3.78%         |
| Real, Vacant Lots/Tracts                  | 46,956,538  | 0.50%         | 46,648,148              | 0.59%         |
| Real, Acreage (Land Only)                 | 29,178,340  | 0.31%         | 26,827,812              | 0.34%         |
| Real, Farm and Ranch Improvements         | 16,001,297  | 0.17%         | 11,904,912              | 0.15%         |
| Real, Commercial                          | 1,133,224,933   | 12.17%        | 1,049,491,803           | 13.24%        |
| Real, Industrial                          | 53,169,781  | 0.57%         | 47,741,929              | 0.60%         |
| Real, Oil, Gas and Other Mineral Reserves | 909,960   | 0.01%         | 462,200                 | 0.01%         |
| Real and Tangible Personal, Utilities     | 219,790,060   | 2.36%         | 202,565,910             | 2.56%         |
| Tangible Personal, Commercial             | 515,586,329   | 5.54%         | 477,067,021             | 6.02%         |
| Tangible Personal, Industrial             | 171,295,432   | 1.84%         | 152,518,879             | 1.92%         |
| Tangible Personal, Mobile Homes           | 6,586,774   | 0.07%         | 4,374,654               | 0.06%         |
| Real, Property Inventory                  | 8,977,699   | 0.10%         | 8,169,729               | 0.10%         |
| Special Inventory                         | 37,956,973  | 0.41%         | 31,883,311              | 0.40%         |
| Totally Exempt Property                   | <u>1,964,693,766</u>  | <u>21.10%</u> | <u>1,753,482,122</u>    | <u>22.12%</u> |
| Total Appraised Value Before Exemptions   | \$ 9,309,286,587  | 100.00%       | \$ 7,926,631,980        | 100.00%       |
| Less: Total Exemptions/Reductions         | <u>(2,712,738,176)</u>                                      |               | <u>(2,118,648,645)</u>  |               |
| Taxable Assessed Value                    | <u>\$ 6,596,548,411</u>                                     |               | <u>\$ 5,807,983,335</u> |               |

NOTE: Valuations shown are certified taxable assessed values reported by the Wichita 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 9/30 | Estimated Population <sup>(1)</sup> | Taxable Assessed Valuation <sup>(2)</sup> | G.O. Tax Debt Outstanding at End of Year <sup>(3)</sup> | Taxable Assessed Valuation Per Capita | Ratio of G.O. Tax Debt to Taxable Assessed Valuation | G.O. Tax Debt Per Capita |
|------------------------|-------------------------------------|---|---|---------------------------------------|--|--------------------------|
| 2022                   | 104,568                             | \$ 5,807,983,335                          | \$ 74,450,000   | \$ 55,543                             | 1.28%  | \$ 712                   |
| 2023                   | 104,568                             | 6,596,548,411                             | 68,830,000  | 63,084                                | 1.04%  | 658                      |
| 2024                   | 102,664                             | 7,219,792,277                             | 63,045,000  | 70,324                                | 0.87%  | 614                      |
| 2025                   | 102,691                             | 7,671,263,859                             | 57,095,000  | 74,702                                | 0.74%  | 556                      |
| 2026                   | 102,317                             | 7,957,509,505                             | 76,625,000 <sup>(3)</sup>                               | 77,773 <sup>(3)</sup>                 | 0.96%  | 749 <sup>(3)</sup>       |

(1) Source: City of Wichita Falls.

(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) Projected, subject to change. Includes the Certificates. Includes self-supporting debt (see "Table 1 - Valuation, Exemptions and General Obligation Debt" and "Table 10 - Computation of Self-Supporting Debt").

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

| Fiscal Year Ended 9/30 | Tax Rate    | General Fund | Interest and Sinking Fund | Tax Levy                  | % Current Collections | % Total Collections   |
|------------------------|-------------|--------------|---------------------------|---------------------------|-----------------------|-----------------------|
| 2022                   | \$ 0.760928 | \$ 0.726565  | \$ 0.034363               | \$ 44,194,571             | 98.26%                | 99.00%                |
| 2023                   | 0.694321    | 0.661579     | 0.032742                  | 45,798,161                | 98.01%                | 98.77%                |
| 2024                   | 0.680000    | 0.649853     | 0.030147                  | 46,204,569                | 97.88%                | 98.74%                |
| 2025                   | 0.684800    | 0.658533     | 0.026267                  | 54,461,191                | 97.95%                | 97.95%                |
| 2026                   | 0.682500    | 0.656727     | 0.025773                  | 53,495,352 <sup>(1)</sup> | 97.27% <sup>(2)</sup> | 97.27% <sup>(2)</sup> |

(1) Calculated.

(2) Partial year collections as of March 1, 2026.

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**TABLE 5 - TEN LARGEST TAXPAYERS**

| Name of Taxpayer                | Nature of Property   | 2025/26<br>Taxable<br>Assessed<br>Valuation | % of Total<br>Taxable<br>Assessed<br>Valuation |
|---------------------------------|----------------------|---|--|
| Oncor Electric Delivery         | Electric Utility     | \$ 72,023,830                               | 0.91%  |
| Atmos Energy Mid TX Dist        | Utility              | 66,061,300                                  | 0.83%  |
| Arbor Creek Apartments LLC      | Real Estate          | 24,902,900                                  | 0.31%  |
| Warren Power                    | Industrial Equipment | 22,650,000                                  | 0.28%  |
| Wal-Mart Stores East Inc.       | Retail Store         | 22,459,100                                  | 0.28%  |
| North American Pipe Corp        | Industrial Supplies  | 21,868,735                                  | 0.27%  |
| Winfield Solutions LLC          | Agriculture Products | 21,713,293                                  | 0.27%  |
| Wal-Mart Stores Texas LP        | Retail Store         | 20,002,895                                  | 0.25%  |
| Kell West Regional Hospital LLC | Medical Center       | 17,091,419                                  | 0.21%  |
| Quail Creek Crossing LTD        | Shopping Center      | 17,091,000                                  | 0.21%  |
|                                 |                      | <u>\$ 305,864,472</u>                       | <u>3.84%</u>                                   |

**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**

|   |             |
|---|-------------|
| Projected Maximum Principal and Interest Requirements, All General Obligation Debt, 2027 <sup>(1)</sup><br>\$0.1015 Tax Rate at 98% Collection Produces | \$7,913,561 |
| Projected Maximum Principal and Interest Requirements, Net General Funded Debt, 2026 <sup>(2)</sup><br>\$0.0272 Tax Rate at 98% Collection Produces     | \$2,119,264 |

- (1) Includes the Certificates and self-supporting debt (see "Table 1 - Valuation, Exemptions and General Obligation Debt" and "Table 10 - Computation of Self-Supporting Debt"). Preliminary, subject to change. Calculations are based on certified 2025 tax roll.
- (2) Includes the Certificates but excludes self-supporting debt. Preliminary, subject to change.

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**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 bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas and from information furnished by the Appraisal District. 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 bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

| Issuer Name                                   | Debt Amount <sup>(1)</sup> | As Of Date | Percent Overlap | Overlap Amount                |
|---|----------------------------|------------|-----------------|-------------------------------|
| Burkburnett ISD                               | \$ 22,015,000              | 2/28/2026  | 16.92%          | \$ 3,724,938                  |
| City View ISD                                 | 12,143,576                 | 2/28/2026  | 93.77%          | 11,387,030                    |
| Iowa Park CISD                                | 24,115,000                 | 2/28/2026  | 1.70%           | 409,955                       |
| Wichita County                                | 53,525,000                 | 2/28/2026  | 71.77%          | 38,414,893                    |
| Wichita Falls ISD                             | 282,350,000                | 2/28/2026  | 96.13%          | 271,423,055                   |
| Total Overlapping Debt:                       |                            |            |                 | \$ 325,359,871                |
| Wichita Falls, City of:                       |                            |            |                 | \$ 80,745,000 <sup>(2)</sup>  |
| Total Direct and Overlapping Debt:            |                            |            |                 | \$ 406,104,871 <sup>(2)</sup> |
| Total Direct and Overlapping Debt % of A.V.:  |                            |            |                 | 5.10%                         |
| Total Direct and Overlapping Debt per Capita: |                            |            |                 | \$ 3,969                      |

(1) Source: Municipal Advisory Council of Texas. Includes the Certificates and self-supporting General Obligation Debt (see "Table 1 - Valuation, Exemptions and General Obligation Debt" and "Table 10 - Computation of Self-Supporting Debt"). Preliminary, subject to change. Includes the Certificates.

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

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**DEBT INFORMATION**

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

| Fiscal Year Ended | Outstanding Debt Service <sup>(1)</sup> |               | Plus: The Certificates |               | Total Debt Service <sup>(2)</sup> | Water and Sewer Self-Supporting Requirements | Storm Water Supporting Requirements | West Texas Utility Supporting Requirements | Airport Supporting Requirements | 4B Sales Tax Corporation Supporting Requirements <sup>(2)</sup> | Economic Development Corporation Supporting Requirements | Federal Aviation Grant Supporting Requirements | Total Debt Less Self-Supporting Requirements <sup>(2)</sup> | % of Total Outstanding Principal Retired <sup>(2)</sup> |
|-------------------|---|---------------|------------------------|---------------|-----------------------------------|--|-------------------------------------|--|---------------------------------|---|--|--|---|---|
|                   | Principal                               | Interest      | Principal              | Interest      |                                   |  |                                     |  |                                 |   |  |  |   |   |
| 2026              | \$ 5,770,000                            | \$ 1,564,985  | \$ -                   | \$ -          | \$ 7,334,985                      | \$ 2,341,554                                 | \$ 406,088                          | \$ 154,800                                 | \$ 570,882                      | \$ 1,332,333  | \$ 140,000   | \$ 270,065                                     | \$ 2,119,263  |   |
| 2027              | 4,500,000                               | 1,364,617     | 545,000                | 1,503,944     | 7,913,561                         | 2,340,623                                    | -                                   | 287,200                                    | 569,081                         | 2,204,900   | 140,000  | 270,065  | 2,101,692   |   |
| 2028              | 4,615,000                               | 1,242,034     | 810,000                | 1,237,750     | 7,904,784                         | 2,335,041                                    | -                                   | 286,600                                    | 571,382                         | 2,201,200   | 140,000  | 270,065  | 2,100,496   |   |
| 2029              | 4,745,000                               | 1,113,825     | 850,000                | 1,197,250     | 7,906,075                         | 2,337,281                                    | -                                   | 285,600                                    | 672,429                         | 2,201,700   | 140,000  | 270,065  | 1,999,000   |   |
| 2030              | 4,130,000                               | 991,879       | 895,000                | 1,154,750     | 7,171,629                         | 2,342,336                                    | -                                   | -  | 669,729                         | 1,745,400   | 140,000  | 270,065  | 2,004,099   | 32.60%  |
| 2031              | 4,235,000                               | 878,545       | 940,000                | 1,110,000     | 7,163,545                         | 2,334,239                                    | -                                   | -  | 670,891                         | 1,742,800   | 140,000  | 270,065  | 2,005,550   |   |
| 2032              | 4,150,000                               | 761,234       | 985,000                | 1,063,000     | 6,959,234                         | 2,335,065                                    | -                                   | -  | 670,753                         | 1,540,000   | 140,000  | 270,065  | 2,003,351   |   |
| 2033              | 4,260,000                               | 646,146       | 1,035,000              | 1,013,750     | 6,954,896                         | 2,333,014                                    | -                                   | -  | 669,317                         | 1,540,000   | 140,000  | 270,065  | 2,002,500   |   |
| 2034              | 2,135,000                               | 525,532       | 1,085,000              | 962,000       | 4,707,532                         | 1,444,782                                    | -                                   | -  | -                               | 1,400,000   | -  | -  | 1,862,750   |   |
| 2035              | 2,200,000                               | 464,341       | 1,140,000              | 907,750       | 4,712,091                         | 1,448,191                                    | -                                   | -  | -                               | 1,400,000   | -  | -  | 1,863,900   | 59.50%  |
| 2036              | 2,255,000                               | 400,649       | 1,200,000              | 850,750       | 4,706,399                         | 1,440,699                                    | -                                   | -  | -                               | 1,400,000   | -  | -  | 1,865,700   |   |
| 2037              | 2,325,000                               | 334,507       | 1,255,000              | 790,750       | 4,705,257                         | 1,447,357                                    | -                                   | -  | -                               | 1,400,000   | -  | -  | 1,857,900   |   |
| 2038              | 2,390,000                               | 265,912       | 1,320,000              | 728,000       | 4,703,912                         | 1,443,162                                    | -                                   | -  | -                               | 1,400,000   | -  | -  | 1,860,750   |   |
| 2039              | 1,260,000                               | 183,148       | 1,385,000              | 662,000       | 3,490,148                         | 1,443,148                                    | -                                   | -  | -                               | 1,400,000   | -  | -  | 647,000   | 79.08%  |
| 2040              | 1,285,000                               | 157,250       | 1,455,000              | 592,750       | 3,490,000                         | 1,442,250                                    | -                                   | -  | -                               | 1,400,000   | -  | -  | 647,750   |   |
| 2041              | 1,310,000                               | 130,455       | 1,530,000              | 520,000       | 3,490,455                         | 1,440,455                                    | -                                   | -  | -                               | 1,400,000   | -  | -  | 650,000   |   |
| 2042              | 1,340,000                               | 102,761       | 1,605,000              | 443,500       | 3,491,261                         | 1,442,761                                    | -                                   | -  | -                               | 1,400,000   | -  | -  | 648,500   |   |
| 2043              | 1,370,000                               | 74,238        | 1,685,000              | 363,250       | 3,492,488                         | 1,444,238                                    | -                                   | -  | -                               | 1,400,000   | -  | -  | 648,250   |   |
| 2044              | 1,395,000                               | 44,997        | 1,770,000              | 279,000       | 3,488,997                         | 1,439,997                                    | -                                   | -  | -                               | 1,400,000   | -  | -  | 649,000   | 97.63%  |
| 2045              | 1,425,000                               | 15,105        | 1,860,000              | 190,500       | 3,490,605                         | 1,440,105                                    | -                                   | -  | -                               | 1,400,000   | -  | -  | 650,500   | 100.00%   |
| 2046              | -                                       | -             | 1,950,000              | 97,500        | 2,047,500                         | -  | -                                   | -  | -                               | 1,400,000   | -  | -  | 647,500   |   |
|                   | \$ 57,095,000                           | \$ 11,262,160 | \$ 25,300,000          | \$ 15,668,194 | \$ 109,325,354                    | \$ 36,016,298                                | \$ 406,088                          | \$ 1,014,200                               | \$ 5,064,464                    | \$ 32,708,333   | \$ 1,120,000   | \$ 2,160,520                                   | \$ 30,835,451   |   |

(1) Outstanding Debt includes self-supporting debt. Preliminary, subject to change.

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

**TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION**

|  |    |           |                     |
|--|----|-----------|---------------------|
| Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/26 <sup>(1)</sup> |    | \$        | 2,119,264           |
| Interest and Sinking Fund Balance, Fiscal Year Ending 9/30/25                      | \$ | 1,370,151 |                     |
| Budgeted I&S Tax Levy  | \$ | 2,019,468 |                     |
| Budgeted Interest Income   | \$ | 198,372   | \$ 3,587,991        |
| Estimated Balance, Fiscal Year Ending 9/30/26                                      |    |           | <u>\$ 1,468,727</u> |

(1) Includes the Certificates but excludes Self-Supporting Debt. Preliminary, subject to change.

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

|   |  |    |                   |
|---|--|----|-------------------|
| <b>Waterworks and Sewer System (Fiscal Year Ending 9/30/25)</b>       |  |    |                   |
| Revenue Available for Debt from Waterworks and Sewer System Fund:     |  | \$ | 24,060,097        |
| Less: Revenue Bond Requirements                                       |  | \$ | 10,312,000        |
| Balance Available for Other Purposes                                  |  | \$ | 13,748,097        |
| Waterworks and Sewer System Fund General Obligation Bond Requirements |  | \$ | 2,341,554         |
| TOTAL   |  | \$ | <u>11,406,543</u> |
| <b>Storm Water System (Fiscal Year Ending 9/30/25)</b>                |  |    |                   |
| Revenue Available for Debt from Storm Water System Fund:              |  | \$ | 3,791,664         |
| Less: Revenue Bond Requirements                                       |  | \$ | -                 |
| Balance Available for Other Purposes                                  |  | \$ | 3,791,664         |
| Storm Water System Fund General Obligation Bond Requirements          |  | \$ | 406,087           |
| TOTAL   |  | \$ | <u>3,385,577</u>  |
| <b>West Texas Utility System (Fiscal Year Ending 9/30/25)</b>         |  |    |                   |
| Revenue Available for Debt from West Texas Utility System Fund:       |  | \$ | 500,000           |
| Less: Revenue Bond Requirements                                       |  | \$ | -                 |
| Balance Available for Other Purposes                                  |  | \$ | 500,000           |
| West Texas Utility System Fund General Obligation Bond Requirements   |  | \$ | 154,800           |
| TOTAL   |  | \$ | <u>345,200</u>    |
| <b>Airport System (Fiscal Year Ending 9/30/25)</b>                    |  |    |                   |
| Revenue Available for Debt from Airport System Fund:                  |  | \$ | 1,963,306         |
| Less: Revenue Bond Requirements                                       |  | \$ | -                 |
| Balance Available for Other Purposes                                  |  | \$ | 1,963,306         |
| Airport System Fund General Obligation Bond Requirements              |  | \$ | 570,882           |
| TOTAL   |  | \$ | <u>1,392,424</u>  |
| <b>4B Sales Tax Corporation (Fiscal Year Ending 9/30/25)</b>          |  |    |                   |
| Revenue Available for Debt from 4B Sales Tax Corporation Fund:        |  | \$ | 6,151,441         |
| Less: Revenue Bond Requirements                                       |  | \$ | 947,699           |
| Balance Available for Other Purposes                                  |  | \$ | 5,203,742         |
| 4B Sales Tax Corporation General Obligation Bond Requirements         |  | \$ | 1,332,333         |
| TOTAL   |  | \$ | <u>3,871,409</u>  |

**Economic Development Corporation (Fiscal Year Ending 9/30/25)**

|  |                     |
|--|---------------------|
| Revenue Available for Debt from Economic Development Corporation Fund:       | \$ 8,209,755        |
| Less: Revenue Bond Requirements  | \$ 518,200          |
| Balance Available for Other Purposes   | \$ 7,691,555        |
| <u>Economic Development Corporation General Obligation Bond Requirements</u> | <u>\$ 140,000</u>   |
| TOTAL  | <u>\$ 7,551,555</u> |

**Aviation Grant System (Fiscal Year Ending 9/30/25)**

|  |                     |
|--|---------------------|
| Revenue Available for Debt from Aviation Grant System Fund:            | \$ 2,152,579        |
| Less: Revenue Bond Requirements  | \$ -                |
| Balance Available for Other Purposes                                   | \$ 2,152,579        |
| <u>Aviation Grant System Fund General Obligation Bond Requirements</u> | <u>\$ 270,065</u>   |
| TOTAL  | <u>\$ 1,882,514</u> |

- (1) If at any time the City elects to discontinue transfers to pay the debt service on the Obligations, ad valorem taxes will be assessed to pay the debt service on the obligations.
- (2) Source: City Staff

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

As of March 1, 2026, the City has no authorized but unissued general obligation bonds.

**ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . .** The City does not anticipate issuing additional debt in the next 12 months.

**TABLE 12 - OTHER OBLIGATIONS**

**LOANS FROM DIRECT BORROWINGS**

*Banc of America Public Capital Corp. - Water Meters*

The City entered into a financing agreement in 2016 to finance the replacement of all of the City-state meters. The total amount financed was \$16,506,103. These assets are listed under Buildings, systems and improvements in Business-type Activities. The agreement carries an interest rate of 3.23% and is for a period of 20 years, with final payment due in fiscal year 2036.

*Signature Public Funding Corp. - Fire Equipment*

The City issued a financing agreement in 2022 for the purchase of fire department equipment in the amount of \$9,920,692. These assets are listed under Motor vehicles in Business-type Activities. This agreement carries an interest rate of 1.78% and is for a period of 11 years with final payment due in fiscal year 2034.

*AMERESCO Inc. - Street Lights*

The City entered into a financing agreement in 2018 to finance the conversion of the City's streetlights to more energy-efficient LED lights. These assets are listed under Infrastructure in Governmental Activities. This agreement carries an interest rate of 3.45% and is for a period of 15 years, with final payment due in fiscal year 2034.

| Year Ending<br>September 30, | Governmental Activities |            |              | Business-Type Activities |              |               |
|------------------------------|-------------------------|------------|--------------|--------------------------|--------------|---------------|
|                              | Principal               | Interest   | Total        | Principal                | Interest     | Total         |
| 2026                         | \$ 181,570              | \$ 70,385  | \$ 251,955   | \$ 1,772,597             | \$ 503,207   | \$ 2,275,804  |
| 2027                         | 196,742                 | 63,992     | 260,734      | 1,682,463                | 457,957      | 2,140,420     |
| 2028                         | 212,710                 | 57,069     | 269,779      | 1,587,380                | 418,628      | 2,006,008     |
| 2029                         | 229,510                 | 49,588     | 279,098      | 1,664,126                | 379,852      | 2,043,978     |
| 2030                         | 2,471,778               | 41,520     | 2,513,298    | 1,744,164                | 338,805      | 2,082,969     |
| 2031-2035                    | 1,016,369               | 72,574     | 1,088,943    | 10,290,135               | 931,630      | 11,221,765    |
| 2036-2040                    | -                       | -          | -            | 809,099                  | 13,066       | 822,165       |
| TOTAL                        | \$ 4,308,679            | \$ 355,128 | \$ 4,663,807 | \$ 19,549,964            | \$ 3,043,145 | \$ 22,593,109 |

## LEASES

The Regional Airport facilities are located on land at Sheppard Air Force Base. The land is leased from the Department of the Air Force for a period of fifty years, beginning May 15, 2009 and expiring May 14, 2059. The lease payment increases by 3% per year with a final lease payment of \$157,805 in 2058. The total value of assets under this agreement was \$3,066,768, with accumulated amortization of \$954,453 as of September 30, 2025. An interest rate of 1% is imputed for this lease agreement.

The City entered into a right-to-use lease in 2024 for body-worn camera equipment. The agreement called for annual payments over the 5-year term of the agreement totaling \$1,559,273. The total value of assets under this agreement was \$1,430,641, with accumulated amortization of \$559,393 as of September 30, 2025. An interest rate of 4.5% is imputed for this lease agreement.

| Year Ending<br>September 30, | Governmental Activities |                  |                   | Business-Type Activities |                |                     |
|------------------------------|-------------------------|------------------|-------------------|--------------------------|----------------|---------------------|
|                              | Principal               | Interest         | Total             | Principal                | Interest       | Total               |
| 2026                         | \$ 273,277              | \$ 38,578        | \$ 311,855        | \$ 33,400                | \$ 27,882      | \$61,282            |
| 2027                         | 285,575                 | 26,280           | 311,855           | 35,572                   | 27,548         | 63,120              |
| 2028                         | 298,426                 | 13,429           | 311,855           | 37,822                   | 27,192         | 65,014              |
| 2029                         | -                       | -                | -                 | 40,150                   | 26,814         | 66,964              |
| 2030                         | -                       | -                | -                 | 42,561                   | 26,412         | 68,973              |
| 2031-2035                    | -                       | -                | -                 | 252,006                  | 125,165        | 377,171             |
| 2036-2040                    | -                       | -                | -                 | 326,112                  | 111,132        | 437,244             |
| 2041-2045                    | -                       | -                | -                 | 413,754                  | 93,132         | 506,886             |
| 2046-2050                    | -                       | -                | -                 | 517,176                  | 70,444         | 587,620             |
| 2051-2055                    | -                       | -                | -                 | 638,985                  | 42,229         | 681,214             |
| 2056-2058                    | -                       | -                | -                 | 450,627                  | 9,133          | 459,760             |
| <b>TOTAL</b>                 | <b>\$ 857,278</b>       | <b>\$ 78,287</b> | <b>\$ 935,565</b> | <b>\$ 2,788,165</b>      | <b>587,083</b> | <b>\$ 3,375,248</b> |

## SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The City has multiple subscription-based information technology agreements (SBITAs). An interest rate of 4.50% has been used in calculating the total present value of the agreements at inception, as well as annual interest expense on each agreement.

### Aqua-Metric Sales Co. - Automated Meter Reading System

The City entered into a SBITA in 2016 for software related to an automated water meter reading system. The agreement called for annual payments over the 10-year term of the agreement totaling \$771,061.

### Patagonia Health Inc. - Electronic Health Record Software

The City entered into a SBITA in 2023 for electronic health record software for use by the Health Department. This agreement includes 58 monthly payments of \$3,870 in addition to implementation costs of \$41,325, for total payments of \$265,785.

### UB Holdings, LLC - Venue Ops Software for MPEC

The City entered into a SBITA in 2024 for software for use by the MPEC. This agreement includes 3 annual payments totaling \$76,850.

### Hedgerow Software US, Inc. - Environmental Software for Health Department

The City entered into a SBITA in 2024 for software for use by the Health Department. This agreement includes 5 annual payments each of \$42,000 in addition to implementation costs of \$40,000, for total payments of \$250,000.

| Year Ending<br>September 30, | Governmental Activities |                 |                  |
|------------------------------|-------------------------|-----------------|------------------|
|                              | Principal               | Interest        | Total            |
| 2026                         | \$186,546               | \$17,504        | \$204,050        |
| 2027                         | 79,330                  | 9,109           | 88,439           |
| 2028                         | 82,901                  | 5,539           | 88,440           |
| 2029                         | 40,192                  | 1,808           | 42,000           |
| <b>TOTAL</b>                 | <b>\$388,969</b>        | <b>\$33,960</b> | <b>\$422,929</b> |

Contract Commitment with West Texas Utilities Company

In 1977, the City and Wichita County Water Improvement District Number 2 entered into a sixty-year contract with the West Texas Utilities Company (Company) and agreed to provide an adequate water supply for the Company’s use in generating power upon completion of the Company’s construction of a power plant adjacent to the Lake Kemp-Lake Diversion System. The significant terms of the contract provide for standby charges to be paid to the City and the Wichita County Water Improvement District Number 2 in equal amounts. Minimum charges for the calendar year 1997 and all years thereafter until the end of contract are \$500,000 per year. For water actually consumed, the Company shall pay the City and Wichita County Water Improvement District Number 2 equally, at the base rate of \$0.23 per one thousand gallons, which is adjusted annually. The rate for the year ended September 30, 2025, was \$0.404046 per one thousand gallons. This contract can be terminated at any time by the Company. If the contract is terminated, the Company is required to make a maximum termination payment equal to the minimum charges which would have become due and payable during the following twenty-four month period. In December 2021, this contract was assumed by Oklaunion Industrial Park, LLC.

**RETIREMENT PLANS**

Eligible City employees participate in one of two pension plans. Eligible firefighters participate in the Wichita Falls Firemen’s Relief and Retirement Fund ("WFFRRF"). All other eligible employees participate in the Texas Municipal Retirement System ("TMRS"). The table below summarizes the amounts reported by the City for each plan as of September 30, 2025. Detailed information for each plan follows.

|                                | TMRS         | WFFRRF       | TOTAL         |
|--------------------------------|--------------|--------------|---------------|
| Net pension liability          | \$42,767,111 | \$61,396,284 | \$104,163,395 |
| Deferred outflows of resources | 10,887,794   | 10,490,428   | 21,378,222    |
| Deferred inflows of resources  | 4,140,817    | 19,999,002   | 24,139,819    |
| Pension expense                | 9,148,683    | 5,259,245    | 14,407,928    |

Texas Municipal Retirement System

The City participates as one of more than 940 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available Annual Comprehensive Financial Report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the City Council, within the options available in the governing state statutes of TMRS. At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

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

|  |       |
|--|-------|
| Inactive employees or beneficiaries currently receiving benefits | 808   |
| Inactive employees entitled to but not yet receiving benefits    | 626   |
| Active employees   | 1,033 |

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the participating city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the participating 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees of the City are required to contribute 7% of their annual gross earnings. The contribution rates for the City were 16.18% and 16.5% in calendar

years 2024 and 2025, respectively. The City’s contributions to TMRS for the year ended September 30, 2025, were \$10,323,019, and were equal to the required contributions.

The City’s Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5% per year  |
| Overall Payroll Growth    | 2.75% per year   |
| Investment Rate of Return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2020 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on the fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. The long-term expected rate of return on pension plan investments is 6.75%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, TMRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic 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 Equities                  | 35%               | 7.70%   |
| Core Fixed Income                | 6%                | 4.90%   |
| Non-Core Fixed Income            | 20%               | 8.70%   |
| Other Public and Private Markets | 12%               | 8.10%   |
| Real Estate                      | 12%               | 5.80%   |
| Absolute Return                  | 5%                | 6.90%   |
| Private Equity                   | 10%               | 11.80%  |
| TOTAL                            | 100%              |   |

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

For the year ended September 30, 2025, the City recognized pension expense of \$9,148,683 related to its participation in TMRS.

Wichita Falls Firemen’s Relief and Retirement Fund

The Wichita Falls Firemen’s Relief and Retirement Fund was established and is controlled through various State of Texas legislative enactments. This Fund is administered locally by a seven-member board, independent of the City Council. The seven-member Board of Trustees, composed of the Mayor, the Director of Finance from the City’s Finance Department, three firefighters elected by a majority vote of the firefighters and two citizens, who are not employees or officers of the City and are chosen by the unanimous vote of the first five Trustees, are subject to the administrative supervision of and report to the State Firemen’s Pension

Board. The stand-alone financial report for the Firemen’s Relief and Retirement Fund can be obtained from the City’s Director of Finance/CFO at 1300 7th Street, Wichita Falls, Texas.

Benefits are determined on a "formula" or a "final salary" plan. A firefighter who qualifies for a retirement benefit will receive monthly retirement equal to 2.55% (2.50% for those hired after April 20, 2016) of the firefighter’s average salary, multiplied by the member’s years of credited service. Benefits are calculated based upon a member’s average salary for the 78 consecutive biweekly pay periods which produce the highest average.

Members hired prior to April 21, 2016 can receive a service retirement at ages 50 and above with 20 or more years of service. Members hired after April 20, 2016 can receive a service retirement at ages 55 and above with 20 or more years of service. Members are eligible for actuarially reduced early retirement benefits before the applicable retirement age, provided the employee has accrued at least 20 years of service. The plan also provides death and disability benefits. Members who terminate their service and are nonvested are entitled to the excess of the member’s contributions over any benefits previously received.

The valuations used for this plan are based on a valuation performed as of January 1, 2024.

Plan membership as of January 1, 2025:

|  |     |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 148 |
| Inactive employees entitled to but not yet receiving benefits    | 6   |
| Active employees   | 154 |

The contribution rate for the firefighters is 13% and the City contributes 16.5%. Both the firefighters and City make contributions bi-weekly. Contribution requirements are not actuarially determined, however, state law requires that each plan of benefits adopted by the Fund must be approved by a qualified actuary. The actuary certifies that the contribution commitments by the firefighters and the City provide an adequate financing arrangement. Using the individual entry age normal cost method, the plan’s normal cost is determined as a percentage of payroll. The City’s contributions to the Plan for the year ended September 30, 2025, were \$3,533,237, which exceeded required contributions by \$1,000,000 as the City funded an additional contribution of \$1,000,000 in December 2024.

The Total Pension Liability in the January 1, 2024, actuarial valuation was determined using the following actuarial assumptions:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5% per year  |
| Salary Increases          | Service-based  |
| Discount Rate             | 5.67% per year   |
| Investment Rate of Return | 7.75%, net of pension plan investment expense, including inflation |

Mortality rates for employee and healthy annuitant combined rates were taken from the PubS-2010 Mortality Tables. The mortality assumptions for all participants are sex distinct with mortality improvement projected 5 years beyond the valuation date using scale MP-2020 and a base year of 2010.

Actuarial assumptions used in the valuation were based on the results of actuarial experience studies. The experience study was last performed October 4, 2022.

The long-term expected rate of return on pension plan investments was determined using a method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major class included in the Plan’s target asset allocation as of December 31, 2024 are summarized in the following table:

| Asset Class           | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|-------------------|---|
| Domestic Equity       | 45.00%            | 7.50%   |
| International Equity  | 15.00%            | 8.50%   |
| Domestic Fixed Income | 20.00%            | 2.50%   |
| Global Fixed Income   | 5.00%             | 3.50%   |
| Real Estate           | 10.00%            | 4.50%   |
| GTAA                  | 5.00%             | 3.50%   |
| TOTAL                 | 100.00%           |   |

The projection of cash flows used to determine the discount rate assumed that current plan member and sponsor contributions will be made at the current contribution rate. Future member's contributions in excess of their normal cost were also included. Based on these assumptions, the pension plan's Fiduciary Net Position was projected to provide future benefit payments for 32 years. These payments were discounted using a discount rate of 7.50%. Future benefit payments beyond 32 years were discounted using a high quality municipal bond rate of 4.28%. The high quality municipal bond rate was based on the week closest to, but not later than, the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index. The single equivalent discount rate was 6.38%.

For the year ended September 30, 2025, the City recognized pension expense of \$5,259,245 related to the Wichita Falls Firemen's Relief and Retirement Fund.

For more information concerning the City's Retirement Plans, see "APPENDIX B - Excerpts from the City of Wichita Falls, Texas Annual Financial Report - Note 8".

#### Post-Employment Benefits

The City administers the City of Wichita Falls Retiree Health Care Plan for all permanent employees who retire after satisfying eligibility retirement requirements through a single-employer defined benefit plan. All employees who retire and are actively in one of the City's health plans can continue to receive health care benefits under the City's plan for themselves and any dependents for as long as the retiree and/or dependents live. The plan does not issue a stand-alone financial report. General employees and Firefighters receive \$7,500 of employer-paid life insurance which is included in the liabilities of the plan. No life insurance coverage is provided for spouses of retirees. Retirees may purchase an additional \$2,500 of life insurance for \$2 per month.

#### Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or an unforeseen emergency.

For more information concerning the City's post-employment benefits, see the financial statements of the City, and the notes thereto.

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**FINANCIAL INFORMATION**

**TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY<sup>(1)</sup>**

|  | 2025 <sup>(1)</sup>  | 2024 <sup>(1)(2)(3)</sup> | 2023 <sup>(2)</sup> | 2022                | 2021                |
|--|----------------------|---------------------------|---------------------|---------------------|---------------------|
| <u>Revenues:</u>                                 |                      |                           |                     |                     |                     |
| Taxes  | \$89,279,117         | \$84,573,463              | \$81,770,690        | \$80,448,805        | \$75,096,176        |
| Charges for Services                             | 3,364,511            | 3,248,734                 | 3,016,851           | 2,974,901           | 3,066,404           |
| Licenses and Permits                             | 1,896,041            | 1,861,123                 | 2,016,267           | 2,303,431           | 1,631,602           |
| Fines and Forfeitures                            | 3,338,437            | 3,284,620                 | 2,920,650           | 2,303,149           | 2,198,715           |
| Contributions                                    | 2,419,531            | 295,378                   | 277,285             | 239,454             | 179,483             |
| Miscellaneous                                    | 5,686,997            | 5,767,967                 | 4,996,850           | 2,864,211           | 3,405,049           |
| <b>Total Revenues</b>                            | <b>\$105,984,634</b> | <b>\$99,031,285</b>       | <b>\$94,998,593</b> | <b>\$91,133,951</b> | <b>\$85,577,429</b> |
| <u>Expenditures:</u>                             |                      |                           |                     |                     |                     |
| Administrative Services                          | \$17,462,015         | \$16,310,983              | \$16,227,221        | \$15,320,078        | \$15,211,294        |
| Police   | 35,131,158           | 31,376,078                | 29,405,472          | 27,830,038          | 26,144,281          |
| Fire   | 23,782,573           | 21,460,539                | 20,096,678          | 18,427,056          | 18,241,191          |
| Parks and Recreation                             | 11,550,440           | 7,170,632                 | 6,266,600           | 5,755,938           | 4,996,125           |
| Accounting/Finance                               | 2,440,324            | 1,165,466                 | 1,020,253           | 836,651             | 853,221             |
| Community Development                            | 2,700,080            | 2,602,408                 | 2,514,594           | 2,405,539           | 2,221,870           |
| Public Works                                     | 9,693,911            | 6,420,334                 | 5,786,398           | 5,407,106           | 4,735,920           |
| Health   | 4,485,027            | 4,237,708                 | 3,746,879           | 3,448,077           | 3,304,684           |
| Traffic and Transportation                       | 2,347,148            | 2,043,032                 | 2,029,219           | 2,007,744           | 1,668,533           |
| Capital Outlay                                   | -                    | 5,078,296                 | 4,440,806           | 2,785,656           | 1,710,238           |
| <b>Total Expenditures</b>                        | <b>\$109,592,676</b> | <b>\$97,865,476</b>       | <b>\$91,534,120</b> | <b>\$84,223,883</b> | <b>\$79,087,357</b> |
| Excess (Deficiency) of Revenue Over Expenditures | \$(3,608,042)        | \$1,165,809               | \$3,464,473         | \$6,910,068         | \$6,490,072         |
| Other Financing Sources (Uses): Transfers In     | \$3,336,691          | \$3,288,409               | \$3,108,889         | \$3,845,430         | \$3,769,421         |
| Transfers Out                                    | (1,265,714)          | (2,264,583)               | (3,969,471)         | (2,125,976)         | (165,213)           |
| <b>Total Other Financing Sources (Uses)</b>      | <b>2,070,977</b>     | <b>\$1,023,826</b>        | <b>\$(860,582)</b>  | <b>\$1,719,454</b>  | <b>\$3,604,208</b>  |
| <b>Net Change in Fund Balance</b>                | <b>\$(1,537,065)</b> | <b>\$2,189,635</b>        | <b>\$2,603,891</b>  | <b>\$8,629,522</b>  | <b>\$10,094,280</b> |
| Fund Balances - Beginning                        | 50,854,754           | 48,665,119                | 46,061,228          | 37,431,705          | 27,338,776          |
| Fund Balances - Ending                           | \$49,317,689         | \$50,854,754              | \$48,665,119        | \$46,061,227        | \$37,433,056        |

- (1) During the year ended September 30, 2025, the City discovered an error in the amounts reported as of September 30, 2024. A right-to-use leased asset and the related liability was not included in Governmental Activities. The result of this error was a decrease to the beginning net position of Governmental Activities in the amount of \$154,954. Additionally, an error was made in the capital assets of the Internal Service Funds that resulted in a decrease to the beginning net position in the amount of \$249,484. Additionally, during the year ended September 30, 2025, the City adopted GASB Statement No. 101, Compensated Absences. This adoption led to an adjustment to the liability recognized for vacation and sick leave that is estimated to be used by employees in the future. This change in accounting principle resulted in decreases in beginning net position of \$1,124,315 and \$1,084,125 in Governmental Activities and Business-type Activities, respectively. This change also decreased the beginning net position of the Water and Sewer Fund (\$545,136), Sanitation Fund (\$261,753), Stormwater Drainage Fund (\$24,204), Nonmajor Enterprise Fund (\$163,308) and Internal Service Funds (\$195,248).
- (2) Restated. During the year ended September 30, 2024, the City discovered an error in the amounts reported as of September 30, 2023. Revenue in the amount of \$388,600 for a component unit was recorded in the Debt Service Fund. Beginning fund balance of Nonmajor Governmental Funds as well as the beginning net position of Governmental Activities was decreased by \$388,600 as a result of this correction. No correction was necessary in the component unit as a receivable had been recorded in that fund.
- (3) GASB Statement No. 101, Compensated Absences, is effective for fiscal years beginning after December 15, 2023. The objective of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Though GASB Statement No. 101 will be effective for the fiscal year 2024-2025, the financial impact is not known at this time.

**TABLE 14 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues. State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%). In 1998, voters in the City approved a ½-cent economic development sales tax and a ½-cent sales tax for property tax reduction. The passage of the sales tax for economic development created two separate corporations, the Wichita Falls Economic Development Corporation and the 4B Sales Tax Corporation; sales tax collected in accordance with the voter-approved ½-cent economic development sales tax is divided evenly between the two separate corporations. The sales tax for economic development is collected solely for the benefit of the Wichita Falls Economic Development Corporation and the 4B Sales Tax Corporation and may be pledged to secure payment of sales tax revenue bonds. No sales tax revenue has been pledged to secure payment of the Certificates.

| Fiscal Year Ended 9/30 | Total 1% City Collected     | % of Ad Valorem Tax Levy | Equivalent of Ad Valorem Tax Rate | Per Capita |
|------------------------|-----------------------------|--------------------------|-----------------------------------|------------|
| 2022                   | \$ 20,732,977               | 46.91%                   | \$ 0.35697                        | \$ 198.27  |
| 2023                   | 20,602,789                  | 44.99%                   | 0.31233                           | 197.03     |
| 2024                   | 20,354,205                  | 44.05%                   | 0.28192                           | 198.26     |
| 2025                   | 20,748,324                  | 39.55%                   | 0.27047                           | 202.05     |
| 2026                   | 9,382,871 <sup>(1)(2)</sup> | 17.54%                   | 0.11791                           | 91.70      |

| Fiscal Year Ended 9/30 | 4A Sales Tax Collected | 4B Sales Tax Collected | Property Tax Reduction Collected |
|------------------------|------------------------|------------------------|----------------------------------|
| 2022                   | \$ 5,183,398           | \$ 5,183,398           | \$ 10,240,845                    |
| 2023                   | 5,150,697              | 5,150,697              | 10,301,394                       |
| 2024                   | 5,088,551              | 5,088,551              | 10,177,102                       |
| 2025                   | 5,187,081              | 5,187,081              | 10,374,162                       |
| 2026 <sup>(1)(2)</sup> | 2,345,718              | 2,345,718              | 4,691,436                        |

- (1) Source: City Staff.
- (2) Collections through February 28, 2026.

**FINANCIAL POLICIES**

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting (NCGA) unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The following is a summary of the more significant policies and practices used by the City.

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## General Policies

The Annual Operating Budget is proposed by the City Manager and approved by the City Council following public discussion. Budgetary control is maintained at the department, class, and fund level by the Finance Department through the use of an integrated enterprise resource planning solution. All legally required funds are budgeted annually. In instances when budgetary transfers are necessary, management control of the operating budget is maintained at the fund and department level. A summary overview of the City's budget process is presented in the graphic below. The process starts in March and concludes with Budget Adoption in September. The City's fiscal year runs from October 1 to September 30.

An annual budget, including debt service requirements, is legally adopted for the General Fund on a basis which is consistent with generally accepted accounting principles. The City Council must approve any transfer of appropriation balances or portions thereof from one department to another. The City Manager has the authority, without City Council approval, to transfer appropriation balances from one expenditure account to another within a single department of the City. Unencumbered appropriation balances lapse at year-end and are not carried forward to new budget periods. Open encumbrances are reported as reservations of fund balance at September 30, 2025, and related appropriations are carried forward to the new fiscal year through a supplemental budgetary allocation.

The City has a fund balance policy in place for the General Fund, Water/Sewer Fund, and the Sanitation Fund. The policy requires the City to maintain at least 20% of expenditures in unassigned fund balance in each fund. If funds fall below these percentages, plans are created to replenish these funds. These financial statements reflect that the policy has been followed in all three funds. The City also maintains an informal policy to limit tax-supported debt to no more than 5% of total assessed property value or \$1,500 per capita. As of September 30, 2025, the current ratio of general bonded debt outstanding to the assessed value of all taxable property is 0.74%.

The major governmental funds are the General Fund and the American Rescue Plan Act (ARPA) Fund. The major enterprise funds are the Water and Sewer Fund and the Sanitation Fund. Of the four major funds, ARPA is the only one that is not included in the annual budget appropriation.

The City Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by Certified Public Accountants. The accounting firm of Edgin, Parkman, Fleming & Fleming, PC was selected by the Mayor and City Council to satisfy this charter requirement. The auditors' report on the basic financial statements and combining fund statements and schedules is included in the financial section of this report. In addition to meeting the requirements set forth in the City Charter, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related Uniform Guidance and the State Single Audit Act.

In December 2025, the City Council and City staff participated in a strategic workshop to begin developing an updated Strategic Plan to guide the City's priorities and initiatives. The updated plan is currently being finalized and will be released soon. The previous Strategic Plan, adopted by the City Council on April 2, 2024, identified four key focus areas: (1) Accelerate Economic Growth, (2) Provide Quality Infrastructure, (3) Actively Engage and Inform the Public, and (4) Optimize Engagement with the City and City Services. The plan included 32 strategic objectives designed to guide departmental initiatives and improve service delivery to the community. Additional details on the prior strategic plan can be found on the City's website.

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## INVESTMENTS

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

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 clauses (1) or (12), 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 365 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 "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

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

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

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

**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 City 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 or 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 Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

**TABLE 15 - CURRENT INVESTMENTS**

The City has not engaged in repurchase or reverse repurchase agreements and has never leveraged the portfolio. As of January 31, 2026 the City's investable funds were invested in the following categories:

| Description     | % of Portfolio | Market Value          |
|-----------------|----------------|-----------------------|
| TexPool         | 75.60%         | \$ 139,491,262        |
| LOGIC           | 22.77%         | 42,009,774            |
| U.S. Treasuries | 1.63%          | 3,009,227             |
| <b>TOTAL</b>    | <b>100.00%</b> | <b>\$ 184,510,263</b> |

**TAX MATTERS**

**OPINION . . .** On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its opinion with respect to the Certificates that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (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 its opinions, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

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, as applicable. The opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinions are 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 financed with the proceeds of the Certificates. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinions of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the 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 tax-exempt obligations 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 Obligation, and (ii) the initial offering price to the public of such Original Issue Discount Obligation would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the particular series of obligations 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 Obligation 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 Obligation 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 Obligation prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificates 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 Certificates was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificates 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 Certificates 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 Certificates.

Prospective purchasers should be aware that because the first interest payment will be made more than one year after the issue date of the Certificates, the first payment may be treated as original issue discount. While such treatment of the payment will not adversely affect the excludability of the interest portion of the payment from a holder's gross income, special tax accounting treatment may apply. This tax accounting treatment would cause a portion of the interest payment to be recognized in the taxable year in which the Certificates are purchased, rather than the taxable year in which the payment is received by the holder. This treatment may accelerate the recognition of any portion of the payment which is treated as market discount and any other collateral federal income tax consequences for certain holders. Prospective purchasers should consult their tax advisors for advice regarding such consequences.

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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 statutes, regulations, published rulings and court decisions, 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 CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates may be includable in certain corporations' "adjusted financial statement income" determined 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.

**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.

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

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## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreements for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and in Appendix B. The City will update and provide the information in Tables 1 through 6 and 8 through 15 within six months after the end of each fiscal year ending in and after 2026. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2026. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the United States Securities and Exchange Commission (the "SEC"). The City will provide the updated information to the MSRB through the "EMMA" information system in accordance with Rule 15c2-12 (the "Rule") promulgated by the SEC.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information included in Tables 1 through 6 and 8 through 15 by March 31 in each year, unless the City changes its fiscal year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) by September 30 in each 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 of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

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. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) 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) a guarantee of (i) or (ii); provided, however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

**AVAILABILITY OF INFORMATION . . .** The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) a qualified 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 the 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, except for the following:

The Issuer became obligated to file a notice related to an equipment lease schedule dated December 23, 2021, which was amended as of January 3, 2022, but the notice of the amendment to that financial obligation was not filed with EMMA until March 4, 2022. The Issuer has implemented procedures to ensure timely filing of all future financial information.

## **OTHER INFORMATION**

### **RATINGS**

The Certificates are rated "AA" (stable outlook) by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of any rating may be obtained from the company furnishing the rating. A rating reflects only the view of such organization and the City makes no representation as to the appropriateness of a rating. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by a rating company, if in the judgment of 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, if decided adversely to the City, would have a material adverse financial impact upon the City or its operations.

### **CYBERSECURITY RISK MANAGEMENT**

The City's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the City continually assesses and monitors its cybersecurity risks, the City may be subject to cyber-attacks from time to time. In response to such assessments and monitoring, the City takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the City has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the City will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the City's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the City's operations and/or financial condition.

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## **RISK FROM WEATHER EVENTS**

All of the State, including the City, is subject to extreme weather events that can cause loss of life and damage to property through strong winds, wildfires, hurricanes, tropical storms, flooding, heavy rains and freezes. If a future weather event significantly damages all or part of the properties comprising the tax base within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the City's tax rate. There can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will carry flood or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the City or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

## **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. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of at least one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

## **LEGAL MATTERS**

The City will furnish 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 Certificate, and to the effect that the Certificates are valid and legally binding Certificates of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel with respect to the Certificates, 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. Though it may represent the Financial Advisor and the Underwriters 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 Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "THE CERTIFICATES" (exclusive of the last two sentences of the subcaption "Tax Rate Limitation" and the subcaptions "Book-Entry-Only System," "Certificateholders' Remedies" and "Sources and Uses of Proceeds"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions "Registration and Qualification of Certificates for Sale," "Legal Matters" (exclusive of the last sentence of the first paragraph thereof) and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas.

The legal opinions 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.

#### **FINANCIAL ADVISOR**

Sentry Management Inc. ("Sentry") 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. Sentry, in its capacity as Financial Advisor, 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.

#### **UNDERWRITING**

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices/yields to the public shown on page 2 of this Official Statement, less an underwriting discount of \$ \_\_\_\_\_. The Underwriters will be obligated to purchase all of the Certificates if any Certificates are purchased.

The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) at prices lower (or yields higher) than the public offering prices or yields of such Certificates, and such public offering prices or yields may be changed, from time to time, by the Underwriters.

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

#### **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.

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**MISCELLANEOUS**

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

The Pricing Officer in the Pricing Certificate 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 Underwriters.

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Pricing Officer  
City of Wichita Falls, Texas

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

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## THE CITY

**LOCATION . . .** The City of Wichita Falls is located in north-central Texas, serving as the county seat of Wichita County. As a major population center in North Texas, the City serves a trade area extending into southern Oklahoma. Wichita Falls maintains a unique international presence: Sheppard Air Force Base hosts the 80th Flying Training Wing, the world's only multi-nationally manned and managed flying training program; Midwestern State University attracts significant international enrollment; and the area's manufacturing base includes substantial foreign investment.

Wichita Falls is strategically linked to major southwestern and midwestern hubs via Interstate 44, U.S. Highways 82, 281, 277, and 287. It is located approximately 130 miles northwest of the Dallas/Fort Worth Metroplex and 125 miles south of Oklahoma City.

**ECONOMY . . .** The local economy is diversified across government installations, manufacturing, healthcare, and retail. Wichita Falls is home to Sheppard Air Force Base ("SAFB"), the largest and most diversified training center in Air Education and Training Command. Its Euro-NATO Joint Jet Pilot Training program involves 14 NATO nations, providing the City with a distinct cosmopolitan atmosphere. Additionally, the agricultural sector remains a vital contributor through cattle, cotton, and wheat production.

### MAJOR BUSINESSES AND INDUSTRIES LOCATED IN WICHITA FALLS

| Company                            | Type of Business | Estimated Number of Employees |
|------------------------------------|------------------|-------------------------------|
| Sheppard Air Force Base            | Military         | 12,000                        |
| United Regional Health Care System | Health Care      | 2,400                         |
| Wichita Falls ISD                  | Education        | 2,100                         |
| Midwestern State University        | Education        | 1,200                         |
| City of Wichita Falls              | Government       | 1,150                         |
| Howmet Corporation                 | Manufacturer     | 1,100                         |
| North Texas State Hospital         | Health Care      | 1,000                         |
| Vitro Architectural Glass          | Manufacturer     | 900                           |
| Wal-Mart (3 Locations)             | Retail           | 900                           |
| James V. Allred Prison Unit        | State Prison     | 750                           |

**EDUCATIONAL FACILITIES . . .** Wichita Falls Independent School District ("WFISD") recently underwent a significant facilities transformation. WFISD currently operates 22 campuses, headlined by two brand-new, state-of-the-art high schools - Legacy High School and Memorial High School - which opened to consolidate and modernize secondary education in the City. WFISD also continues to operate the Career Education Center, providing specialized vocational training.

Midwestern State University, a member of the Texas Tech University System, serves over 5,200 students. The City is also served by Vernon College, offering associate degrees and technical certification.

**TRANSPORTATION . . .** Wichita Falls Regional Airport is located adjacent to SAFB. American Airlines (via American Eagle) provides daily regional jet service to Dallas/Fort Worth International Airport, typically offering 3 to 4 flights daily. The shared use of runways with SAFB allows the airport to accommodate aircraft of virtually any size.

Kickapoo General Aviation Airport serves the southeastern quadrant of the City for business and private aviation. It features a 4,450-foot concrete runway and houses approximately 90 based aircraft. Recent improvements include the addition of new hangars to meet growing demand for private storage and maintenance services.

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**RECREATION . . .** The City’s cultural landscape is anchored by the Kemp Center for the Arts (the "Kemp Center") and the Wichita Falls Museum of Art. Performing arts are supported by the Wichita Falls Symphony Orchestra, the Wichita Falls Ballet Theatre, and community staples like the Backdoor Theatre and the Wichita Theatre & Opera House.

The Multi-Purpose Events Center (MPEC) remains the premier venue for conventions and entertainment, featuring a 10,000-seat coliseum and a 57,000-square-foot exhibit hall.

The City of Wichita Falls offers an extensive outdoor recreation and events scene, anchored by the Circle Trail - a continuous 24-mile trail system designed for hiking and biking - and 37 maintained parks, including Lucy Park and the revitalized Falls area. The city is also home to several signature annual events, most notably the world-renowned Hotter’N Hell Hundred, one of the oldest and largest cycling events in the nation, as well as the Texas Ranch Roundup, and the Saint Patrick’s Day Downtown Street Festival.

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**APPENDIX B**

EXCERPTS FROM THE  
CITY OF WICHITA FALLS, TEXAS  
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2025

The information contained in this Appendix consists of excerpts from the City of Wichita Falls, Texas Annual Financial Report for the Year Ended September 30, 2025, 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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## **EDGIN, PARKMAN, FLEMING & FLEMING, PC**

CERTIFIED PUBLIC ACCOUNTANTS

1401 HOLLIDAY ST., SUITE 216 ▪ P.O. Box 750  
WICHITA FALLS, TEXAS 76307-0750  
PH. (940) 766-5550 ▪ FAX (940) 766-5778

MICHAEL D. EDGIN, CPA  
DAVID L. PARKMAN, CPA  
A. PAUL FLEMING, CPA  
JOSHUA R. HARMAN, CPA

### **Independent Auditor's Report on Financial Statements**

The Honorable Mayor and Members of the City Council  
City of Wichita Falls, Texas

#### **Opinions**

We have audited the accompanying 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 Wichita Falls, Texas (the City) as of and for the year ended September 30, 2025, 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 financial statements referred to above 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Wichita Falls, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 generally accepted 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 generally accepted 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, the Budgetary Comparison Schedule – General Fund, the schedules on the Texas Municipal Retirement System, the Wichita Falls Firemen's Relief and Retirement Fund, and the Wichita Falls Retiree Health Care Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

### **Other 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 introductory section, combining financial statements, supporting schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 combining financial statements and supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated March 11, 2026, 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, grant agreements and other matters. The purpose of that report is 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 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.

Respectfully submitted,

A handwritten signature in black ink that reads "Edgin, Parkman, Fleming & Fleming, PC". The signature is written in a cursive, flowing style.

Edgin, Parkman, Fleming & Fleming, PC

March 11, 2026

CITY OF WICHITA FALLS, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025

Management's discussion and analysis provides a narrative overview of the financial activities and changes in the financial position of the City of Wichita Falls, Texas, for the fiscal year ended September 30, 2025. This narrative is presented in conjunction with additional information furnished in our letter of transmittal, which is in the Introductory Section of this Annual Comprehensive Financial Report.

**Financial Highlights**

The net position of the City of Wichita Falls on September 30, 2025 was \$560,529,545. The net position represents the amount that assets and deferred outflows of the City of Wichita Falls exceeded its liabilities and deferred inflows. The net position for the City increased by \$27,284,129 over the prior year. This increase is a result of an increase in net position of \$17,580,637 from the current fiscal year business-type activities and an increase in net position of \$9,703,492 from the current fiscal year governmental activities.

The unrestricted net position for Governmental Activities was (\$74,388,150), while the Business-type Activities had an unrestricted net position of \$60,371,368, for an overall unrestricted net position of (\$14,016,782). Governmental activities report a negative unrestricted net position primarily because long-term liabilities, including pension, OPEB, and bonded debt obligations, are reported in the government-wide statements while the capital assets associated with those obligations are reported in net investment in capital assets category. Unrestricted net position for Governmental Activities decreased by \$6,044,546 from the prior year, while unrestricted net position for Business-type Activities increased by \$801,321 from the prior year.

At September 30, 2025, the City's governmental funds reported combined ending fund balances of \$70,911,623. Of this amount, \$47,966,772, or 68%, is available for spending at the government's discretion (unassigned fund balance). At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$48,392,932 or 44% of total General Fund expenditures of \$109,592,676. Property tax and sales tax revenues continue to represent the City's largest governmental revenue sources. Sales tax collections remained stable during the fiscal year, reflecting steady economic activity within the City. Property tax revenues increased due to growth in assessed property values.

During Fiscal Year 2025, the City's outstanding debt decreased by \$17,317,501, reflecting scheduled principal repayments and the City's continued focus on reducing long-term obligations. The City had taken steps to refinance debt in previous years as lower interest rates offered the opportunity to lower overall debt payments. The City continues to maintain strong credit ratings, reflecting stable financial management and adequate reserves. Additional information on the City's debt service may be found in the Notes to the Basic Financial Statements.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The reporting focus is on the City as a whole and on individual major funds. It is intended to present a comprehensive view of the City's financial activities. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements.

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**Government-wide Financial Statements**

The government-wide financial statements, which can be found on pages 14-15 of this report, include the Statement of Net Position (Exhibit A-1) and the Statement of Activities (Exhibit A-2). These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both are prepared using the economic resources focus and the accrual basis of accounting, meaning that all current year's revenues and expenses are included regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave).

*The Statement of Net Position* presents information on all of the City's assets and liabilities, including capital assets and long-term obligations. The difference between the City's assets and deferred outflows and liabilities and deferred inflows is reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other indicators of the City's financial position should be taken into consideration, such as the change in the City's property tax base and condition of the City's infrastructure (e.g., roads, traffic signals, water and sewer lines, etc.), in order to more accurately assess the overall financial condition of the City.

*The Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. It focuses on both the gross and net costs of government services. This statement includes all current year revenues and expenses.

The Statement of Net Position and the Statement of Activities divide the City's activities into three types:

*Governmental activities* – Most of the City's basic services are reported here, including police, fire, parks and recreation, public works, health, traffic and transportation, community development and planning, duplicating services, information technology, health insurance claims, and general administration and finance. The Multi-Purpose Events Center and Champions Golf Course are also reported as governmental activities. Property taxes, sales taxes, franchise fees, and various grant funds provide the majority of financing for these activities.

*Business-type activities* – Activities for which the City charges fees to customers to pay most or all of the cost of a service it provides are reported as business-type activities. The City's business-type activities include water and wastewater treatment and distribution, solid waste collection and disposal, regional and municipal airports, transit system, stormwater drainage improvements, fleet maintenance services, and water park operations.

*Component Units* – Five legally separate organizations for which the City is financially accountable are included in these statements as discretely presented component units. These organizations include the Wichita Falls Economic Development Corporation, Wichita Falls 4B Sales Tax Corporation, Wichita Falls Reinvestment Zone #2, Wichita Falls Reinvestment Zone #3, and the Wichita Falls Reinvestment Zone #4.

**Fund Financial Statements**

The City of Wichita Falls, like other state and local governments, uses fund accounting to provide more detailed information about the City's most significant funds, not the City as a whole. A fund is a grouping

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of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law or bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental Funds* – These funds are used to account for the majority of the City's activities, which are essentially the same functions reported as governmental funds in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements focus on near-term inflows and outflows of expendable resources, as well as expendable resources available at the end of the fiscal year for future spending. Such information may be useful in evaluating a government's near-term financing requirements.

The focus of the governmental fund's financial statements is narrower than that of the government-wide financial statements. Therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison. The reconciliation explains the differences between the government's activities reported in the governmentwide statements and the information presented in the governmental fund's financial statements.

The City of Wichita Falls maintains 16 individual governmental funds. Information for the General Fund and the American Rescue Plan Act Fund are presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances because they are considered major funds of the City. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds are provided in the Combining Financial Statement Section of this report.

The Basic Governmental Funds Financial Statements can be found on pages 16-20 of this report.

*Proprietary Funds* – When the City charges customers for services it provides, whether to outside customers or to other units within the City, the activities are generally reported in proprietary funds. The City of Wichita Falls maintains two different types of proprietary funds: enterprise funds and internal service funds.

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations, sanitation collection and disposal services, regional and municipal airports, transit operations, stormwater drainage improvements, and water park operations.
- Internal service funds are an accounting device used to report activities that provide supplies and services to other City programs, such as fleet maintenance, print shop services, information technology, and employee benefit trust. Because these services benefit both governmental and

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business-type functions, they have been allocated between governmental and business-type activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the business-type activities shown in the government-wide financial statements, only in more detail and include some of the internal service fund-type activities. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, the Sanitation Fund, and the Regional Airport Fund since they are considered major funds of the City. The non-major proprietary funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of the non-major proprietary funds are provided in the Combining Financial Statement Section of this report.

*Fiduciary Funds* – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for fiduciary funds is much like that used for proprietary funds. Custodial funds are a component of fiduciary funds and are used to account for situations where the City's role is purely custodial, such as receipt, temporary investment, and remittance of fiduciary funds to individuals, private organizations, or other governments. The City maintains one fiduciary fund. This fund is a custodial fund used to account for property that has been abandoned or unclaimed pending escheatment to the State of Texas.

**Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes can be found on pages 28-69 of this report.

**Government-Wide Financial Analysis**

The City's combined net position was \$560,529,545 as of September 30, 2025, and increase of \$27,284,129 or 4.9% from the prior year. The largest portion of the City's net position \$545,978,627, or 97.4% is reflected in capital assets (land and improvements, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these capital assets are not available for future spending. Although the City reports its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position, \$28,567,700 represents resources that are subject to external restrictions on how they can be used.

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|                                  | <b>Net Position</b> |                  |                  |                  |                   |                   |
|----------------------------------|---------------------|------------------|------------------|------------------|-------------------|-------------------|
|                                  | (in thousands)      |                  |                  |                  |                   |                   |
|                                  | Governmental        |                  | Business-type    |                  | Total             |                   |
|                                  | Activities          |                  | Activities       |                  |                   |                   |
|                                  | 2025                | 2024             | 2025             | 2024             | 2025              | 2024              |
| Current and Other Assets         | \$ 89,326           | \$100,697        | \$103,804        | \$100,718        | \$ 193,130        | \$ 201,415        |
| Capital Assets                   | 216,866             | 204,985          | 415,123          | 412,285          | 631,989           | 617,270           |
| Total Assets                     | <u>306,191</u>      | <u>305,683</u>   | <u>518,927</u>   | <u>513,003</u>   | <u>825,118</u>    | <u>818,686</u>    |
| Deferred Outflows of Resources   | <u>20,594</u>       | <u>48,100</u>    | <u>4,727</u>     | <u>10,495</u>    | <u>25,321</u>     | <u>58,596</u>     |
| Long Term Liabilities            | 150,904             | 167,224          | 88,880           | 103,877          | 239,784           | 271,101           |
| Other Liabilities                | <u>16,547</u>       | <u>26,377</u>    | <u>6,530</u>     | <u>5,793</u>     | <u>23,077</u>     | <u>32,169</u>     |
| Total Liabilities                | <u>167,451</u>      | <u>193,601</u>   | <u>95,410</u>    | <u>109,669</u>   | <u>262,861</u>    | <u>303,270</u>    |
| Deferred Inflows of Resources    | <u>25,149</u>       | <u>19,390</u>    | <u>1,900</u>     | <u>1,470</u>     | <u>27,049</u>     | <u>20,860</u>     |
| Net Position:                    |                     |                  |                  |                  |                   |                   |
| Net Investment in Capital Assets | 193,428             | 178,715          | 352,551          | 336,375          | 545,979           | 515,090           |
| Restricted                       | 15,146              | 14,111           | 13,421           | 12,818           | 28,568            | 26,929            |
| Unrestricted                     | <u>(74,388)</u>     | <u>(68,344)</u>  | <u>60,371</u>    | <u>59,570</u>    | <u>(14,017)</u>   | <u>(8,774)</u>    |
| Total Net Position               | <u>\$134,186</u>    | <u>\$124,482</u> | <u>\$426,344</u> | <u>\$408,763</u> | <u>\$ 560,530</u> | <u>\$ 533,245</u> |

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|   | CHANGES IN NET POSITION |                   |                   |                   |                   |                   |
|---|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | (in thousands)          |                   |                   |                   |                   |                   |
|   | Governmental            |                   | Business-type     |                   | Total             |                   |
|   | 2024                    | 2023              | 2024              | 2023              | 2024              | 2023              |
| <b>Revenues:</b>                          |                         |                   |                   |                   |                   |                   |
| Program Revenues:                         |                         |                   |                   |                   |                   |                   |
| Charges for Services                      | \$ 12,500               | \$ 11,675         | \$ 81,294         | \$ 80,461         | \$ 93,794         | \$ 92,136         |
| Operating Grants and Contributions        | 20,064                  | 18,749            | 3,434             | 2,347             | 23,498            | 21,096            |
| Capital Grants and Contributions          | 9,325                   | 3,689             | 1,178             | 1,107             | 10,503            | 4,797             |
| General Revenues:                         |                         |                   |                   |                   |                   |                   |
| Property Taxes                            | 53,736                  | 50,166            |                   |                   | 53,736            | 50,166            |
| Sales Taxes                               | 31,553                  | 30,657            |                   |                   | 31,553            | 30,657            |
| Other Taxes/Fees                          | 8,770                   | 8,919             |                   |                   | 8,770             | 8,919             |
| Investment Earnings                       | 4,678                   | 6,103             | 1,789             | 2,047             | 6,467             | 8,150             |
| Miscellaneous                             | 919                     | 841               | 28                | 1                 | 947               | 842               |
| Total Revenue                             | <u>141,545</u>          | <u>130,800</u>    | <u>87,724</u>     | <u>85,963</u>     | <u>229,269</u>    | <u>216,763</u>    |
| <b>Expenses:</b>                          |                         |                   |                   |                   |                   |                   |
| Administrative Services                   | 21,532                  | 20,264            |                   |                   | 21,532            | 20,264            |
| Police                                    | 36,027                  | 31,203            |                   |                   | 36,027            | 31,203            |
| Fire                                      | 27,003                  | 25,483            |                   |                   | 27,003            | 25,483            |
| Parks and Recreation                      | 8,678                   | 7,415             |                   |                   | 8,678             | 7,415             |
| Accounting/Finance                        | 2,460                   | 1,109             |                   |                   | 2,460             | 1,109             |
| Community Development                     | 9,080                   | 8,402             |                   |                   | 9,080             | 8,402             |
| Public Works                              | 10,765                  | 10,628            |                   |                   | 10,765            | 10,628            |
| Health                                    | 8,000                   | 7,551             |                   |                   | 8,000             | 7,551             |
| Traffic and Transportation                | 3,790                   | 4,195             |                   |                   | 3,790             | 4,195             |
| MPEC                                      | 5,952                   | 5,177             |                   |                   | 5,952             | 5,177             |
| Interest and Fees on Long-term Debt       | 1,102                   | 1,215             |                   |                   | 1,102             | 1,215             |
| Regional Airport                          |                         |                   | 3,161             | 3,056             | 3,161             | 3,056             |
| Kickapoo Airport                          |                         |                   | 1,631             | 1,582             | 1,631             | 1,582             |
| Transit                                   |                         |                   | 3,389             | 3,432             | 3,389             | 3,432             |
| Sanitation                                |                         |                   | 13,644            | 13,787            | 13,644            | 13,787            |
| Water and Sewer                           |                         |                   | 40,086            | 39,814            | 40,086            | 39,814            |
| Stormwater Drainage                       |                         |                   | 1,187             | 1,037             | 1,187             | 1,037             |
| Waterpark                                 |                         |                   | 2,126             | 1,939             | 2,126             | 1,939             |
| Total Expenses                            | <u>134,390</u>          | <u>122,644</u>    | <u>65,225</u>     | <u>64,646</u>     | <u>199,615</u>    | <u>187,290</u>    |
| Increase in Net Position Before Transfers | 7,155                   | 8,156             | 22,499            | 21,317            | 29,654            | 29,473            |
| Transfers                                 | 3,822                   | 5,251             | (3,822)           | (5,251)           | -                 | -                 |
| Increase in Net Position                  | 10,977                  | 13,407            | 18,677            | 16,066            | 29,654            | 29,473            |
| Net Position - Beginning, original        | 124,489                 | 111,464           | 408,751           | 392,697           | 533,239           | 504,161           |
| Restatement                               | (1,279)                 | (383)             | (1,084)           | (12)              | (2,363)           | (395)             |
| Net Position - End of Year, Restated      | <u>134,186</u>          | <u>\$ 124,489</u> | <u>\$ 426,344</u> | <u>\$ 408,751</u> | <u>\$ 560,530</u> | <u>\$ 533,239</u> |

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*Governmental Activities* – Governmental Activities increased the City's net position by \$10,976,725. The increase in net position in the Governmental Activities is due to debt payments which lowered long-term liabilities, and new capital investments including the construction in progress for the City Hall Renovation.

*Business-Type Activities* – Business-type Activities increased the City's net position by \$18,676,847. This increase is primarily due to debt payments which lowered long-term liabilities.

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

*Governmental Funds* – The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of September 30, 2025, the City's governmental funds reported combined fund balances of \$70,911,623, which is a decrease of \$1,260,857. The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$48,392,932 a decrease of \$2,039,761 from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 44% of total General Fund expenditures, while the total fund balance represents 45% of total General Fund expenditures. The decrease in net position in the Governmental Funds is due to the one time use of excess fund balance for capital improvement projects including turf at the Sports Complex.

The City received a total of \$29.1 million in American Rescue Plan Act funds. These funds were used for a variety of projects that address health, safety, tourism and benefits to the non-profit community. On June 14, 2022 the City Council adopted a non-binding resolution showing their support for a variety of projects for which the funds will be used. ARPA funds have been spent for community development including \$1,500,000 to nonprofit organizations, \$250,000 to the Wichita Falls Alliance for Arts and Culture, and \$100,000 to the Helen Farabee Center. Expenditures also included \$3,300,000 for Softball Complex Turf replacement to help generate economic development through sports tourism. On February 20, 2024, the City Council approved a contract for the renovation of Memorial Auditorium with a total project cost of \$19,089,745. Renovations are anticipated completed in 2026. As of September 30, 2025, the ARPA funds have generated \$2,573,393 in interest income.

*Proprietary Funds* – The financial statements of the proprietary funds provide information for two types of funds: the business type (enterprise) funds and the internal service funds. The accounting principles applied to proprietary funds are similar to that of the private sector. Consequently, with the exception of the allocation of internal service fund net income or loss, the net position and changes in net position of the enterprise funds in these financial statements are identical with the net position and changes in net position reflected in the business-type activities in the city-wide presentation.

The City's internal service funds include the Fleet Maintenance Fund, Employee Benefit Trust Fund, Duplicating Services Fund, and the Information Technology Fund. At the close of September 30, 2025, the net position for the City's internal service funds was \$59,087,057, an increase of \$5,728,648. This change is due to transfers into the Fleet Maintenance fund for new heavy machinery.

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**General Fund Budgetary Highlights**

The final amended expenditure budget for the General Fund, including transfers out, was increased by \$7,892,491 from the original fiscal year 2024 adopted budget. This increase was primarily due to the carry-forward of capital expenditures from the prior year.

Revenues in the General Fund for the Fiscal Year 2025 were \$105,984,634, which was \$1,252,223 less than final budgeted revenues. Budgeted revenues anticipated the one-time use of fund balance for capital projects including the replacement of Sports Complex turf.

**Capital Assets and Debt Administration**

*Capital Assets* – The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2025 was \$631,988,594 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, infrastructure, and construction in progress.

Major capital investments during the fiscal year focused on maintaining and improving critical infrastructure and facilities used to provide services to residents.

- Water and Sewer Line Replacements
- Quail Creek Drainage Improvements
- Street Rehab and Improvements
- Memorial Auditorium Renovations from ARPA Funds
- Motor Vehicle Fleet Replacements

Additional information on the City’s capital assets can be found in Note 7 in the Notes to the Financial Statements section of this report.

|                                   | Capital Assets, Net of Accumulated Depreciation |                   |                          |                   |                   |                   |
|-----------------------------------|---|-------------------|--------------------------|-------------------|-------------------|-------------------|
|                                   | (in thousands)                                  |                   |                          |                   |                   |                   |
|                                   | Governmental Activities                         |                   | Business-type Activities |                   | Total             |                   |
|                                   | 2025  | 2024              | 2025                     | 2024              | 2025              | 2024              |
| Land                              | \$ 11,915                                       | \$ 11,903         | \$ 11,072                | \$ 11,072         | \$ 22,987         | \$ 22,976         |
| Land Betterments                  | 21,871  | 19,172            | 30,445                   | 31,849            | 52,317            | 51,020            |
| Buildings, Systems & Improvements | 43,894  | 45,352            | 320,987                  | 319,687           | 364,881           | 365,039           |
| Infrastructure                    | 110,296   | 112,582           | 1,212                    | 1,230             | 111,509           | 113,811           |
| Machinery and Equipment           | 8,530   | 9,244             | 4,255                    | 2,712             | 12,785            | 11,957            |
| Subscription assets               | 362   | 558               | -                        | -                 | 362               | 558               |
| Motor Vehicles                    | -   | -                 | 37,424                   | 32,716            | 37,424            | 32,716            |
| Right-to-use leased assets        | 934   | -                 | 2,050                    | 2,112             | 2,983             | 2,112             |
| Construction in Progress          | 19,063  | 6,175             | 7,678                    | 10,906            | 26,741            | 17,081            |
| <b>Totals</b>                     | <b>\$ 216,866</b>                               | <b>\$ 204,985</b> | <b>\$ 415,123</b>        | <b>\$ 412,285</b> | <b>\$ 631,989</b> | <b>\$ 617,270</b> |

*Long Term Debt* – As of September 30, 2025, the City had total bonded debt, notes, and capital leases outstanding of \$98,543,580. During the fiscal year, the City’s total debt decreased by \$17,317,501. As of

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September 30, 2025, Moody’s Investor’s Service had assigned a credit rating of Aa2 for the City’s General Obligation Bonds and a rating of A3 for the City’s Water and Sewer System Revenue Bonds. Standard & Poor’s had assigned a credit rating of AA for the City’s General Obligation Bonds and a rating of A+ for its Water and Sewer System Revenue Bonds.

|                                 | Outstanding Debt at Year-End |                  |                  |                  |                  |                   |
|---------------------------------|------------------------------|------------------|------------------|------------------|------------------|-------------------|
|                                 | (in thousands)               |                  |                  |                  |                  |                   |
|                                 | Governmental                 |                  | Business-type    |                  | Total            |                   |
|                                 | 2025                         | 2024             | 2025             | 2024             | 2025             | 2024              |
| General Obligation Bonds        | \$ 18,331                    | \$ 21,238        | \$ 4,744         | \$ 5,102         | \$ 23,075        | \$ 26,340         |
| Combination Tax & Revenue Bonds | 9,455                        | 10,485           | 24,565           | 26,220           | 34,020           | 36,705            |
| Venue Tax Revenue Bonds         | 2,425                        | 2,480            | -                | -                | 2,425            | 2,480             |
| Utility System Revenue Bonds    | -                            | -                | 12,140           | 21,415           | 12,140           | 21,415            |
| Premiums on Bonds               | 789                          | 961              | 425              | 1,031            | 1,214            | 1,992             |
| Notes Payable                   | 2,084                        | 2,251            | 19,550           | 21,295           | 21,634           | 23,546            |
| Subscription Liabilities        | 389                          | 563              | -                | -                | 389              | 563               |
| Right-To-Use Leases             | 857                          | -                | 2,788            | 2,819            | 3,645            | 2,819             |
|                                 | <u>\$ 34,330</u>             | <u>\$ 37,978</u> | <u>\$ 64,213</u> | <u>\$ 77,882</u> | <u>\$ 98,543</u> | <u>\$ 115,860</u> |

The City is permitted by its Home Rule Charter to levy taxes up to \$2.25 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended September 30, 2025, was \$.6848 per \$100 which means that the City has a tax margin of \$1.57 per \$100, and could generate up to \$119,732,595 additional tax revenue a year from the present assessed valuation of \$7,649,667,455 before the limit is reached. The current ratio of general bonded debt outstanding to the assessed value of all taxable property is .30%. Additional information about the City’s long-term debt can be found in Note 12 in the Notes to the Financial Statements section of this report.

**Economic Factors and Next Year’s Budget and Rates**

The total operating budget for the City includes all expenditures, revenues, and transfers anticipated in the coming year. This includes expenditures for items funded outside of the City, like federal grants for large capital projects and funds for programs received from other sources. The fiscal year 2026 budget decreased the property tax rate by 0.3% from .6848 to .6825. The total Adopted Operating Budget for Fiscal Year 2026 is \$264,507,106 which is an increase of \$22,482,342 or 9.29% from the Fiscal Year 2025 Budget of \$242,024,764. This increase is primarily due to the use of excess general fund reserves for capital projects. It committed over \$45 million to infrastructure replacement and capital improvement projects.

The 2026 budget also included significant increases in personnel costs to help maintain competitive compensation levels. A collective bargaining agreement with the Fire Department included a 10% pay increase for civil service fire personnel for FY 2026 and a meet and confer agreement with the Police

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Department included an 8% increase for civil service police personnel for FY 2026. A cost-of-living adjustment for all other qualified city employees was 6%.

The entire budget may be found on the City's website at [www.wichitafallstx.gov](http://www.wichitafallstx.gov).

Moving forward into the FY 2026 budget year, the City continues to monitor forecasts of key economic indicators. Sales tax revenue have increased by 2.8% for the 12-month period through February. Property values are anticipated to increase by 4% in the coming year and interest rates are expected to decline as the Federal Reserve projects that it will continue to reduce interest rates. The City anticipates economic development including the development of data centers to have a positive impact on sales tax and property taxes in the coming years. The City has strong reserves and an eye to the future as staff will work to pursue the vision laid out in Strategic Plan.

**Requests for Information**

This financial report is designed to provide a general overview of the finances of the City of Wichita Falls for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or request for additional financial information, should be addressed to the City Finance Department, 1300 Seventh Street, Wichita Falls, Texas 76301.

***BASIC FINANCIAL STATEMENTS***

**CITY OF WICHITA FALLS, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2025**

|  | Primary Government         |                             |                       | Component<br>Units   |
|--|----------------------------|-----------------------------|-----------------------|----------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total                 |                      |
| <b>Assets</b>                                  |                            |                             |                       |                      |
| Cash and cash equivalents                      | \$ 64,149,026              | \$ 57,750,616               | \$ 121,899,642        | \$ 40,820,815        |
| Investments                                    | 7,101,624                  | -                           | 7,101,624             | -                    |
| Receivables (net):                             |                            |                             |                       |                      |
| Taxes and assessments                          | 1,542,831                  | -                           | 1,542,831             | -                    |
| Customer and trade                             | -                          | 9,354,584                   | 9,354,584             | -                    |
| Government agencies                            | 12,340,914                 | 618,800                     | 12,959,714            | 1,871,331            |
| Other  | 2,513,460                  | 589,096                     | 3,102,556             | 1,205,229            |
| Internal balances                              | (15,196,597)               | 15,196,597                  | -                     | -                    |
| Inventory                                      | 945,773                    | 2,625,008                   | 3,570,881             | -                    |
| Prepaid items                                  | 713,741                    | 508,077                     | 1,221,818             | -                    |
| Other assets                                   | 31,191                     | 340,398                     | 371,589               | -                    |
| Restricted assets                              |                            |                             |                       |                      |
| Cash and cash equivalents                      | 15,183,894                 | 16,820,663                  | 32,004,557            | -                    |
| Capital assets not being depreciated           | 30,978,217                 | 18,750,161                  | 49,728,378            | 2,517,331            |
| Capital assets net of accumulated depreciation | 185,887,362                | 396,372,854                 | 582,260,216           | 26,173,441           |
| <b>Total assets</b>                            | <b>306,191,436</b>         | <b>518,926,954</b>          | <b>825,118,390</b>    | <b>72,588,147</b>    |
| <b>Deferred Outflows of Resources</b>          |                            |                             |                       |                      |
| Pension-related                                | 18,410,580                 | 2,967,642                   | 21,378,222            | -                    |
| OPEB related                                   | 2,146,127                  | 774,568                     | 2,920,695             | -                    |
| Deferred losses on bond refundings             | 37,444                     | 984,930                     | 1,022,374             | -                    |
| <b>Total deferred outflows of resources</b>    | <b>20,594,151</b>          | <b>4,727,140</b>            | <b>25,321,291</b>     | <b>-</b>             |
| <b>Liabilities</b>                             |                            |                             |                       |                      |
| Accounts payable - trade                       | 2,409,152                  | 1,641,702                   | 4,050,854             | 63,750               |
| Accrued payroll                                | 2,532,456                  | 682,451                     | 3,214,907             | -                    |
| Accrued interest payable                       | 139,495                    | 148,972                     | 288,467               | -                    |
| Payable to government agencies                 | 686,114                    | 121,989                     | 808,103               | -                    |
| Estimated health claims payable                | 1,106,819                  | -                           | 1,106,819             | -                    |
| Other liabilities                              | 4,556,466                  | 508,604                     | 5,065,070             | 1,894                |
| Unearned revenue                               | 5,116,403                  | -                           | 5,116,403             | -                    |
| Customer deposits                              | -                          | 3,426,722                   | 3,426,722             | -                    |
| Long-term liabilities:                         |                            |                             |                       |                      |
| Portion due or payable within one year         | 7,761,119                  | 13,945,051                  | 21,706,170            | 680,000              |
| Portion due or payable after one year          | 41,630,584                 | 60,027,759                  | 101,658,343           | 25,563,810           |
| Net pension liability (payable after one year) | 92,506,536                 | 11,656,859                  | 104,163,395           | -                    |
| Net OPEB liability (payable after one year)    | 9,005,791                  | 3,250,321                   | 12,256,112            | -                    |
| <b>Total liabilities</b>                       | <b>167,450,935</b>         | <b>95,410,430</b>           | <b>262,861,365</b>    | <b>26,309,454</b>    |
| <b>Deferred Inflows of Resources</b>           |                            |                             |                       |                      |
| Pension-related                                | 23,011,173                 | 1,128,646                   | 24,139,819            | -                    |
| OPEB-related                                   | 2,137,498                  | 771,454                     | 2,908,952             | -                    |
| <b>Total deferred inflows of resources</b>     | <b>25,148,671</b>          | <b>1,900,100</b>            | <b>27,048,771</b>     | <b>-</b>             |
| <b>Net Position</b>                            |                            |                             |                       |                      |
| Net investment in capital assets               | 193,427,811                | 352,550,816                 | 545,978,627           | 2,343,617            |
| Restricted for:                                |                            |                             |                       |                      |
| Perpetual care (nonexpendable)                 | 2,401,616                  | -                           | 2,401,616             | -                    |
| Debt service (expendable)                      | 1,885,240                  | 13,421,380                  | 15,306,620            | -                    |
| Federal grant programs (expendable)            | 8,893,595                  | -                           | 8,893,595             | -                    |
| Tourism (expendable)                           | 1,965,869                  | -                           | 1,965,869             | -                    |
| Unrestricted                                   | (74,388,150)               | 60,371,368                  | (14,016,782)          | 43,935,076           |
| <b>Total net position</b>                      | <b>\$ 134,185,981</b>      | <b>\$ 426,343,564</b>       | <b>\$ 560,529,545</b> | <b>\$ 46,278,693</b> |

*See accompanying notes to the basic financial statements.*

**CITY OF WICHITA FALLS, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

| Functions/Programs                             | <u>Expenses</u>       | <u>Charges for<br/>Services</u> | <u>Program Revenues<br/>Operating<br/>Grants and<br/>Contributions</u> |
|--|-----------------------|---------------------------------|--|
| <b>Primary government:</b>                     |                       |                                 |  |
| Governmental activities:                       |                       |                                 |  |
| Administrative services                        | \$ 21,531,912         | \$ 2,540,887                    | \$ 2,385,824   |
| Police   | 36,027,347            | 321,378                         | 417,976  |
| Fire   | 27,002,868            | 114,372                         | 1,131,768  |
| Parks and recreation                           | 8,678,216             | 526,398                         | 325,282  |
| Accounting/finance                             | 2,460,135             | 3,360,452                       | -  |
| Development services                           | 9,080,011             | 2,163,757                       | 6,689,736  |
| Public works                                   | 10,765,228            | 3,853                           | 866,058  |
| Health   | 8,000,124             | 1,148,117                       | 3,180,022  |
| Traffic and transportation                     | 3,790,321             | 143,909                         | 3,360,539  |
| Multi-Purpose Events Center                    | 5,951,703             | 2,176,851                       | 124,852  |
| Interest and fees on long-term debt            | 1,102,345             | -                               | 1,581,843  |
| Total governmental activities                  | <u>134,390,210</u>    | <u>12,499,974</u>               | <u>20,063,900</u>  |
| Business-type activities:                      |                       |                                 |  |
| Regional Airport                               | 3,160,887             | 1,963,306                       | -  |
| Kickapoo Airport                               | 1,631,043             | 1,139,913                       | -  |
| Transit  | 3,388,581             | 555,407                         | 3,434,358  |
| Sanitation                                     | 13,644,374            | 19,505,325                      | -  |
| Water and sewer                                | 40,086,491            | 52,568,389                      | -  |
| Stormwater drainage                            | 1,187,465             | 3,791,664                       | -  |
| Waterpark                                      | 2,126,250             | 1,770,189                       | -  |
| Total business-type activities                 | <u>65,225,091</u>     | <u>81,294,193</u>               | <u>3,434,358</u>   |
| Total primary government                       | <u>\$ 199,615,301</u> | <u>\$ 93,794,167</u>            | <u>\$ 23,498,258</u>   |
| <b>Component units:</b>                        |                       |                                 |  |
| Community development                          | <u>\$ 17,578,660</u>  | <u>\$ -</u>                     | <u>\$ 719,047</u>  |
| General revenues and transfers:                |                       |                                 |  |
| Taxes:   |                       |                                 |  |
| Property tax                                   |                       |                                 |  |
| Sales tax                                      |                       |                                 |  |
| Franchise fees                                 |                       |                                 |  |
| Hotel occupancy tax                            |                       |                                 |  |
| Beverage tax                                   |                       |                                 |  |
| Investment earnings                            |                       |                                 |  |
| Miscellaneous                                  |                       |                                 |  |
| Transfers                                      |                       |                                 |  |
| Total general revenues and transfers           |                       |                                 |  |
| Change in net position                         |                       |                                 |  |
| Net position - beginning, as originally stated |                       |                                 |  |
| Error correction                               |                       |                                 |  |
| Change in accounting principle                 |                       |                                 |  |
| Net position - beginning, as restated          |                       |                                 |  |
| Net position - ending                          |                       |                                 |  |

*See accompanying notes to the basic financial statements.*

| Capital<br>Grants and<br>Contributions | Net (Expense) Revenue and<br>Changes in Net Position |                             |                       |                      |
|--|--|-----------------------------|-----------------------|----------------------|
|  | Primary Government                                   |                             |                       | Component<br>Units   |
|  | Governmental<br>Activities                           | Business-type<br>Activities | Total                 |                      |
| \$ 9,324,931                           | \$ (7,280,270)                                       | \$ -                        | \$ (7,280,270)        | \$ -                 |
| -                                      | (35,287,993)   | -                           | (35,287,993)          | -                    |
| -                                      | (25,756,728)   | -                           | (25,756,728)          | -                    |
| -                                      | (7,826,536)  | -                           | (7,826,536)           | -                    |
| -                                      | 900,317  | -                           | 900,317               | -                    |
| -                                      | (226,518)  | -                           | (226,518)             | -                    |
| -                                      | (9,895,317)  | -                           | (9,895,317)           | -                    |
| -                                      | (3,671,985)  | -                           | (3,671,985)           | -                    |
| -                                      | (285,873)  | -                           | (285,873)             | -                    |
| -                                      | (3,650,000)  | -                           | (3,650,000)           | -                    |
| -                                      | 479,498  | -                           | 479,498               | -                    |
| <u>9,324,931</u>                       | <u>(92,501,405)</u>                                  | <u>-</u>                    | <u>(92,501,405)</u>   | <u>-</u>             |
| -                                      | -  | (1,197,581)                 | (1,197,581)           | -                    |
| -                                      | -  | (491,130)                   | (491,130)             | -                    |
| -                                      | -  | 601,184                     | 601,184               | -                    |
| -                                      | -  | 5,860,951                   | 5,860,951             | -                    |
| 1,178,123                              | -  | 13,660,021                  | 13,660,021            | -                    |
| -                                      | -  | 2,604,199                   | 2,604,199             | -                    |
| -                                      | -  | (356,061)                   | (356,061)             | -                    |
| <u>1,178,123</u>                       | <u>-</u>   | <u>20,681,583</u>           | <u>20,681,583</u>     | <u>-</u>             |
| <u>\$ 10,503,054</u>                   | <u>(92,501,405)</u>                                  | <u>20,681,583</u>           | <u>(71,819,822)</u>   | <u>-</u>             |
| <u>\$ -</u>                            | <u>-</u>   | <u>-</u>                    | <u>-</u>              | <u>(16,859,613)</u>  |
|  | 53,736,357   | -                           | 53,736,357            | 1,421,186            |
|  | 31,552,997   | -                           | 31,552,997            | 10,517,810           |
|  | 5,601,741  | -                           | 5,601,741             | -                    |
|  | 2,804,065  | -                           | 2,804,065             | -                    |
|  | 364,368  | -                           | 364,368               | -                    |
|  | 4,677,595  | 1,789,073                   | 6,466,668             | 2,228,553            |
|  | 919,192  | 28,006                      | 947,198               | 1,791,691            |
|  | 3,821,815  | (3,821,815)                 | -                     | -                    |
|  | <u>103,478,130</u>                                   | <u>(2,004,736)</u>          | <u>101,473,394</u>    | <u>15,959,240</u>    |
|  | 10,976,725   | 18,676,847                  | 29,653,572            | (900,373)            |
|  | <u>124,488,525</u>                                   | <u>408,750,842</u>          | <u>533,239,367</u>    | <u>47,179,066</u>    |
|  | (154,954)  | -                           | (154,954)             | -                    |
|  | <u>(1,124,315)</u>                                   | <u>(1,084,125)</u>          | <u>(2,208,440)</u>    | <u>-</u>             |
|  | <u>123,209,256</u>                                   | <u>407,666,717</u>          | <u>530,875,973</u>    | <u>47,179,066</u>    |
|  | <u>\$ 134,185,981</u>                                | <u>\$ 426,343,564</u>       | <u>\$ 560,529,545</u> | <u>\$ 46,278,693</u> |

**CITY OF WICHITA FALLS, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2025**

|   | General<br>Fund      | ARPA<br>Fund        | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|---------------------|-----------------------------------|--------------------------------|
| <b>Assets</b>   |                      |                     |                                   |                                |
| Cash and cash equivalents   | \$ 34,752,031        | \$ 8,632,161        | \$ 17,204,317                     | \$ 60,588,509                  |
| Investments   | 7,101,624            | -                   | -                                 | 7,101,624                      |
| Receivables (net):  |                      |                     |                                   |                                |
| Taxes and assessments   | 1,281,485            | -                   | 261,346                           | 1,542,831                      |
| Other City funds  | 7,213,321            | -                   | -                                 | 7,213,321                      |
| Government agencies   | 5,941,466            | -                   | 6,399,448                         | 12,340,914                     |
| Other   | 2,244,342            | -                   | 258,216                           | 2,502,558                      |
| Inventory   | 910,265              | -                   | 35,181                            | 945,446                        |
| Prepaid items   | 14,492               | -                   | 698,804                           | 713,296                        |
| Other assets  | 1,000                | -                   | 30,191                            | 31,191                         |
| Total assets  | <u>\$ 59,460,026</u> | <u>\$ 8,632,161</u> | <u>\$ 24,887,503</u>              | <u>\$ 92,979,690</u>           |
| <b>Liabilities</b>  |                      |                     |                                   |                                |
| Accounts payable  | \$ 850,237           | \$ 879,653          | \$ 598,563                        | \$ 2,328,453                   |
| Accrued payroll   | 2,304,376            | -                   | 173,992                           | 2,478,368                      |
| Payable to other City funds   | -                    | -                   | 3,918,151                         | 3,918,151                      |
| Payable to government agencies  | 597,043              | -                   | 89,071                            | 686,114                        |
| Other liabilities   | 3,459,401            | 618,355             | 460,484                           | 4,538,240                      |
| Claims and judgments payable  | 11,922               | -                   | -                                 | 11,922                         |
| Unearned revenue  | -                    | 5,038,358           | 78,045                            | 5,116,403                      |
| Total liabilities   | <u>7,222,979</u>     | <u>6,536,366</u>    | <u>5,318,306</u>                  | <u>19,077,651</u>              |
| <b>Deferred inflows of resources</b>                                  |                      |                     |                                   |                                |
| Unavailable revenues  | <u>2,919,358</u>     | <u>-</u>            | <u>71,058</u>                     | <u>2,990,416</u>               |
| <b>Fund balances</b>  |                      |                     |                                   |                                |
| Nonspendable:   |                      |                     |                                   |                                |
| Inventory and prepaid items   | 924,757              | -                   | 729,778                           | 1,654,535                      |
| Permanent Fund principal  | -                    | -                   | 2,401,616                         | 2,401,616                      |
| Restricted for:   |                      |                     |                                   |                                |
| Debt service  | -                    | -                   | 1,814,182                         | 1,814,182                      |
| Capital projects  | -                    | -                   | 2,148,869                         | 2,148,869                      |
| Federal and state grant programs                                      | -                    | 2,095,795           | 6,797,800                         | 8,893,595                      |
| Tourism   | -                    | -                   | 1,965,869                         | 1,965,869                      |
| Committed for:  |                      |                     |                                   |                                |
| Local projects  | -                    | -                   | 4,066,185                         | 4,066,185                      |
| Unassigned  | 48,392,932           | -                   | (426,160)                         | 47,966,772                     |
| Total fund balances   | <u>49,317,689</u>    | <u>2,095,795</u>    | <u>19,498,139</u>                 | <u>70,911,623</u>              |
| Total liabilities, deferred inflows of resources<br>and fund balances | <u>\$ 59,460,026</u> | <u>\$ 8,632,161</u> | <u>\$ 24,887,503</u>              | <u>\$ 92,979,690</u>           |

*See accompanying notes to the basic financial statements.*

**CITY OF WICHITA FALLS, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2025**

Total fund balances - governmental funds (Exhibit A-3) \$ 70,911,624

Amounts reported for *governmental activities* in the Statement of Net Position (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:

|                                  |                    |             |
|----------------------------------|--------------------|-------------|
| Gross capital assets             | \$ 404,962,247     |             |
| Related accumulated depreciation | <u>194,292,447</u> | 210,669,800 |

Property taxes receivable and municipal court fines are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds. 2,990,416

Long-term liabilities are not due and payable in the current period and therefore not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

|                                 |                |              |
|---------------------------------|----------------|--------------|
| Bonds payable                   | 30,210,584     |              |
| Premiums on bonds payable       | 788,855        |              |
| Notes payable                   | 2,084,079      |              |
| Right-to-use lease payable      | 857,278        |              |
| Subscription liabilities        | 154,313        |              |
| Accrued vacation and sick leave | 14,155,491     |              |
| Claims and judgments payable    | 710,917        |              |
| Accrued interest                | <u>139,495</u> | (49,101,012) |

In the governmental funds financial statements, refunding losses are expensed when incurred, whereas in the government wide financial statements the losses are capitalized and amortized. 37,444

The City's net pension liability and related deferred outflows and inflows related to its participation in the Texas Municipal Retirement System and the Wichita Falls Firemen's Relief and Retirement Fund do not meet criteria to be reported in the governmental funds financial statements. These items consist of:

|   |                   |              |
|---|-------------------|--------------|
| Net pension liabilities                   | 91,723,556        |              |
| Deferred outflows - pension related items | (18,211,247)      |              |
| Deferred inflows - pension related items  | <u>22,935,363</u> | (96,447,672) |

The City's net OPEB liability and related deferred outflows and inflows related to the City of Wichita Falls Retiree Health Care Plan do not meet the criteria to be reported in the governmental funds financial statements. These items consist of:

|  |                  |             |
|--|------------------|-------------|
| Net OPEB liabilities                   | 8,869,748        |             |
| Deferred outflows - OPEB related items | (2,113,708)      |             |
| Deferred inflows - OPEB related items  | <u>2,105,209</u> | (8,861,249) |

Internal service funds are used by management to charge the costs of duplicating services, information technology and health insurance claims to the individual funds. The assets and liabilities of these internal service funds are included with the governmental activities. 22,212,108

Internal service funds are used by management to charge the costs of central garage services to the individual funds. The assets and liabilities of this fund are included with the business-type activities. This amount represents the governmental activity portion of the central garage activity. (18,225,478)

Total net position - governmental activities (Exhibit A-1) \$ 134,185,981

*See accompanying notes to the basic financial statements.*

**CITY OF WICHITA FALLS, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

|   | General<br>Fund      | ARPA<br>Fund        | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|---------------------|-----------------------------------|--------------------------------|
| <b>Revenues</b>                                     |                      |                     |                                   |                                |
| Taxes   | \$ 89,279,117        | \$ -                | \$ 4,701,132                      | \$ 93,980,249                  |
| Charges for services                                | 3,364,511            | -                   | 666,415                           | 4,030,926                      |
| Licenses and permits                                | 1,896,041            | -                   | -                                 | 1,896,041                      |
| Fines and forfeitures                               | 3,338,437            | -                   | 290,272                           | 3,628,709                      |
| Intergovernmental revenue                           | -                    | 10,524,112          | 12,897,187                        | 23,421,299                     |
| Contributions                                       | 2,419,531            | -                   | 3,548,001                         | 5,967,532                      |
| Miscellaneous revenue                               | 5,686,997            | 477,598             | 4,191,489                         | 10,356,084                     |
| <b>Total revenues</b>                               | <u>105,984,634</u>   | <u>11,001,710</u>   | <u>26,294,496</u>                 | <u>143,280,840</u>             |
| <b>Expenditures</b>                                 |                      |                     |                                   |                                |
| Current:  |                      |                     |                                   |                                |
| Administrative services                             | 17,462,015           | 10,354,038          | 2,384,445                         | 30,200,498                     |
| Police  | 35,131,158           | -                   | 250,827                           | 35,381,985                     |
| Fire  | 23,782,573           | -                   | 862,375                           | 24,644,948                     |
| Parks and recreation                                | 11,550,440           | -                   | 401,478                           | 11,951,918                     |
| Accounting/finance                                  | 2,440,324            | -                   | -                                 | 2,440,324                      |
| Development services                                | 2,700,080            | -                   | 6,384,594                         | 9,084,674                      |
| Public works  | 9,693,911            | -                   | 12,166                            | 9,706,077                      |
| Health  | 4,485,027            | 21,150              | 3,479,831                         | 7,986,008                      |
| Traffic and transportation                          | 2,347,148            | 536,670             | 905,990                           | 3,789,808                      |
| Multi-Purpose Events Center                         | -                    | 89,852              | 4,619,391                         | 4,709,243                      |
| Capital outlay                                      | -                    | -                   | 1,433,457                         | 1,433,457                      |
| Debt service:                                       |                      |                     |                                   |                                |
| Principal retirement                                | -                    | -                   | 3,992,544                         | 3,992,544                      |
| Interest and paying agent fees                      | -                    | -                   | 1,277,302                         | 1,277,302                      |
| <b>Total expenditures</b>                           | <u>109,592,676</u>   | <u>11,001,710</u>   | <u>26,004,400</u>                 | <u>146,598,786</u>             |
| <b>Excess of revenues over (under) expenditures</b> | <u>(3,608,042)</u>   | <u>-</u>            | <u>290,096</u>                    | <u>(3,317,946)</u>             |
| <b>Other Financing Sources (Uses)</b>               |                      |                     |                                   |                                |
| Transfers in  | 3,336,691            | -                   | 2,243,283                         | 5,579,974                      |
| Transfers out                                       | (1,265,714)          | -                   | (2,251,134)                       | (3,516,848)                    |
| <b>Total other financing sources (uses)</b>         | <u>2,070,977</u>     | <u>-</u>            | <u>(7,851)</u>                    | <u>2,063,126</u>               |
| <b>Net change in fund balance</b>                   | <u>(1,537,065)</u>   | <u>-</u>            | <u>282,245</u>                    | <u>(1,254,820)</u>             |
| Fund balance - beginning                            | 50,854,754           | 2,095,795           | 19,215,894                        | 72,166,443                     |
| <b>Fund balances - ending</b>                       | <u>\$ 49,317,689</u> | <u>\$ 2,095,795</u> | <u>\$ 19,498,139</u>              | <u>\$ 70,911,623</u>           |

*See accompanying notes to the basic financial statements.*

**CITY OF WICHITA FALLS, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Net change in fund balances - total governmental funds (Exhibit A-5) \$ (1,254,820)

Amounts reported for *governmental activities* in the Statement of Activities (Exhibit A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:

|                                   |                  |            |
|-----------------------------------|------------------|------------|
| Capital outlay during the year    | \$ 20,973,333    |            |
| Depreciation expense for the year | <u>9,024,934</u> | 11,948,399 |

Because property tax receivables and municipal court receivables will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred inflows increased by this amount this year 141,977

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Principal payments in 2024-2025 were: 4,685,550

Included in long-term debt are obligations for accrued vacation and sick leave, and claims and judgments payable. The changes in these obligations are not included in the governmental fund financial statements, but are included in the government-wide financial statements. The changes in these long-term obligations were:

|                                 |               |             |
|---------------------------------|---------------|-------------|
| Accrued vacation and sick leave | (1,087,004)   |             |
| Claims and judgments payable    | <u>39,818</u> | (1,047,186) |

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease in accrued interest is as follows:

|  |                |        |
|--|----------------|--------|
| Accrued interest at September 30, 2024 | 162,596        |        |
| Accrued interest at September 30, 2025 | <u>139,495</u> | 23,101 |

Amortization of deferred losses on refundings is only reported in the government-wide financial statements. Current year amortization was: (50,285)

The City participates in two defined benefit pension plans. Contributions to the plans are expenditures at the fund level when payments are due. At the government-wide level, pension expenses are recognized on an actuarial basis. Payments were more than the actuarial expense in the current year. (1,417,705)

The City sponsors an OPEB plan for retiree health care. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension expenses are recognized on an actuarial basis. Payments were more than the actuarial expense in the current year. (663,322)

*See accompanying notes to the basic financial statements.*

**CITY OF WICHITA FALLS, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

|  |                      |
|--|----------------------|
| Internal service funds are used by management to charge the costs of duplicating services, information technology and health insurance claims to the individual funds. The net revenues of these internal service funds are included with the governmental activities.                     | (985,804)            |
| Internal service funds are used by management to charge the costs of central garage services to the individual funds. The net revenue of this fund is included with the business-type activities. This amount represents the governmental activity portion of the central garage activity. | <u>(403,180)</u>     |
| Change in net position of governmental activities (Exhibit A-2)  | <u>\$ 10,976,725</u> |

*See accompanying notes to the basic financial statements.*

## CITY OF WICHITA FALLS, TEXAS

### STATEMENT OF NET POSITION

#### PROPRIETARY FUNDS

SEPTEMBER 30, 2025

|   | Enterprise Funds        |                    |                                |                                 | Total              | Internal<br>Service Funds |
|---|-------------------------|--------------------|--------------------------------|---------------------------------|--------------------|---------------------------|
|   | Water and<br>Sewer Fund | Sanitation<br>Fund | Stormwater<br>Drainage<br>Fund | Nonmajor<br>Enterprise<br>Funds |                    |                           |
| <b>Assets</b>                                   |                         |                    |                                |                                 |                    |                           |
| <b>Current assets:</b>                          |                         |                    |                                |                                 |                    |                           |
| Cash and cash equivalents                       | \$ 24,183,826           | \$ 14,700,450      | \$ 11,318,173                  | \$ 535,084                      | \$ 50,737,533      | \$ 10,573,600             |
| Restricted cash and cash equivalents            | 14,216,141              | -                  | -                              | 2,604,521                       | 16,820,662         | 15,183,894                |
| Receivables (net):                              |                         |                    |                                |                                 |                    |                           |
| Customer and trade                              | 6,796,818               | 2,161,338          | 396,428                        | -                               | 9,354,584          | -                         |
| Government agencies                             | 71,859                  | -                  | -                              | 546,941                         | 618,800            | -                         |
| Other   | 509,246                 | 19,978             | -                              | 59,281                          | 588,505            | 11,493                    |
| Inventory                                       | 1,798,024               | -                  | -                              | 178,753                         | 1,976,777          | 648,331                   |
| Prepaid items                                   | -                       | -                  | -                              | 29,827                          | 29,827             | 479,022                   |
| Other assets                                    | -                       | -                  | -                              | 340,398                         | 340,398            | -                         |
| <b>Total current assets</b>                     | <u>47,575,914</u>       | <u>16,881,766</u>  | <u>11,714,601</u>              | <u>4,294,805</u>                | <u>80,467,086</u>  | <u>26,896,340</u>         |
| <b>Long-term assets:</b>                        |                         |                    |                                |                                 |                    |                           |
| Capital assets, net of accumulated depreciation | <u>257,588,669</u>      | <u>10,836,878</u>  | <u>35,347,540</u>              | <u>72,033,629</u>               | <u>375,806,716</u> | <u>45,512,078</u>         |
| <b>Total long-term assets</b>                   | <u>257,588,669</u>      | <u>10,836,878</u>  | <u>35,347,540</u>              | <u>72,033,629</u>               | <u>375,806,716</u> | <u>45,512,078</u>         |
| <b>Total assets</b>                             | <u>305,164,583</u>      | <u>27,718,644</u>  | <u>47,062,141</u>              | <u>76,328,434</u>               | <u>456,273,802</u> | <u>72,408,418</u>         |
| <b>Deferred Outflows of Resources</b>           |                         |                    |                                |                                 |                    |                           |
| Pension-related                                 | 1,631,208               | 682,512            | 54,320                         | 320,222                         | 2,688,262          | 478,713                   |
| OPEB-related                                    | 457,965                 | 172,613            | 11,391                         | 59,582                          | 701,551            | 105,436                   |
| Deferred losses on bond refundings              | <u>984,930</u>          | <u>-</u>           | <u>-</u>                       | <u>-</u>                        | <u>984,930</u>     | <u>-</u>                  |
| <b>Total deferred outflows of resources</b>     | <u>3,074,103</u>        | <u>855,125</u>     | <u>65,711</u>                  | <u>379,804</u>                  | <u>4,374,743</u>   | <u>584,149</u>            |

*See accompanying notes to the basic financial statements.*

**CITY OF WICHITA FALLS, TEXAS**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

**SEPTEMBER 30, 2025**

|  | Enterprise Funds        |                      |                                |                                 | Total                 | Internal<br>Service Funds |
|--|-------------------------|----------------------|--------------------------------|---------------------------------|-----------------------|---------------------------|
|  | Water and<br>Sewer Fund | Sanitation<br>Fund   | Stormwater<br>Drainage<br>Fund | Nonmajor<br>Enterprise<br>Funds |                       |                           |
| <b>Liabilities</b>   |                         |                      |                                |                                 |                       |                           |
| <b>Current liabilities:</b>  |                         |                      |                                |                                 |                       |                           |
| Accounts payable - trade   | 522,469                 | 18,737               | 415,953                        | 147,183                         | 1,104,342             | 618,059                   |
| Accrued payroll  | 366,090                 | 156,479              | 12,705                         | 87,081                          | 622,355               | 114,184                   |
| Accrued vacation and sick leave  | 1,105,843               | 469,674              | 46,067                         | 270,393                         | 1,891,977             | 369,911                   |
| Payable to other City funds  | -                       | -                    | -                              | 2,832,887                       | 2,832,887             | 462,283                   |
| Payable to government agencies   | 4                       | 121,972              | -                              | 13                              | 121,989               | -                         |
| Estimated health claims payable  | -                       | -                    | -                              | -                               | -                     | 1,106,819                 |
| Other liabilities  | 13,907                  | 69,853               | 266,681                        | 158,163                         | 508,604               | 18,227                    |
| Right-to-use leases - current maturities   | -                       | -                    | -                              | 33,400                          | 33,400                | -                         |
| Notes payable - current maturities   | 906,820                 | -                    | -                              | -                               | 906,820               | 865,777                   |
| Bonds payable - current maturities   | 11,464,054              | -                    | -                              | -                               | 11,464,054            | -                         |
| Subscription liabilities - current maturities  | -                       | -                    | -                              | -                               | -                     | 119,200                   |
| Accrued interest - revenue bonds   | 148,972                 | -                    | -                              | -                               | 148,972               | -                         |
| <b>Total current liabilities</b>   | <b>14,528,159</b>       | <b>836,715</b>       | <b>741,406</b>                 | <b>3,529,120</b>                | <b>19,635,400</b>     | <b>3,674,460</b>          |
| <b>Long-term liabilities:</b>  |                         |                      |                                |                                 |                       |                           |
| Right-to-use leases, less current maturities   | -                       | -                    | -                              | 2,754,765                       | 2,754,765             | -                         |
| Notes payable, less current maturities   | 10,271,674              | -                    | -                              | -                               | 10,271,674            | 7,505,693                 |
| Bonds payable, less current maturities   | 30,410,632              | -                    | -                              | -                               | 30,410,632            | -                         |
| Subscription liabilities, less current maturities  | -                       | -                    | -                              | -                               | -                     | 115,457                   |
| Estimated liability for landfill closure and post-closure care costs                                     | -                       | 7,681,714            | -                              | -                               | 7,681,714             | -                         |
| Customer deposits  | 3,426,722               | -                    | -                              | -                               | 3,426,722             | -                         |
| Net pension liability  | 6,407,365               | 2,680,897            | 213,368                        | 1,257,829                       | 10,559,459            | 1,880,378                 |
| Net OPEB liability   | 1,921,758               | 724,336              | 47,799                         | 250,025                         | 2,943,918             | 442,446                   |
| <b>Total long-term liabilities</b>   | <b>52,438,151</b>       | <b>11,086,947</b>    | <b>261,167</b>                 | <b>4,262,619</b>                | <b>68,048,884</b>     | <b>9,943,974</b>          |
| <b>Total liabilities</b>   | <b>66,966,310</b>       | <b>11,923,662</b>    | <b>1,002,573</b>               | <b>7,791,739</b>                | <b>87,684,284</b>     | <b>13,618,434</b>         |
| <b>Deferred Inflows of Resources</b>   |                         |                      |                                |                                 |                       |                           |
| Pension-related  | 620,377                 | 259,571              | 20,659                         | 121,786                         | 1,022,393             | 182,063                   |
| OPEB related   | 456,124                 | 171,919              | 11,345                         | 59,342                          | 698,730               | 105,013                   |
| <b>Total deferred inflows of resources</b>   | <b>1,076,501</b>        | <b>431,490</b>       | <b>32,004</b>                  | <b>181,128</b>                  | <b>1,721,123</b>      | <b>287,076</b>            |
| <b>Net Position</b>  |                         |                      |                                |                                 |                       |                           |
| Net investment in capital assets   | 206,176,105             | 10,836,878           | 35,347,540                     | 69,245,464                      | 321,605,987           | 36,905,951                |
| Restricted for debt service  | 13,421,380              | -                    | -                              | -                               | 13,421,380            | -                         |
| Unrestricted   | 20,598,390              | 5,381,739            | 10,745,735                     | (510,093)                       | 36,215,771            | 22,131,106                |
| <b>Total net position</b>  | <b>\$ 240,195,875</b>   | <b>\$ 16,218,617</b> | <b>\$ 46,093,275</b>           | <b>\$ 68,735,371</b>            | <b>371,243,138</b>    | <b>\$ 59,087,057</b>      |
| Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds |                         |                      |                                |                                 | 55,100,426            |                           |
| <b>Net position of business-type activities</b>  |                         |                      |                                |                                 | <b>\$ 426,343,564</b> |                           |

See accompanying notes to the basic financial statements.

**CITY OF WICHITA FALLS, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

|  | Enterprise Funds        |                      |                                |                                 |                      | Internal<br>Service Funds |
|--|-------------------------|----------------------|--------------------------------|---------------------------------|----------------------|---------------------------|
|  | Water and<br>Sewer Fund | Sanitation<br>Fund   | Stormwater<br>Drainage<br>Fund | Nonmajor<br>Enterprise<br>Funds | Total                |                           |
| <b>Operating revenues:</b>   |                         |                      |                                |                                 |                      |                           |
| Charges for services   | \$ 52,404,938           | \$ 19,476,108        | \$ 3,791,664                   | \$ 1,671,235                    | \$ 77,343,945        | \$ 18,153,218             |
| Rents, concessions and other   | 163,451                 | 29,217               | -                              | 3,757,580                       | 3,950,248            | 1,282,228                 |
| Contributions  | -                       | -                    | -                              | -                               | -                    | 14,618,537                |
| <b>Total operating revenues</b>  | <b>52,568,389</b>       | <b>19,505,325</b>    | <b>3,791,664</b>               | <b>5,428,815</b>                | <b>81,294,193</b>    | <b>34,053,983</b>         |
| <b>Operating expenses:</b>   |                         |                      |                                |                                 |                      |                           |
| Personnel services   | 13,540,259              | 5,666,299            | 478,717                        | 3,549,656                       | 23,234,931           | 3,844,561                 |
| Supplies and materials   | 4,152,405               | 389,657              | 1,147                          | 1,736,342                       | 6,279,551            | 3,534,238                 |
| Maintenance and repairs  | 2,952,791               | 115,860              | 23,029                         | 358,162                         | 3,449,842            | 4,707,983                 |
| Utilities and other services   | 5,864,893               | 6,372,529            | 197,055                        | 1,135,979                       | 13,570,456           | 720,411                   |
| Insurance and contract support   | 862,404                 | 121,680              | 512                            | 237,500                         | 1,222,096            | 16,494,009                |
| Other expenses   | 2,106,989               | 606,325              | 30,128                         | 477,698                         | 3,221,140            | 1,229,104                 |
| Depreciation and amortization  | 9,650,032               | 500,816              | 443,739                        | 2,997,119                       | 13,591,706           | 7,303,188                 |
| <b>Total operating expenses</b>  | <b>39,129,773</b>       | <b>13,773,166</b>    | <b>1,174,327</b>               | <b>10,492,456</b>               | <b>64,569,722</b>    | <b>37,833,494</b>         |
| <b>Operating income (loss)</b>   | <b>13,438,616</b>       | <b>5,732,159</b>     | <b>2,617,337</b>               | <b>(5,063,641)</b>              | <b>16,724,471</b>    | <b>(3,779,511)</b>        |
| <b>Nonoperating revenues (expenses):</b>   |                         |                      |                                |                                 |                      |                           |
| Investment earnings (loss)   | 971,449                 | 358,159              | 298,458                        | 161,007                         | 1,789,073            | 1,658,452                 |
| Gain/(loss) on sale/abandonment of capital assets  | 22,515                  | -                    | -                              | 5,489                           | 28,004               | 253,620                   |
| Interest expense and paying agent fees   | (1,728,362)             | -                    | -                              | (27,230)                        | (1,755,592)          | (180,012)                 |
| Intergovernmental operating grants   | -                       | -                    | -                              | 3,434,358                       | 3,434,358            | -                         |
| <b>Total nonoperating revenues (expenses)</b>  | <b>(734,398)</b>        | <b>358,159</b>       | <b>298,458</b>                 | <b>3,573,624</b>                | <b>3,495,843</b>     | <b>1,732,060</b>          |
| <b>Income (loss) before contributions and transfers</b>  | <b>12,704,218</b>       | <b>6,090,318</b>     | <b>2,915,795</b>               | <b>(1,490,017)</b>              | <b>20,220,314</b>    | <b>(2,047,451)</b>        |
| <b>Capital contributions</b>   | <b>1,178,123</b>        | <b>-</b>             | <b>-</b>                       | <b>-</b>                        | <b>1,178,123</b>     | <b>-</b>                  |
| Transfers in   | -                       | -                    | -                              | 367,318                         | 367,318              | 8,088,099                 |
| Transfers out  | (2,910,670)             | (5,348,094)          | (757,509)                      | (1,190,270)                     | (10,206,543)         | (312,000)                 |
| <b>Change in net position</b>  | <b>10,971,671</b>       | <b>742,224</b>       | <b>2,158,286</b>               | <b>(2,312,969)</b>              | <b>11,559,212</b>    | <b>5,728,648</b>          |
| Net position - beginning, as previously reported   | 229,769,340             | 15,738,146           | -                              | 115,170,841                     |                      | 53,803,142                |
| Adjustment - change from nonmajor fund to major fund   | -                       | -                    | 43,959,193                     | (43,959,193)                    |                      | -                         |
| Error correction   | -                       | -                    | -                              | -                               |                      | (249,484)                 |
| Change in accounting principle   | (545,136)               | (261,753)            | (24,204)                       | (163,308)                       |                      | (195,248)                 |
| Net position - beginning, as restated  | 229,224,204             | 15,476,393           | 43,934,989                     | 71,048,340                      |                      | 53,358,410                |
| <b>Net position - ending</b>   | <b>\$ 240,195,875</b>   | <b>\$ 16,218,617</b> | <b>\$ 46,093,275</b>           | <b>\$ 68,735,371</b>            |                      | <b>\$ 59,087,058</b>      |
| Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds |                         |                      |                                |                                 | 7,117,633            |                           |
| Change in net position of business-type activities   |                         |                      |                                |                                 | <u>\$ 18,676,845</u> |                           |

*See accompanying notes to the basic financial statements.*

**CITY OF WICHITA FALLS, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

|   | Enterprise Funds            |                             |                                |                                 | Total                       | Internal<br>Service Funds   |
|---|-----------------------------|-----------------------------|--------------------------------|---------------------------------|-----------------------------|-----------------------------|
|   | Water and<br>Sewer Fund     | Sanitation<br>Fund          | Stormwater<br>Drainage<br>Fund | Nonmajor<br>Enterprise<br>Funds |                             |                             |
| <b>Cash flows from operating activities:</b>  |                             |                             |                                |                                 |                             |                             |
| Received from customers and users   | \$ 53,039,203               | \$ 19,310,886               | \$ 3,796,371                   | \$ 5,454,052                    | \$ 81,600,512               | \$ 3,726,234                |
| Received from interfund charges   | -                           | -                           | -                              | -                               | -                           | 29,502,569                  |
| Other operating receipts  | -                           | -                           | -                              | -                               | -                           | 822,130                     |
| Payments to suppliers   | (16,774,655)                | (2,663,786)                 | (61,001)                       | (3,831,550)                     | (23,330,992)                | (26,927,566)                |
| Payments for interfund services   | (4,342,505)                 | (6,234,280)                 | (234,193)                      | (894,487)                       | (11,705,465)                | (705,601)                   |
| Payments to employees   | (9,710,861)                 | (4,082,592)                 | (323,665)                      | (2,790,932)                     | (16,908,050)                | (2,880,076)                 |
| Net cash provided (used) by operating activities  | <u>22,211,182</u>           | <u>6,330,228</u>            | <u>3,177,512</u>               | <u>(2,062,917)</u>              | <u>29,656,005</u>           | <u>3,537,690</u>            |
| <b>Cash flows from noncapital financing activities:</b>   |                             |                             |                                |                                 |                             |                             |
| Intergovernmental operating grants  | -                           | -                           | -                              | 4,317,935                       | 4,317,935                   | -                           |
| Interfund loans received (repaid)   | -                           | -                           | -                              | (858,276)                       | (858,276)                   | -                           |
| Transfers in from other funds   | -                           | -                           | -                              | 367,318                         | 367,318                     | 8,088,099                   |
| Transfers out to other funds  | (2,910,670)                 | (5,348,094)                 | (757,509)                      | (1,190,270)                     | (10,206,543)                | (312,000)                   |
| Net cash provided (used) by noncapital financing activities   | <u>(2,910,670)</u>          | <u>(5,348,094)</u>          | <u>(757,509)</u>               | <u>2,636,707</u>                | <u>(6,379,566)</u>          | <u>7,776,099</u>            |
| <b>Cash flows from capital and related financing activities:</b>  |                             |                             |                                |                                 |                             |                             |
| Acquisition and construction of capital assets  | (5,208,062)                 | (586,922)                   | (3,066,061)                    | (1,358,419)                     | (10,219,464)                | (11,180,208)                |
| Proceeds from sale of capital assets  | 22,515                      | -                           | -                              | 5,489                           | 28,004                      | 462,240                     |
| Principal paid on long-term debt  | (12,181,761)                | -                           | -                              | (31,302)                        | (12,213,063)                | (962,232)                   |
| Interest and fees paid on long-term debt  | (2,007,973)                 | -                           | -                              | (27,230)                        | (2,035,203)                 | (180,012)                   |
| Net cash provided (used) for capital and related financing activities                                   | <u>(19,375,281)</u>         | <u>(586,922)</u>            | <u>(3,066,061)</u>             | <u>(1,411,462)</u>              | <u>(24,439,726)</u>         | <u>(11,860,212)</u>         |
| <b>Cash flows from investing activities:</b>  |                             |                             |                                |                                 |                             |                             |
| Investment earnings   | 971,449                     | 358,159                     | 298,458                        | 161,007                         | 1,789,073                   | 1,658,452                   |
| Net cash provided (used) by investing activities  | <u>971,449</u>              | <u>358,159</u>              | <u>298,458</u>                 | <u>161,007</u>                  | <u>1,789,073</u>            | <u>1,658,452</u>            |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>   | <b>895,680</b>              | <b>753,371</b>              | <b>(347,600)</b>               | <b>(676,665)</b>                | <b>625,786</b>              | <b>1,112,029</b>            |
| <b>Cash and Cash Equivalents - Beginning</b>  | <b>37,503,287</b>           | <b>13,947,079</b>           | <b>11,665,773</b>              | <b>3,816,270</b>                | <b>66,932,409</b>           | <b>24,645,465</b>           |
| <b>Cash and Cash Equivalents - Ending</b>   | <b><u>\$ 38,399,967</u></b> | <b><u>\$ 14,700,450</u></b> | <b><u>\$ 11,318,173</u></b>    | <b><u>\$ 3,139,605</u></b>      | <b><u>\$ 67,558,195</u></b> | <b><u>\$ 25,757,494</u></b> |
| <b>Reconciliation of cash and cash equivalents on the balance sheet to the statement of cash flows:</b> |                             |                             |                                |                                 |                             |                             |
| Cash and cash equivalents   | \$ 24,183,826               | \$ 14,700,450               | \$ 11,318,173                  | \$ 535,084                      | \$ 50,737,533               | \$ 10,573,600               |
| Restricted assets - cash and cash equivalents   | 14,216,141                  | -                           | -                              | 2,604,521                       | 16,820,662                  | 15,183,894                  |
| <b>Total cash and cash equivalents at end of year</b>   | <b><u>\$ 38,399,967</u></b> | <b><u>\$ 14,700,450</u></b> | <b><u>\$ 11,318,173</u></b>    | <b><u>\$ 3,139,605</u></b>      | <b><u>\$ 67,558,195</u></b> | <b><u>\$ 25,757,494</u></b> |

*See accompanying notes to the basic financial statements.*

**CITY OF WICHITA FALLS, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

|  | Enterprise Funds        |                     |                                |                                 | Total                | Internal<br>Service Funds |
|--|-------------------------|---------------------|--------------------------------|---------------------------------|----------------------|---------------------------|
|  | Water and<br>Sewer Fund | Sanitation<br>Fund  | Stormwater<br>Drainage<br>Fund | Nonmajor<br>Enterprise<br>Funds |                      |                           |
| Reconciliation of Operating Income (Loss) to Net Cash<br>Provided (Used) by Operating Activities:        |                         |                     |                                |                                 |                      |                           |
| Operating income (loss)  | \$ 13,438,616           | \$ 5,732,159        | \$ 2,617,337                   | \$ (5,063,641)                  | \$ 16,724,471        | \$ (3,779,511)            |
| Adjustments to reconcile operating income (loss)<br>to net cash provided (used) by operating activities: |                         |                     |                                |                                 |                      |                           |
| Depreciation and amortization  | 9,650,032               | 500,816             | 443,739                        | 2,997,119                       | 13,591,706           | 7,303,188                 |
| Customer deposits received (refunded)  | 387,439                 | -                   | -                              | -                               | 387,439              | -                         |
| (Increase) decrease in assets and deferred<br>outflows:  |                         |                     |                                |                                 |                      |                           |
| Receivables:   |                         |                     |                                |                                 |                      |                           |
| Customer and trade   | 73,727                  | (194,439)           | 4,707                          | -                               | (116,005)            | -                         |
| Other  | 9,648                   | -                   | -                              | 25,237                          | 34,885               | (1,305)                   |
| Inventory  | (568,117)               | -                   | -                              | (660)                           | (568,777)            | 15,400                    |
| Prepaid items  | (29,738)                | -                   | -                              | (6,605)                         | (36,343)             | (445)                     |
| Other current assets   | -                       | -                   | -                              | (79,912)                        | (79,912)             | -                         |
| Deferred outflows - pension-related  | 1,140,189               | 448,955             | 19,534                         | 215,622                         | 1,824,300            | 321,579                   |
| Deferred outflows - OPEB-related   | (155,408)               | (60,845)            | (3,940)                        | (20,170)                        | (240,363)            | (35,238)                  |
| Increase (decrease) in liabilities and deferred<br>inflows:  |                         |                     |                                |                                 |                      |                           |
| Accounts payable - trade   | (124,170)               | (52,368)            | 75,880                         | 76,845                          | (23,813)             | 173,850                   |
| Accrued payroll  | 92,343                  | 37,381              | 4,260                          | 20,260                          | 154,244              | 31,806                    |
| Accrued vacation and sick leave  | (13,536)                | 1,470               | 4,528                          | 22,011                          | 14,473               | (36,927)                  |
| Estimated health claims payable  | -                       | -                   | -                              | -                               | -                    | (81,295)                  |
| Payable to government agencies   | -                       | 51,285              | -                              | 787                             | 52,072               | -                         |
| Other liabilities  | (369,870)               | (20,737)            | -                              | 6,436                           | (384,171)            | (1,745)                   |
| Estimated liability for landfill closure   | -                       | 349,546             | -                              | -                               | 349,546              | -                         |
| Net pension liability  | (1,945,209)             | (729,174)           | (9,217)                        | (357,124)                       | (3,040,724)          | (531,582)                 |
| Net OPEB liability   | 397,710                 | 161,337             | 10,266                         | 51,494                          | 620,807              | 88,843                    |
| Deferred inflows - pension-related   | 285,083                 | 122,682             | 11,724                         | 56,957                          | 476,446              | 85,241                    |
| Deferred inflows - OPEB-related  | (57,557)                | (17,840)            | (1,306)                        | (7,573)                         | (84,276)             | (14,169)                  |
| Total adjustments  | <u>8,772,566</u>        | <u>598,069</u>      | <u>560,175</u>                 | <u>3,000,724</u>                | <u>12,931,534</u>    | <u>7,317,201</u>          |
| Net cash provided (used) by<br>operating activities  | <u>\$ 22,211,182</u>    | <u>\$ 6,330,228</u> | <u>\$ 3,177,512</u>            | <u>\$ (2,062,917)</u>           | <u>\$ 29,656,005</u> | <u>\$ 3,537,690</u>       |
| Noncash capital and financing activities:  |                         |                     |                                |                                 |                      |                           |
| Capital assets received from developers  | \$ 1,178,121            | \$ -                | \$ -                           | \$ -                            | \$ 1,178,121         | \$ -                      |

*See accompanying notes to the basic financial statements.*

**CITY OF WICHITA FALLS, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**SEPTEMBER 30, 2025**

|                           | Pension Trust<br>Fund | Custodial<br>Fund |
|---------------------------|-----------------------|-------------------|
| <b>Assets</b>             |                       |                   |
| Cash and cash equivalents | \$ 200                | \$ 222,230        |
| Receivables               | 41,222                | -                 |
| Investments               | 59,633,559            | -                 |
| Total assets              | <u>59,674,981</u>     | <u>222,230</u>    |
| <br>                      |                       |                   |
| <b>Liabilities</b>        |                       |                   |
| Accrued expenses          | 23,600                | -                 |
| Other liabilities         | -                     | 222,230           |
| Total liabilities         | <u>23,600</u>         | <u>222,230</u>    |
| <br>                      |                       |                   |
| <b>Net position</b>       | <u>\$ 59,651,381</u>  | <u>\$ -</u>       |

*See accompanying notes to the basic financial statements.*

**CITY OF WICHITA FALLS, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

|  | Pension Trust<br>Fund | Custodial<br>Fund |
|--|-----------------------|-------------------|
| <b>Additions</b>   |                       |                   |
| Contributions:   |                       |                   |
| Employer   | \$ 3,313,807          | \$ -              |
| Plan members   | 1,823,000             | -                 |
| Escheatment additions  | -                     | 26,783            |
| Total contributions  | 5,136,807             | 26,783            |
| Investment earnings (net):                                   |                       |                   |
| Interest and dividend income                                 | 1,946,474             | -                 |
| Net appreciation (depreciation) in fair value of investments | 4,498,171             | -                 |
| Less investment expenses                                     | (436,234)             | -                 |
| Total investment earnings (net)                              | 6,008,411             | -                 |
| Total additions  | 11,145,218            | 26,783            |
| <b>Deductions</b>  |                       |                   |
| Benefits paid to participants                                | 6,043,249             | -                 |
| Refunds and drop payments                                    | 594,056               | -                 |
| Administrative expenses                                      | 111,753               | -                 |
| Escheatment deductions                                       | -                     | 26,783            |
| Total deductions   | 6,749,058             | 26,783            |
| Net increase (decrease) in fiduciary net position            | 4,396,160             | -                 |
| Net position - beginning                                     | 55,255,221            | -                 |
| Net position - ending  | \$ 59,651,381         | \$ -              |

*See accompanying notes to the basic financial statements.*

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2025

### Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the **City of Wichita Falls, Texas** (City) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting (NCGA) unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The following is a summary of the more significant policies and practices used by the City.

#### A. Reporting Entity

The City is a municipal corporation governed by an elected Mayor and six-member City Council. As required by various Governmental Accounting Standards Board (GASB) statements, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations and data from these units are combined with data presented by the City. A discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the City. Each blended and discretely presented component unit has a September 30th year end.

#### Blended Component Unit

*Employee Benefit Trust Fund.* On October 1, 1983, an "Agreement and Declaration of Trust" was made and entered into between the City and the Employee Benefit Trust Committee, acting as Trustee to administer the Employee Benefit Trust (Trust). The Trust Committee consists of four Trustees selected by the City, who may, but need not be, beneficiaries of the health and welfare program funded by the Trust, and/or officers or employees of the City. The purpose of the Trust is to provide health and welfare benefits, which may include life, accidental death and dismemberment, disability, medical and dental insurance, and any other benefits as determined by the Trustee Committee. The Trust is funded through contributions by the City and employees who choose to participate. It may be terminated in writing, at any time, by either party. The Employee Benefit Trust Fund is presented in the accompanying financial statements as an internal service fund.

#### Discretely Presented Component Units

*The Wichita Falls Economic Development Corporation.* The Wichita Falls Economic Development Corporation is a non-profit corporation formed in May 1997 for the purpose of increasing employment opportunities, primarily through assisting qualifying enterprises with funds provided by a portion of the local sales tax. Assistance may be in the form of incentive grants, loans or leases which call for discounted rates or rebates for job development. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4A. Since the City Council appoints its Board of Directors, approves its budgets, and exercises final authority over its operations, the Wichita Falls Economic Development Corporation is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The Wichita Falls Economic Development Corporation utilizes full accrual accounting.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

#### *Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)*

*The Wichita Falls 4B Sales Tax Corporation.* The Wichita Falls 4B Sales Tax Corporation is a non-profit corporation formed in May 1997 for the purpose of increasing employment opportunities and for public improvement projects such as parks, auditoriums, learning centers, open space improvements, athletic and exhibition facilities, and the related maintenance and operating costs of such projects. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4B. Since the City Council appoints its Board of Directors, approves its budgets, and exercises final authority over its operations, the Wichita Falls 4B Sales Tax Corporation is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The Wichita Falls 4B Sales Tax Corporation utilizes full accrual accounting.

*Wichita Falls Reinvestment Zone #2.* On August 16, 2005, the City of Wichita Falls, Texas, with the advice and consent of the Wichita Falls Independent School District and Wichita County, approved the creation of the Wichita Falls Reinvestment Zone #2 (Zone). This Zone is permitted by Article 1066e of the State of Texas Tax Increment Financing Act passed in 1981. The area of the Zone is approximately 236 acres and includes the Lawrence Road area of the City. The purpose of the Zone is to capture increments of growth in real property values in the Zone from base values established on January 1, 2004, and use the ad valorem taxes derived from these increments to contribute to the zoned area. Tax funds derived from the increment can only be spent for public improvements in the Zone or for the payment of debt service on bonds issued to provide funds for public improvements. The Zone terminates on December 31, 2025, or when all debt has been paid if later. After all costs have been paid at the end of the tax increment financing period, any money remaining is to be remitted to the taxing entities. Since the City Council appoints a majority of its Board, approves its budget, and exercises final authority over its operations, the Wichita Falls Reinvestment Zone #2 is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The Zone utilizes full accrual accounting.

*Wichita Falls Reinvestment Zone #3.* On September 1, 2009, the City of Wichita Falls, Texas, with the advice and consent of the Wichita Falls Independent School District and Wichita County, approved the creation of the Wichita Falls Reinvestment Zone #3 (Zone). This Zone is permitted by Article 1066e of the State of Texas Tax Increment Financing Act passed in 1981. The area of the Zone is approximately 630 acres and includes a significant portion of the Eastside Neighborhood. The purpose of the Zone is to capture increments of growth in real property values in the Zone from base values established on January 1, 2009, and use the ad valorem taxes derived from these increments to contribute to the zoned area. Tax funds derived from the increment can only be spent for public improvements in the Zone or for the payment of debt service on bonds issued to provide funds for public improvements. The Zone terminates on December 31, 2029. After all costs have been paid at the end of the tax increment financing period, any money remaining is to be remitted to the taxing entities. Since the City Council appoints a majority of its Board, approves its budget, and exercises final authority over its operations, the Wichita Falls Reinvestment Zone #3 is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The Zone utilizes full accrual accounting.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

#### *Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)*

*Wichita Falls Reinvestment Zone #4.* On March 17, 2015, the City of Wichita Falls, Texas, with the advice and consent of the Wichita Falls Independent School District and Wichita County, approved the creation of the Wichita Falls Reinvestment Zone #4 (Zone). This Zone is permitted by Article 1066e of the State of Texas Tax Increment Financing Act passed in 1981. The area of the Zone is approximately 246 acres and includes a significant portion of the downtown area. The purpose of the Zone is to capture increments of growth in real property values in the Zone from base values established on January 1, 2015, and use the ad valorem taxes derived from these increments to contribute to the zoned area. Tax funds derived from the increment can only be spent for public improvements in the Zone or for the payment of debt service on bonds issued to provide funds for public improvements. The Zone terminates on December 31, 2035. After all costs have been paid at the end of the tax increment financing period, any money remaining is to be remitted to the taxing entities. Since the City Council appoints a majority of its Board, approves its budget, and exercises final authority over its operations, the Wichita Falls Reinvestment Zone #4 is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The Zone utilizes full accrual accounting.

No separate audited financial statements are available for the City's blended and discretely presented component units. Complete financial statements for the individual component units may be obtained from the City's Director of Finance/CFO at 1300 7th Street, Wichita Falls, Texas.

#### Fiduciary Component Unit

*Wichita Falls Firemen's Relief and Retirement Fund.* The Wichita Falls Firemen's Relief and Retirement Fund was established and is controlled through various State of Texas legislative enactments. This Fund is administered locally by a seven-member board, independent of the City Council. The seven-member Board of Trustees, composed of the Mayor, the Director of Finance from the City's Finance Department, three firefighters elected by a majority vote of the firefighters and two citizens, who are not employees or officers of the City and are chosen by the unanimous vote of the first five Trustees, are subject to the administrative supervision of and report to the State Firemen's Pension Board. The City is legally obligated to make contributions to the plan. As such, the Fund is considered a fiduciary component unit of the City. The Fund operates on a fiscal year ending on December 31 of each year.

#### B. Basis of Presentation

##### *Government-wide financial statements*

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated in the process of consolidation. 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.

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

### *Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)*

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (police, public works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

#### *Fund financial statements*

Separate fund-based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets (combined with deferred outflows of resources), liabilities (combined with deferred inflows of resources), revenues or expenditures/expenses of either fund category for governmental and enterprise) for the determination of major funds. The major governmental funds are the General Fund and the American Rescue Plan Act (ARPA) Fund. The major enterprise funds are the Water and Sewer Fund, the Sanitation Fund, and the Stormwater Drainage Fund. Nonmajor funds are combined in a column in the fund financial statements. Nonmajor funds are detailed in the combining section of the statements.

Internal service funds, which traditionally provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statements. Because the principal users of internal services are the City's governmental and business-type activities, financial statements of internal service funds are allocated (based on the percentage of goods or services provided) between the governmental and business-type activities when presented at the government-wide level.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

#### C. Measurement focus, basis of accounting and financial statement presentation

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

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

#### *Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)*

Government fund-level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property tax, franchise fees, and sales tax associated with the current fiscal period are all susceptible to accrual and have been recognized as revenues of the current fiscal period. All of the revenue items are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating costs, fixed charges, and capital improvement costs that are not paid through other funds.

The ARPA Fund is used to account for Coronavirus State and Local Fiscal Recovery Funds received through the American Rescue Plan Act of 2021.

Nonmajor governmental funds are a summarization of all the nonmajor governmental funds.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for the water and sewer utility services provided to residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The Sanitation Fund accounts for refuse collection services to the residents of the City as well as the operations of the City's landfill. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations and maintenance.

The Stormwater Drainage Fund was established to account for operating revenues and expenses associated with the Storm Water Drainage Utility System (System). The System was established effective May 1, 2001 and provides a funding mechanism for drainage improvements in the City.

Nonmajor enterprise funds are a summarization of all of the nonmajor proprietary funds.

The City additionally reports the following fund types:

Internal service funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis. The City uses internal service funds to report the activities of fleet maintenance, duplicating services, employee health and life insurance, and information technology.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

*Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)*

A custodial fund is used to account for any unclaimed vendor or payroll checks that will be escheated to the State if they remain unclaimed. These funds are held on a purely custodial basis.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Capital improvement assessments are recorded as revenues in the fiscal period when the assessment becomes both measurable and available to finance expenditures of the fiscal period. Assessment revenues are considered measurable and available when collected by the City and recognized as revenue at that time. Payments for capital improvement assessments received in advance of the levy are reflected as deferred revenue.

#### D. Nonexchange Transactions

In a nonexchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. The statement defines when the City should recognize revenue or expense for nonexchange transactions involving financial or capital resources and how to account for timing and purpose restrictions. The timing of recognition depends on whether a nonexchange transaction is (a) a derived tax revenue (b) an imposed nonexchange revenue transaction or (c) a government-mandated or voluntary nonexchange transaction. Under this standard, revenue transactions with purpose restrictions are recorded as restricted resources until the purpose restrictions are met.

Nonexchange transactions include the following classifications:

- Derived tax revenues result from assessments imposed by governments on exchange transactions.
- Imposed nonexchange revenues result from assessments by governments on nongovernmental entities, other than assessments on exchange transactions.
- Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and require that government to use them for a specific purpose or purposes established in the provider's enabling legislation.
- Voluntary nonexchange transactions result from legislative or contractual agreements, other than exchanges, entered into willingly by two or more parties. Examples of the City's voluntary nonexchange transactions include capital grants, state shared revenue and private donations.

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

### Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Providers of government-mandated nonexchange transactions and voluntary nonexchange transactions should recognize liabilities and expenses/expenditures and recipients should recognize receivables (or decrease in liabilities) and revenue when all applicable eligibility requirements, including time requirements are met.

All nonexchange transactions occurring in governmental fund types are also subject to the modified accrual revenue recognition criteria. Accordingly, assets and revenue should not be recognized unless measurable and available.

#### E. Assets, liabilities and net position or fund balances

##### 1. Cash, cash equivalents 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.

Investments are carried at fair value. Fair value is determined as the price at which two willing parties would complete an exchange. Interest earned on investments is recorded in the funds in which the investments are recorded.

##### 2. Inventory and Prepaid Items

Inventories of the general and proprietary funds consist of supplies and various materials used for the maintenance of capital assets. The consumption method is used to account for these inventories. Under this method, inventory acquisitions are recorded in inventory accounts initially and charged as expenditures when used. Inventories are stated at average cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements via the purchases method.

##### 3. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-like activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the time received.

Capital assets are depreciated using the straight-line method over the following useful lives:

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

### Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

| <u>Assets</u>                           | <u>Years</u> |
|---|--------------|
| Buildings, systems and improvements     | 20-59 years  |
| Infrastructure                          | 8-100 years  |
| Machinery, vehicles and other equipment | 3 - 25 years |
| Furniture and equipment                 | 3 - 10 years |
| Right-to-use leased assets              | 50 years     |
| Subscription assets                     | 2 - 10 years |

Contributions of funds from federal, state, or local grants restricted for the purpose of purchasing plant and equipment are recorded as revenue when received. The cost of water and sewer lines installed by developers is valued by the contractor and recorded as nonoperating revenue in the Water and Sewer Fund.

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Certain amounts related to the City's participation in pension plans (See Note 8) and OPEB plan (See Note 9) are reported in this category, along with deferred losses on bond refunding.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only two types of items that qualify for reporting in this category. Property taxes receivable (\$1,304,190) and municipal court fines receivable (\$1,686,226) are unavailable and therefore cannot be recognized as revenue in the governmental funds until they are received. There are also certain items related to the City's participation in pension plans (See Note 8) and OPEB plan (See Note 9) that are reported in this category.

#### 5. Long-Term Obligations

Long-term debt and other obligations for general government purposes are recorded in the government-wide statement of net position. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For the government-wide financial statements and proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred bond issue costs and amortized over the term of the related debt. In addition, gains or losses on proprietary fund bond refunding are amortized over the term of the lesser of the new bonds or the refunded bonds' life using the effective interest method. In the governmental fund financials, bond proceeds are reported as another financing source. Bond premiums and discounts in governmental funds are also recognized currently as other financing sources or uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

#### Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

##### 6. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – represents amounts that can only be used for a specific purpose by adoption of an ordinance by the City Council. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints through the adoption of another ordinance. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation, but rather from inside the City.

**Assigned Fund Balance** – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. The City Council has by resolution authorized the Director of Finance/CFO to assign fund balance. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself. Unlike commitments, assignments only exist temporarily. Therefore, additional action does not normally have to be taken for the removal of an assignment.

**Unassigned Fund Balance** – represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

##### 7. Federal and State Grants

Grants and shared revenues are generally accounted for within the appropriate fund of the City to be financed by such grants or shared revenues. Federal grants include Community Development Block Grant, Section 8 Housing Assistance, Home Investment Partnership Agreement Program, and numerous health-related grants.

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

### Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Each Federal grant is accounted for in a separate special revenue fund. State grant revenues received for purposes normally financed through the general government are accounted for within the General Fund.

#### 8. Transactions Between Funds

Outstanding balances between funds are reported as "due to/from other City funds." Any residual balances between governmental activities and business-type activities are reported in the government-wide statements as "internal balances." Nonrecurring or non-routine transfers of equity between funds are accounted for as transfers.

#### 9. Vacation and Sick Leave

All full-time employees accumulate vacation benefits based on length of service up to 20 days per year. The maximum allowable accumulation is 35 days. Upon leaving the employment of the City, employees will be paid for unused vacation days which they have accrued.

Sick leave is earned at the rate of 4.62 hours per pay period up to a maximum of ninety days. Additionally, police officers and firefighters may accumulate an unlimited number of sick leave days while employed with the City. Upon termination, police officers and firefighters are compensated for up to 720 hours and 1,080 hours, respectively.

#### 10. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City maintains a group health insurance plan for employees and dependents which is partially self-insured by the City. A group life insurance plan is maintained through an insurance company. Contributions to the plans are provided for by both the City and participating employees. These contributions are recognized as revenues in the internal service fund used to account for these plans. The contributions made by the City are recorded as expenditures or expenses of the various funds as appropriate.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$500,000. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

*Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)*

The City is also self-insured up to \$250,000 for workers' compensation claims. Such claims are processed by a third-party administrator. The City's estimated liability for workers' compensation claims payable at September 30, 2025 is based on management's estimate of probable losses in the amount of \$722,839. The payment dates of such claims cannot be precisely determined, but are expected to be paid on a periodic basis over the next few years. Accordingly, the long-term liability has been recorded in the government-wide financial statements.

The following represents changes in the amount of claims liabilities for the City from October 1, 2023 to September 30, 2025:

|                                       | Health<br>Care      | Workers'<br>Compensation |
|---------------------------------------|---------------------|--------------------------|
| Liability balance, October 1, 2023    | \$ 1,047,682        | \$ 784,839               |
| Incurred claims/adjustments           | 14,808,476          | 571,942                  |
| Claim payments                        | ( 14,668,044)       | ( 594,124)               |
| <br>                                  |                     |                          |
| Liability balance, September 30, 2024 | 1,188,114           | 762,657                  |
| Incurred claims/adjustments           | 15,702,270          | 616,724                  |
| Claim payments                        | ( 15,783,565)       | ( 656,542)               |
| <br>                                  |                     |                          |
| Liability balance, September 30, 2025 | <u>\$ 1,106,819</u> | <u>\$ 722,839</u>        |

**F. Pension Plan**

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Wichita Falls Firemen's Relief and Retirement Fund (WFFRRF) and additions to/deductions from Fiduciary Net Position have been determined on the same basis as they are reported to TMRS and WFFRRF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**G. Other Post-Employment Benefits**

The fiduciary net position of the City of Wichita Falls Retiree Health Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the Plan's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms.

*Note 2 - COMPLIANCE AND ACCOUNTABILITY*

**Finance-Related Legal and Contractual Provisions**

The City had no violations of finance-related legal and contractual provisions for the year ended September 30, 2025.

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

*Note 2 - COMPLIANCE AND ACCOUNTABILITY (CONT'D.)*

Deficit Fund Balances – Individual Funds

The Airport Improvement Grant Fund, a special revenue funds, had a deficit fund balance of \$426,160 as of September 30, 2025. The City plans for this deficit to be alleviated within a year.

*Note 3 - DEPOSITS AND INVESTMENTS*

Deposits

All of the City's demand and time depository accounts are held in local banking institutions under the terms of written depository contracts. At September 30, 2025, the total amount of the City's demand and time deposits per the general ledger was \$6,043,278, and the total amount per the City's September 30, 2025 bank statements was \$6,829,469. The entire amount of the year-end bank statement balances was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Investments

The investment policies of the City and its discretely presented component units are governed by the Public Funds Investment Act (PFIA). Authorized investments include obligations of the U.S. Treasury, agencies and instrumentalities, obligations of the State of Texas and related agencies, obligations of states, agencies, counties, cities and political subdivisions of any state rated A or above by a nationally recognized investment rating firm, repurchase agreements, public funds investment pools, and commercial paper. The City was in compliance with PFIA during the year ended September 30, 2025.

The investments of the City and its discretely presented component units at September 30, 2025 are as follows:

| <u>Types of Investments</u>             | <u>Fair Value /<br/>Carrying<br/>Amount</u> | <u>Cost</u>          | <u>Average<br/>Credit<br/>Quality/<br/>Ratings</u> | <u>Weighted Average<br/>Days to<br/>Maturity</u> |
|---|---|----------------------|--|--|
| Primary Government:                     |   |                      |  |  |
| TexPool                                 | \$ 85,717,177                               | \$ 85,717,177        | Not rated  | 31   |
| LOGIC                                   | 41,443,258                                  | 41,443,258           | Not rated  | 44   |
| U.S. Treasury Notes                     | 7,006,230                                   | 6,988,463            | N/A  | 295  |
| Money market accounts                   | <u>26,398,866</u>                           | <u>26,398,866</u>    | Not rated  | 1  |
| Total primary government<br>investments | <u>160,565,531</u>                          | <u>160,547,764</u>   |  |  |
| Component Units:                        |   |                      |  |  |
| TexPool                                 | <u>35,267,304</u>                           | <u>35,267,304</u>    | Not rated  | 31   |
| Total component unit<br>investments     | <u>35,267,304</u>                           | <u>35,267,304</u>    |  |  |
| Total investments                       | <u>\$195,832,835</u>                        | <u>\$195,815,068</u> |  |  |

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

#### Note 3 - DEPOSITS AND INVESTMENTS (CONT'D.)

TexPool is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc., under an agreement with the Comptroller, acting on behalf of the Trust Company. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool. TexPool is comprised of two investment alternatives: TexPool (which the City is invested in) and TexPool Prime. Both funds seek to maintain a net asset value of \$1.00 per unit and are rated AAAM by Standard and Poor's.

Local Government Investment Cooperative (LOGIC) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants. The Board of Trustees is LOGIC's governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Pool. LOGIC seeks to maintain a net asset value of \$1.00 per unit and are rated AAAM by Standard and Poor's.

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The City values its United States Treasury Bills and Notes using Level 1 inputs, which are quoted prices in active markets. The City values its money market accounts using Level 2 inputs, which are values provided by the City's depositories. TexPool and LOGIC are valued at net asset value per unit/share.

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not exposed to credit risk.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

#### *Note 3 - DEPOSITS AND INVESTMENTS (CONT'D.)*

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to interest rate risk by allowing no more than 20% of the City's portfolio to be invested for a period greater than one year.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

#### *Note 4 - PROPERTY TAXES*

Property taxes attach as an enforceable lien on property as of the prior January 1. Taxes are levied on October 1, and become delinquent after January 31, unless the half-payment option is elected, in which case one-half of the tax is due November 30, and the balance the following June 30.

The City is permitted by its Home Rule Charter to levy taxes up to \$2.25 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended September 30, 2025 was \$.6848 per \$100 which means that the City has a tax margin of \$1.5652 per \$100, and could raise up to \$120,070,622 additional tax revenue a year from the present assessed valuation of \$7,671,263,859 before the limit is reached.

**CITY OF WICHITA FALLS, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
SEPTEMBER 30, 2025**

*Note 5 - RESTRICTED ASSETS*

Restricted assets in the Water and Sewer Fund, Nonmajor Enterprise Funds, and Internal Service Funds, are held for specific purposes in accordance with bond ordinances or other legal restrictions.

Water and Sewer restricted assets are comprised of the following:

|                           |                     |
|---------------------------|---------------------|
| For Debt Service:         |                     |
| Cash and cash equivalents | \$13,421,380        |
| For Capital Improvements: |                     |
| Cash and cash equivalents | <u>794,761</u>      |
| Total                     | <u>\$14,216,141</u> |

Nonmajor Enterprise Funds restricted assets are comprised of the following:

|                                 |                    |
|---------------------------------|--------------------|
| For Passenger Facility Charges: |                    |
| Cash and cash equivalents       | \$1,143,375        |
| For Customer Facility Charges:  |                    |
| Cash and cash equivalents       | <u>1,461,146</u>   |
| Total                           | <u>\$2,604,521</u> |

Internal Service Fund restricted assets are comprised of the following:

|                           |                     |
|---------------------------|---------------------|
| For Employee Insurance:   |                     |
| Cash and cash equivalents | <u>\$15,183,984</u> |

**CITY OF WICHITA FALLS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)**  
**SEPTEMBER 30, 2025**

**Note 6 - RECEIVABLES**

Receivables at September 30, 2025 consist of the following:

|  | General       | ARPA Fund | Nonmajor Gov't Funds | Water and Sewer | Sanitation   | Stormwater Drainage | Nonmajor Enterprise Funds | Internal Service | Totals Primary Government | Component Units | Totals Reporting Entity |
|--|---------------|-----------|----------------------|-----------------|--------------|---------------------|---------------------------|------------------|---------------------------|-----------------|-------------------------|
| Receivables:                               |               |           |                      |                 |              |                     |                           |                  |                           |                 |                         |
| Taxes and assessments                      | \$ 2,165,762  | \$ -      | \$ 300,232           | \$ -            | \$ -         | \$ -                | \$ -                      | \$ -             | \$ 2,465,994              | \$ -            | \$ 2,285,335            |
| Customer and trade                         | -             | -         | -                    | 10,920,107      | 3,547,695    | 692,102             | -                         | -                | 15,159,904                | -               | 14,619,329              |
| Other City funds                           | 7,213,321     | -         | -                    | -               | -            | -                   | -                         | -                | 7,213,321                 | -               | 7,213,321               |
| Government agencies                        | 5,941,466     | -         | 6,399,448            | 71,859          | -            | -                   | 546,941                   | -                | 12,959,714                | 1,871,331       | 14,831,045              |
| Other                                      | 2,244,342     | -         | 258,216              | 509,246         | 19,978       | -                   | 59,281                    | 11,493           | 3,102,556                 | 1,205,229       | 4,307,785               |
| Gross receivables                          | 17,564,891    | -         | 6,957,896            | 11,501,212      | 3,567,673    | 692,102             | 606,222                   | 11,493           | 40,901,489                | 3,076,560       | 43,256,815              |
| Less: Allowance for uncollectible accounts | ( 884,277)    | -         | ( 38,886)            | ( 4,123,289)    | ( 1,386,357) | ( 295,674)          | -                         | -                | ( 6,728,483)              | -               | ( 6,239,047)            |
| Net total receivables                      | \$ 16,680,614 | \$ -      | \$ 6,919,010         | \$ 7,377,923    | \$ 2,181,316 | \$ 396,428          | \$ 606,222                | \$ 11,493        | \$ 34,173,006             | \$ 3,076,560    | \$ 37,017,768           |

There are no net receivables, other than delinquent property taxes, that the City does not expect to collect within a year. The City expects to collect approximately \$400,000 of the \$2,465,994 total delinquent property taxes within a year. This amount is similar to the amounts collected in previous years.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

*Note 7 - CAPITAL ASSETS*

Capital asset activity for the year ended September 30, 2025 was as follows:

| Governmental activities:                     | Restated<br>Balance<br>October 1,<br><u>2024</u> | <u>Increases</u>    | <u>Decreases</u>   | Balance<br>September 30,<br><u>2025</u> |
|--|--|---------------------|--------------------|---|
| <b>Capital assets not being depreciated:</b> |  |                     |                    |   |
| Land   | \$ 11,903,307                                    | \$ 11,748           | \$ -               | \$ 11,915,055                           |
| Construction in progress                     | <u>6,174,523</u>                                 | <u>15,404,156</u>   | <u>2,515,517</u>   | <u>19,063,162</u>                       |
| Total capital assets not being depreciated   | <u>18,077,830</u>                                | <u>15,415,904</u>   | <u>2,515,517</u>   | <u>30,978,217</u>                       |
| <b>Capital assets being depreciated:</b>     |  |                     |                    |   |
| Land betterments                             | 30,028,867                                       | 3,695,895           | -                  | 33,724,762                              |
| Buildings, systems and improvements          | 83,872,094                                       | 548,856             | -                  | 84,420,950                              |
| Infrastructure                               | 228,665,436                                      | 2,537,155           | -                  | 231,202,593                             |
| Machinery and equipment                      | 35,791,190                                       | 1,601,681           | -                  | 37,392,871                              |
| Furniture and fixtures                       | 130,848  | 6,836               | -                  | 137,684                                 |
| Right-to-use leased assets                   | 1,430,641  | -                   | -                  | 1,430,641                               |
| Subscription assets                          | <u>1,206,228</u>                                 | <u>-</u>            | <u>-</u>           | <u>1,206,228</u>                        |
| Total capital assets being depreciated       | <u>381,125,304</u>                               | <u>8,390,423</u>    | <u>-</u>           | <u>389,515,729</u>                      |
| <b>Less accumulated depreciation for:</b>    |  |                     |                    |   |
| Land betterments                             | 10,857,160                                       | 996,267             | -                  | 11,853,427                              |
| Buildings, systems and improvements          | 38,520,101                                       | 2,007,157           | -                  | 40,527,258                              |
| Infrastructure                               | 116,083,640                                      | 4,822,468           | -                  | 120,906,108                             |
| Machinery and equipment                      | 26,796,187                                       | 2,072,467           | -                  | 28,868,654                              |
| Furniture and fixtures                       | 130,848  | 954                 | -                  | 131,802                                 |
| Right-to-use leased assets                   | 217,324  | 279,697             | -                  | 497,021                                 |
| Subscription assets                          | <u>648,677</u>                                   | <u>195,420</u>      | <u>-</u>           | <u>844,097</u>                          |
| Total accumulated depreciation               | <u>193,253,937</u>                               | <u>10,374,430</u>   | <u>-</u>           | <u>203,628,367</u>                      |
| Total capital assets being depreciated, net  | <u>187,871,367</u>                               | <u>( 1,984,007)</u> | <u>-</u>           | <u>185,887,362</u>                      |
| Governmental activities capital assets, net  | <u>\$205,949,197</u>                             | <u>\$13,431,897</u> | <u>\$2,515,517</u> | <u>\$216,865,579</u>                    |

Depreciation expense was charged to functions as follows:

|                                 |                     |
|---------------------------------|---------------------|
| <b>Governmental activities:</b> |                     |
| Administrative services         | \$ 1,867,156        |
| Police                          | 899,576             |
| Fire                            | 268,123             |
| Parks and recreation            | 736,965             |
| Development services            | 12,584              |
| Public works                    | 4,212,309           |
| Health                          | 206,840             |
| Traffic and transportation      | 755,501             |
| Multi-Purpose Events Center     | <u>1,415,376</u>    |
| Total governmental depreciation | <u>\$10,374,430</u> |

**CITY OF WICHITA FALLS, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
SEPTEMBER 30, 2025**

*Note 7 - CAPITAL ASSETS (CONT'D.)*

|  | Balance<br>October 1,<br><u>2024</u> | <u>Increases</u>    | <u>Decreases</u>   | Balance<br>September 30,<br><u>2025</u> |
|--|--------------------------------------|---------------------|--------------------|---|
| Business-type activities:                    |                                      |                     |                    |   |
| Capital assets not being depreciated:        |                                      |                     |                    |   |
| Land   | \$ 11,072,444                        | \$ -                | \$ -               | \$ 11,072,444                           |
| Construction in progress                     | <u>10,906,400</u>                    | <u>3,923,713</u>    | <u>7,152,396</u>   | <u>7,677,717</u>                        |
| Total capital assets not being depreciated   | <u>21,978,844</u>                    | <u>3,923,713</u>    | <u>7,152,396</u>   | <u>18,750,161</u>                       |
| Capital assets being depreciated:            |                                      |                     |                    |   |
| Land betterments                             | 61,036,411                           | 253,826             | -                  | 61,290,237                              |
| Buildings, systems and improvements          | 522,552,947                          | 12,278,897          | -                  | 534,831,844                             |
| Infrastructure                               | 1,308,101                            | -                   | -                  | 1,308,101                               |
| Machinery and equipment                      | 12,727,305                           | 2,525,596           | -                  | 15,252,901                              |
| Furniture and fixtures                       | 16,943                               | -                   | -                  | 16,943                                  |
| Motor vehicles                               | 91,348,967                           | 10,762,336          | 3,844,104          | 98,267,199                              |
| Right-to-use leased assets                   | <u>3,066,768</u>                     | <u>-</u>            | <u>-</u>           | <u>3,066,768</u>                        |
| Total capital assets being depreciated       | <u>692,057,442</u>                   | <u>25,820,655</u>   | <u>3,844,104</u>   | <u>714,033,993</u>                      |
| Less accumulated depreciation for:           |                                      |                     |                    |   |
| Land betterments                             | 29,187,724                           | 1,657,187           | -                  | 30,844,911                              |
| Buildings, systems and improvements          | 202,865,509                          | 10,979,290          | -                  | 213,844,799                             |
| Infrastructure                               | 78,486                               | 17,503              | -                  | 95,989                                  |
| Machinery and equipment                      | 10,015,271                           | 982,841             | -                  | 10,998,112                              |
| Furniture and fixtures                       | 16,943                               | -                   | -                  | 16,943                                  |
| Motor vehicles                               | 58,632,836                           | 5,845,991           | 3,635,482          | 60,843,345                              |
| Right-to-use leased assets                   | <u>954,453</u>                       | <u>62,587</u>       | <u>-</u>           | <u>1,017,040</u>                        |
| Total accumulated depreciation               | <u>301,751,222</u>                   | <u>19,545,399</u>   | <u>3,635,482</u>   | <u>317,661,139</u>                      |
| Total capital assets being depreciated, net  | <u>390,306,220</u>                   | <u>6,275,256</u>    | <u>208,622</u>     | <u>396,372,854</u>                      |
| Business-type activities capital assets, net | <u>\$412,285,064</u>                 | <u>\$10,198,969</u> | <u>\$7,361,018</u> | <u>\$415,123,015</u>                    |

Depreciation expense was charged to programs as follows:

|                                  |                     |
|----------------------------------|---------------------|
| Business-type activities:        |                     |
| Regional Airport                 | \$ 1,703,895        |
| Kickapoo Airport                 | 528,218             |
| Transit                          | 408,979             |
| Sanitation                       | 4,895,104           |
| Water and sewer                  | 10,979,665          |
| Stormwater drainage              | 601,573             |
| Waterpark                        | <u>427,965</u>      |
| Total business-type depreciation | <u>\$19,545,399</u> |

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

*Note 8 - PENSION PLANS*

Eligible City employees participate in one of two pension plans. Eligible firefighters participate in the Wichita Falls Firemen’s Relief and Retirement Fund (WFFRRF). All other eligible employees participate in the Texas Municipal Retirement System (TMRS).

The table below summarizes the amounts reported by the City for each plan as of September 30, 2025. Detailed information for each plan follows.

|                                | TMRS         | WFFRRF       | Total         |
|--------------------------------|--------------|--------------|---------------|
| Net pension liability          | \$42,767,111 | \$61,396,284 | \$104,163,395 |
| Deferred outflows of resources | 10,887,794   | 10,490,428   | 21,378,222    |
| Deferred inflows of resources  | 4,140,817    | 19,999,002   | 24,139,819    |
| Pension expense                | 9,148,683    | 5,259,245    | 14,407,928    |

Texas Municipal Retirement System

Plan Description

The City participates as one of more than 900 plans in the nontraditional, joint contributory, hybrid defined benefit plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available Annual Comprehensive Financial Report (ACFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

Benefits Provided

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

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

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

#### Note 8 - PENSION PLANS (CONT'D.)

##### *Employees Covered by Benefit Terms*

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

|  |       |
|--|-------|
| Inactive employees or beneficiaries currently receiving benefits | 808   |
| Inactive employees entitled to but not yet receiving benefits    | 626   |
| Active employees   | 1,033 |

##### Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the participating city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the participating 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City are required to contribute 7% of their annual gross earnings. The contribution rates for the City were 16.18% and 16.5% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were \$10,323,019, and were equal to the required contributions.

##### Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

##### *Actuarial Assumptions*

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5% per year  |
| Overall payroll growth    | 2.75% per year   |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2020 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on the fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

*Note 8 - PENSION PLANS (CONT'D.)*

projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, TMRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

| <u>Asset Class</u>               | <u>Target Allocation</u> | <u>Long-Term Expected Real<br/>Rate of Return (Arithmetic)</u> |
|----------------------------------|--------------------------|--|
| Global Equities                  | 35%                      | 7.70%  |
| Core Fixed Income                | 6%                       | 4.90%  |
| Non-Core Fixed Income            | 20%                      | 8.70%  |
| Other Public and Private Markets | 12%                      | 8.10%  |
| Real Estate                      | 12%                      | 5.80%  |
| Absolute Return                  | 5%                       | 6.90%  |
| Private Equity                   | <u>10%</u>               | 11.80%   |
| <br>Total                        | <br><u>100%</u>          |  |

*Discount Rate*

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

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

*Note 8 - PENSION PLANS (CONT'D.)*

*Changes in Net Pension Liability*

|  | Increase (Decrease)               |                                  |                                       |
|--|-----------------------------------|----------------------------------|---------------------------------------|
|  | Total Pension<br>Liability<br>(a) | Fiduciary Net<br>Position<br>(b) | Net Pension<br>Liability<br>(a) – (b) |
| Balances as of December 31, 2023                                 | \$340,922,526                     | \$288,415,085                    | \$52,507,441                          |
| Changes for the year:  |                                   |                                  |                                       |
| Service cost   | 8,374,451                         | -                                | 8,374,451                             |
| Interest on total pension liability                              | 22,626,038                        | -                                | 22,626,038                            |
| Change of benefit terms  | -                                 | -                                | -                                     |
| Difference between expected and<br>actual experience             | 3,166,185                         | -                                | 3,166,185                             |
| Change of assumptions  | -                                 | -                                | -                                     |
| Contributions – employer   | -                                 | 9,996,812                        | ( 9,996,812)                          |
| Contributions – employee   | -                                 | 4,217,349                        | ( 4,217,349)                          |
| Net investment income  | -                                 | 29,889,533                       | ( 29,889,533)                         |
| Benefit payments, including refunds<br>of employee contributions | ( 19,818,368)                     | ( 19,818,368)                    | -                                     |
| Administrative expenses  | -                                 | ( 192,194)                       | 192,194                               |
| Other changes  | -                                 | ( 4,496)                         | 4,496                                 |
| Balances as of December 31, 2024                                 | <u>\$355,270,832</u>              | <u>\$312,503,721</u>             | <u>\$42,767,111</u>                   |

*Sensitivity Analysis*

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 / (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate.

|                       | 1%<br>Decrease<br>5.75% | Current<br>Discount Rate<br>6.75% | 1%<br>Increase<br>7.75% |
|-----------------------|-------------------------|-----------------------------------|-------------------------|
| Net pension liability | \$88,537,112            | \$42,767,111                      | \$4,888,792             |

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2025, the City recognized pension expense of \$9,148,683 related to its participation in TMRS.

**CITY OF WICHITA FALLS, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
SEPTEMBER 30, 2025**

*Note 8 - PENSION PLANS (CONT'D.)*

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ 3,176,020                              | \$ -                                     |
| Net difference in assumptions                        | -   | 1,203,156                                |
| Net difference between projected and actual earnings | -   | 2,937,661                                |
| Contributions made subsequent to measurement date    | <u>7,711,774</u>                          | <u>-</u>                                 |
| <b>Total</b>   | <b><u>\$10,887,794</u></b>                | <b><u>\$4,140,817</u></b>                |

\$7,711,774 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's fiscal year ending September 30, 2025 (plan year ending December 31, 2025). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Plan Year Ended December 31:</u> |                            |
|-------------------------------------|----------------------------|
| 2025                                | \$1,197,317                |
| 2026                                | 4,303,900                  |
| 2027                                | ( 4,381,712)               |
| 2028                                | <u>( 2,084,302)</u>        |
| <b>Total</b>                        | <b><u>(\$ 964,797)</u></b> |

Wichita Falls Firemen's Relief and Retirement Fund

Plan Description

The City provides pension benefits for all of its firefighters through a single-employer defined benefit pension plan. The Wichita Falls Firemen's Relief and Retirement Fund operates under an act passed in 1937 by the Texas State Legislature and adopted by the City's firefighters.

The stand-alone financial report for the Firemen's Relief and Retirement Fund can be obtained from the City's Director of Finance/CFO at 1300 7th Street, Wichita Falls, Texas.

Benefits Provided

Benefits are determined on a "formula" or a "final salary" plan. A firefighter who qualifies for a retirement benefit will receive monthly retirement equal to 2.55% (2.50% for those hired after April 20, 2016) of the firefighter's average salary, multiplied by the member's years of credited service. Benefits are calculated based upon a member's average salary for the 78 consecutive biweekly pay periods which produce the highest average.

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

### Note 8 - PENSION PLANS (CONT'D.)

Members hired prior to April 21, 2016 can receive a service retirement at ages 50 and above with 20 or more years of service. Members hired after April 20, 2016 can receive a service retirement at ages 55 and above with 20 or more years of service. Members are eligible for actuarially reduced early retirement benefits before the applicable retirement age, provided the employee has accrued at least 20 years of service. The plan also provides death and disability benefits. Members who terminate their service and are nonvested are entitled to the excess of the member's contributions over any benefits previously received.

The valuations used for this plan are based on a valuation performed as of January 1, 2024.

#### *Employees Covered by Benefit Terms*

Plan membership as of January 1, 2025:

|  |     |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 148 |
| Inactive employees entitled to but not yet receiving benefits    | 6   |
| Active employees   | 154 |

#### Contributions

The contribution rate for the firefighters is 13% and the City contributes 16.5%. Both the firefighters and City make contributions bi-weekly. Contribution requirements are not actuarially determined, however, state law requires that each plan of benefits adopted by the Fund must be approved by a qualified actuary. The actuary certifies that the contribution commitments by the firefighters and the City provide an adequate financing arrangement. Using the individual entry age normal cost method, the plan's normal cost is determined as a percentage of payroll.

The City's contributions to the Plan for the year ended September 30, 2025, were \$3,533,237, which exceeded required contributions by \$1,000,000 as the City funded an additional contribution of \$1,000,000 in December 2024.

#### Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of January 1, 2024, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The NPL related to Governmental Activities is generally liquidated by the General Fund through annual contributions.

#### *Actuarial Assumptions*

The Total Pension Liability in the January 1, 2024, actuarial valuation was determined using the following actuarial assumptions:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.5% per year  |
| Salary increases          | Service-based  |
| Discount Rate             | 5.67% per year   |
| Investment rate of return | 7.75%, net of pension plan investment expense, including inflation |

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

*Note 8 - PENSION PLANS (CONT'D.)*

Mortality rates for employee and healthy annuitant combined rates were taken from the PubS-2010 Mortality Tables. The mortality assumptions for all participants are sex distinct with mortality improvement projected 5 years beyond the valuation date using scale MP-2020 and a base year of 2010.

Actuarial assumptions used in the valuation were based on the results of actuarial experience studies. The experience study was last performed October 4, 2022.

The long-term expected rate of return on pension plan investments was determined using a method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major class included in the Plan's target asset allocation as of December 31, 2024 are summarized in the following table:

| <u>Asset Class</u>    | <u>Target Allocation</u> | <u>Long-Term Expected Real<br/>Rate of Return (Arithmetic)</u> |
|-----------------------|--------------------------|--|
| Domestic Equity       | 45.00%                   | 7.50%  |
| International Equity  | 15.00%                   | 8.50%  |
| Domestic Fixed Income | 20.00%                   | 2.50%  |
| Global Fixed Income   | 5.00%                    | 3.50%  |
| Private Real Estate   | 10.00%                   | 4.50%  |
| GTAA                  | <u>5.00%</u>             | 3.50%  |
| Total                 | <u>100.00%</u>           |  |

*Discount Rate*

The projection of cash flows used to determine the discount rate assumed that current plan member and sponsor contributions will be made at the current contribution rate. Future member's contributions in excess of their normal cost were also included. Based on these assumptions, the pension plan's Fiduciary Net Position was projected to provide future benefit payments for 32 years. These payments were discounted using a discount rate of 7.50%. Future benefit payments beyond 32 years were discounted using a high quality municipal bond rate of 4.28%. The high quality municipal bond rate was based on the week closest to, but not later than, the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index. The single equivalent discount rate was 6.38%.

**CITY OF WICHITA FALLS, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
SEPTEMBER 30, 2025**

*Note 8 - PENSION PLANS (CONT'D.)*

*Changes in Net Pension Liability*

|   | <u>Increase (Decrease)</u>               |   |  |
|---|--|---|--|
|   | Total Pension<br>Liability<br><u>(a)</u> | Fiduciary Net<br>Position<br><u>(b)</u> | Net Pension<br>Liability<br><u>(a) – (b)</u> |
| Balances as of December 31, 2023                              | \$126,841,951                            | \$55,255,221                            | \$71,586,730                                 |
| Changes for the year:   |  |   |  |
| Service cost  | 2,809,468                                | -                                       | 2,809,468                                    |
| Interest on total pension liability                           | 7,163,068                                | -                                       | 7,163,068                                    |
| Change of benefit terms                                       | -  | -                                       | -  |
| Difference between expected and actual experience             | 919,073                                  | -                                       | 919,073                                      |
| Change of assumptions   | ( 10,048,590)                            | -                                       | ( 10,048,590)                                |
| Contributions – employer                                      | -  | 3,313,807                               | ( 3,313,807)                                 |
| Contributions – employee                                      | -  | 1,823,000                               | ( 1,823,000)                                 |
| Net investment income   | -  | 6,008,411                               | ( 6,008,411)                                 |
| Benefit payments, including refunds of employee contributions | ( 6,637,305)                             | ( 6,637,305)                            | -  |
| Administrative expenses                                       | -  | ( 111,753)                              | 111,753                                      |
| Other   | -  | -                                       | -  |
| Balances as of December 31, 2024                              | <u>\$121,047,665</u>                     | <u>\$59,651,381</u>                     | <u>\$61,396,284</u>                          |

*Sensitivity Analysis*

The following presents the net pension liability of the City, calculated using the discount rate of 6.38%, as well as what the City's net pension liability / (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.38%) or 1 percentage point higher (7.38%) than the current rate.

|                       | 1%<br>Decrease<br><u>5.38%</u> | Current<br>Discount Rate<br><u>6.38%</u> | 1%<br>Increase<br><u>7.38%</u> |
|-----------------------|--------------------------------|--|--------------------------------|
| Net pension liability | \$75,935,078                   | \$61,396,284                             | \$49,205,464                   |

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2025, the City recognized pension expense of \$5,259,245 related to the Wichita Falls Firemen's Relief and Retirement Fund.

Pension Plan Fiduciary Net Position

Detailed information about the pension Plan's Fiduciary Net Position is available in the separately issued Plan financial report.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

*Note 8 - PENSION PLANS (CONT'D.)*

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the WFFRRF from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ 2,296,447                              | \$ 1,341,192                             |
| Difference due to changes in actuarial Assumptions   | 5,933,986                                 | 18,657,810                               |
| Net difference between projected and actual earnings | 284,259                                   | -  |
| Contributions made subsequent to measurement date    | <u>1,975,736</u>                          | <u>-</u>                                 |
| <b>Total</b>   | <b><u>\$10,490,428</u></b>                | <b><u>\$19,999,002</u></b>               |

\$1,975,736 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's fiscal year ending September 30, 2025 (plan year ending December 31, 2025). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Plan Year Ended December 31:</u> |                              |
|-------------------------------------|------------------------------|
| 2025                                | (\$ 298,222)                 |
| 2026                                | ( 1,737,417)                 |
| 2027                                | ( 5,364,808)                 |
| 2028                                | ( 1,380,770)                 |
| 2029                                | ( 1,309,454)                 |
| Thereafter                          | <u>( 1,393,639)</u>          |
| <b>Total</b>                        | <b><u>(\$11,484,310)</u></b> |

#### Change in Assumptions

The calculation of the Total Pension Liability as of December 31, 2024, measurement date reflects an increase in the discount rate from 5.67% to 6.38%.

*Note 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS*

#### Plan Description

The City administers the City of Wichita Falls Retiree Health Care Plan for all permanent employees who retire after satisfying eligibility retirement requirements through a single-employer defined benefit plan. All employees who retire and are actively in one of the City's health plans can continue to receive health care benefits under the City's plan for themselves and any dependents for as long as the retiree and/or dependents live. The plan does not issue a stand-alone financial report.

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

*Note 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D.)*

Retiree Premiums

*Pre-Medicare:* Retirees share in the cost of the Plan by paying premiums according to the following schedule:

| <u>Under 65</u>  | <u>Core</u> | <u>CATA</u> | <u>HIDD</u> | <u>Medicare<br/>Supplement</u> |
|------------------|-------------|-------------|-------------|--------------------------------|
| Retirees         | \$ 673      | \$ 506      | \$ 464      | \$475                          |
| Retiree + Spouse | \$2,230     | \$1,753     | \$1,662     | \$950                          |

*Post-Medicare:* Eligible retirees and spouses on Medicare are eligible to participate in a Medicare supplement health care plan. Effective January 1, 2011, the following changes were implemented to Medicare eligible retirees:

For retirees and spouses who were on Medicare as of January 1, 2009, the City will provide \$250 in premium assistance towards the full premium for a Medicare subsidy program. The \$250 is expected to be a fixed amount.

For retirees and spouses retired as of January 1, 2009 but not yet Medicare-eligible, the City will provide \$100 in premium assistance towards the full premium for a Medicare subsidy program. The \$100 is expected to be a fixed amount.

For members who retire on or after January 1, 2009, the City will provide no premium assistance once Medicare-eligible.

Life Insurance Coverage

General employees and Firefighters receive \$7,500 of employer-paid life insurance which is included in the liabilities of the Plan. No life insurance coverage is provided for spouses of retirees.

Retirees may purchase an additional \$2,500 of life insurance for \$2 per month.

Other Benefits

Retiree dental and vision coverages are available. Retirees pay 100% of dental and vision coverage.

Employees Covered by Benefit Terms

At the December 31, 2024 measurement date, the following employees were covered by the benefit terms:

|   |       |
|---|-------|
| Inactive plan members or beneficiaries currently receiving benefits | 786   |
| Inactive plan members entitled to but not yet receiving benefits    | -     |
| Active plan members   | 1,188 |

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

### Note 9 POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D.)

#### Actuarial Assumptions

The demographic assumptions are based on the assumptions that were developed for the defined benefit plans in which the City participates (TMRS and the Firemen's Pension Plan). The TMRS assumptions are based on the experience study covering the four-year period ending December 31, 2018 as conducted for TMRS. The firefighter assumptions are based on the January 1, 2020 Valuation for the Wichita Falls Firemen's Relief and Retirement Fund.

#### Actuarial Methods and Assumptions:

|                             |  |
|-----------------------------|--|
| Valuation Date              | December 31, 2024  |
| Actuarial Cost Method       | Entry age, level percent of salary   |
| Discount Rate               | 6.75% as of December 31, 2024  |
| Inflation                   | 2.25%  |
| Salary Increases            | 2.75% per annum  |
| Demographic Assumptions     | TMRS: Based on the experience study covering the four-year period ending December 31, 2022 as conducted for TMRS. Based on the January 1, 2020 valuation for the Wichita Falls Firemen's Relief and Retirement Fund.   |
| Mortality                   | Non-annuitants: Sex distinct headcount weighed PUB-2010 general and safety employees mortality tables recently published by the Society of Actuaries in conjunction with the mortality improvement scale MP-2021.<br>Annuitants: Sex distinct headcount weighed PUB-2010 general retirees mortality tables recently published by the Society of Actuaries in conjunction with the mortality improvement scale MP-2021. |
| Participation Rates         | 45% of participants are assumed to elect coverage if they retire at age of 49 or later.  |
| Healthcare Cost Trend Rates | Initial rate of 5.92% declining to ultimate rate of 4.14% in the year 2041   |

#### Discount Rate

The discount rate and expected rate of return on plan assets were 6.75%.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

Note 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D.)

#### Changes in Net OPEB Liability

|  | Increase (Decrease)            |                                       |                                    |
|--|--------------------------------|---------------------------------------|------------------------------------|
|  | Total OPEB<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(a) – (b) |
| Balances as of December 31, 2023                                 | \$24,456,777                   | \$14,579,602                          | \$ 9,877,175                       |
| Changes for the year:  |                                |                                       |                                    |
| Service cost   | 758,684                        | -                                     | 758,684                            |
| Interest on total OPEB liability                                 | 1,652,092                      | -                                     | 1,652,092                          |
| Change of benefit terms  | -                              | -                                     | -                                  |
| Difference between expected and<br>actual experience             | 2,015,235                      | -                                     | 2,015,235                          |
| Change of assumptions  | -                              | -                                     | -                                  |
| Contributions – employer   | -                              | 488,861                               | ( 488,861)                         |
| Contributions – employee   | -                              | -                                     | -                                  |
| Net investment income  | -                              | 1,558,213                             | ( 1,558,213)                       |
| Benefit payments, including refunds<br>of employee contributions | ( 1,480,020)                   | ( 1,480,020)                          | -                                  |
| Administrative expenses  | -                              | -                                     | -                                  |
| Other changes  | -                              | -                                     | -                                  |
| Balances as of December 31, 2024                                 | <u>\$27,402,768</u>            | <u>\$15,146,656</u>                   | <u>\$12,256,112</u>                |

#### Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.75%) in measuring the net OPEB liability.

| 1%<br>Decrease<br><u>5.75%</u> | Current<br>Discount<br>Rate<br><u>6.75%</u> | 1%<br>Increase<br><u>7.75%</u> |
|--------------------------------|---|--------------------------------|
| <u>\$13,354,136</u>            | <u>\$12,256,111</u>                         | <u>\$11,291,433</u>            |

The following schedule presents the net OPEB liability of the plan using the assumed healthcare cost trend rate as well as what the net OPEB liability would be if it were calculated using a trend ratio that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

| 1%<br>Decrease<br><u>4.92%</u> | Current<br>Healthcare<br>Cost Trend<br>Rate<br><u>5.92%</u> | 1%<br>Increase<br><u>6.92%</u> |
|--------------------------------|---|--------------------------------|
| <u>\$11,386,540</u>            | <u>\$12,256,111</u>   | <u>\$13,284,031</u>            |

For Governmental Activities, the net OPEB liability is generally liquidated by the General Fund.

**CITY OF WICHITA FALLS, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
SEPTEMBER 30, 2025**

*Note 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D.)*

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2025, the City recognized OPEB expense of \$1,168,283 related to the City of Wichita Falls Retiree Health Care Plan.

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to the City of Wichita Falls Retiree Health Care Plan from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience, liability | \$1,777,438                               | \$ -                                     |
| Difference due to changes in actuarial assumptions            | 33,244                                    | 139,508                                  |
| Differences between expected and actual experience, assets    | -   | 2,769,444                                |
| Contributions made subsequent to measurement date             | <u>1,110,015</u>                          | <u>-</u>                                 |
| <b>Total</b>  | <b><u>\$2,920,697</u></b>                 | <b><u>\$2,908,952</u></b>                |

\$1,110,015 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the City's fiscal year ending September 30, 2025 (plan year ending December 31, 2025). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ended September 30:</u> |                             |
|---------------------------------|-----------------------------|
| 2025                            | (\$ 415,252)                |
| 2026                            | ( 297,415)                  |
| 2027                            | ( 738,043)                  |
| 2028                            | 263,815                     |
| 2028                            | <u>88,625</u>               |
| <b>Total</b>                    | <b><u>(\$1,098,270)</u></b> |

*Note 10 - DEFERRED COMPENSATION PLAN*

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or an unforeseen emergency.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

**Note 11 - LANDFILL AND TRANSFER STATION CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations require that the City place a final cover on its landfill when closed, and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In accordance with the Texas Administrative Code, Title 30, Part 1, Chapter 7, the City annually submits a financial assurance letter to the Texas Commission on Environmental Quality (TCEQ). In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$7,596,138 as of September 30, 2025, which is based on 26% usage of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$21,551,832 as the remaining estimated capacity is filled. The landfill is expected to be filled to capacity in 2153. Additionally, the City has recorded a liability of \$85,576 for closure and postclosure care costs related to the City's transfer station. Actual costs may be higher due to inflation, change in technology, or changes in regulations.

**Note 12 - LONG-TERM LIABILITIES**

Long-term liabilities transactions for the year ended September 30, 2025 are summarized as follows:

|  | Restated<br>Balance at<br>October 1,<br>2024 | Issued             | Retired and<br>Transferred | Balance at<br>September 30,<br>2025 | Due Within<br>One Year |
|--|--|--------------------|----------------------------|-------------------------------------|------------------------|
| <b>Governmental Activities:</b>                            |  |                    |                            |                                     |                        |
| General obligation bonds                                   | \$21,238,128                                 | \$ -               | \$ 2,907,544               | \$ 18,330,584                       | \$ 2,950,946           |
| Combination tax and revenue bonds                          | 10,485,000                                   | -                  | 1,030,000                  | 9,455,000                           | 1,060,000              |
| Venue tax revenue bonds                                    | 2,480,000                                    | -                  | 55,000                     | 2,425,000                           | 60,000                 |
| Premiums on bonds  | 990,996                                      | -                  | 202,141                    | 788,855                             | -                      |
| Right-to-use lease liabilities                             | 1,118,787                                    | -                  | 261,509                    | 857,278                             | 273,277                |
| Subscription liabilities                                   | 562,787                                      | -                  | 173,818                    | 388,969                             | 186,546                |
| Accrued vacation and sick<br>leave *                       | 13,174,008                                   | 1,165,090          | -                          | 14,339,098                          | 3,000,000              |
| Notes payable  | 2,251,238                                    | -                  | 167,159                    | 2,084,079                           | 181,570                |
| Claims and judgments payable                               | <u>762,657</u>                               | <u>616,724</u>     | <u>656,542</u>             | <u>722,839</u>                      | <u>48,780</u>          |
| Total governmental activities                              | <u>53,063,601</u>                            | <u>1,781,814</u>   | <u>5,453,713</u>           | <u>49,391,702</u>                   | <u>7,761,119</u>       |
| <b>Business-type Activities:</b>                           |  |                    |                            |                                     |                        |
| General obligation bonds                                   | 5,101,872                                    | -                  | 357,456                    | 4,744,416                           | 69,054                 |
| Utility system revenue bonds,<br>net of premium (discount) | 21,415,000                                   | -                  | 9,275,000                  | 12,140,000                          | 9,705,000              |
| Combination tax and revenue bonds                          | 26,220,000                                   | -                  | 1,655,000                  | 24,565,000                          | 1,690,000              |
| Premiums on bonds  | 1,030,714                                    | -                  | 605,444                    | 425,270                             | -                      |
| Accrued vacation and sick<br>leave *                       | 2,105,664                                    | -                  | 27,383                     | 2,078,281                           | 675,000                |
| Notes payable  | 21,294,880                                   | -                  | 1,744,916                  | 19,549,964                          | 1,772,597              |
| Right-to-use lease liabilities                             | 2,819,467                                    | -                  | 31,302                     | 2,788,165                           | 33,400                 |
| Landfill closure, post-closure costs                       | <u>7,332,168</u>                             | <u>349,546</u>     | <u>-</u>                   | <u>7,681,714</u>                    | <u>-</u>               |
| Total business-type activities                             | <u>87,319,765</u>                            | <u>349,546</u>     | <u>13,696,501</u>          | <u>73,972,810</u>                   | <u>13,945,051</u>      |
| Total long-term liabilities                                | <u>\$140,383,366</u>                         | <u>\$2,131,360</u> | <u>\$19,150,214</u>        | <u>\$123,364,512</u>                | <u>\$21,706,170</u>    |

\* Increases or decreases in accrued vacation and sick leave represent the net change in the liability.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

*Note 12 - LONG-TERM LIABILITIES (CONT'D.)*

For governmental activities, claims and judgments payable are generally liquidated by the General Fund.

**Bonds Payable**

Bonds payable as of September 30, 2025 are comprised of the following individual issues:

|  | <u>Range of<br/>Interest<br/>Rates</u> | <u>Final<br/>Maturity<br/>Date</u> | <u>Annual<br/>Serial<br/>Payments</u> | <u>Bonds<br/>Authorized</u> | <u>Bonds<br/>Outstanding<br/>At 9/30/25</u> |
|--|--|------------------------------------|---------------------------------------|-----------------------------|---|
| General Obligation Bonds:  |  |                                    |                                       |                             |   |
| General Obligation Refunding<br>Bonds, Series 2015A                        | 2.00% -<br>5.00%                       | 9/01/26                            | \$200,000 to<br>\$1,105,000           | \$ 9,650,000                | \$ 1,105,000                                |
| General Obligation Refunding<br>Bonds, Series 2015B                        | 0.73% -<br>3.48%                       | 9/01/26                            | \$110,000 to<br>\$310,000             | 2,885,000                   | 310,000                                     |
| General Obligation Bonds,<br>Series 2018A                                  | 2.00% -<br>5.00%                       | 9/01/38                            | \$550,000 to<br>\$1,155,000           | 16,345,000                  | 12,005,000                                  |
| General Obligation Refunding<br>Bonds, Series 2018B                        | 2.00% -<br>4.00%                       | 10/01/28                           | \$80,000 to<br>\$725,000              | 6,170,000                   | 2,735,000                                   |
| General Obligation Refunding<br>Bonds, Series 2021                         | 4.00%                                  | 9/01/31                            | \$140,000 to<br>\$195,000             | 1,675,000                   | 1,080,000                                   |
| General Obligation Refunding<br>Bonds, Taxable Series 2021                 | 0.40% -<br>2.03%                       | 9/01/33                            | \$85,000 to<br>\$865,000              | 7,595,000                   | <u>5,840,000</u>                            |
| Total General Obligation Bonds   |  |                                    |                                       |                             | <u>23,075,000</u>                           |
| Combination Tax and Revenue Bonds:   |  |                                    |                                       |                             |   |
| Combination Tax and Revenue<br>Certificates of Obligation, Series 2013     | 2.00% -<br>3.375%                      | 9/01/33                            | \$530,000 to<br>\$1,315,000           | 19,875,000                  | 9,455,000                                   |
| Combination Tax and Revenue<br>Certificates of Obligation, Series<br>2013A | 2.00% -<br>4.625%                      | 9/01/33                            | \$505,000 to<br>\$905,000             | 13,000,000                  | 675,000                                     |
| Combination Tax and Revenue<br>Certificates of Obligation, Series 2015     | 0.00% -<br>2.12%                       | 3/01/45                            | \$890,000 to<br>\$1,425,000           | 33,545,000                  | 23,890,000                                  |
| Total Combination Tax and Revenue<br>Bonds                                 |  |                                    |                                       |                             | <u>34,020,000</u>                           |
| Revenue Bonds:   |  |                                    |                                       |                             |   |
| Water & Sewer System Revenue<br>Refunding Bonds, Series 2016               | 2.00% -<br>5.00%                       | 8/01/27                            | \$2,635,000 to<br>\$9,705,000         | 74,005,000                  | 12,140,000                                  |
| Venue Tax Revenue Bonds,<br>Series 2020                                    | 4.00%                                  | 9/01/50                            | \$45,000 to<br>\$150,000              | 2,680,000                   | 2,425,000                                   |
| Total Revenue Bonds  |  |                                    |                                       |                             | <u>14,565,000</u>                           |
| Total All Bonds  |  |                                    |                                       |                             | <u>\$71,660,000</u>                         |

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

### Note 12 - LONG-TERM LIABILITIES (CONT'D.)

Aggregate maturities of the long-term debt (principal and interest) for the years subsequent to September 30, 2025 are as follows:

| Year Ending<br>September 30, | Governmental Activities  |                    |                                      |                    |                    |                    |                    |                  |                    |                 |                             |                 |                     |                    |
|------------------------------|--------------------------|--------------------|--------------------------------------|--------------------|--------------------|--------------------|--------------------|------------------|--------------------|-----------------|-----------------------------|-----------------|---------------------|--------------------|
|                              | General Obligation Bonds |                    | Combination Tax and<br>Revenue Bonds |                    | Revenue Bonds      |                    | Notes Payable      |                  | Right-to-Use Lease |                 | Subscription<br>Liabilities |                 | Total               |                    |
|                              | Principal                | Interest           | Principal                            | Interest           | Principal          | Interest           | Principal          | Interest         | Principal          | Interest        | Principal                   | Interest        | Principal           | Interest           |
| 2026                         | \$ 2,950,946             | \$ 716,493         | \$ 1,050,000                         | \$ 300,744         | \$ 60,000          | \$ 97,000          | \$ 181,570         | \$ 70,385        | \$ 273,277         | \$ 38,578       | \$ 186,546                  | \$ 17,504       | \$ 4,712,339        | \$ 1,240,704       |
| 2027                         | 1,742,266                | 588,678            | 1,090,000                            | 268,944            | 60,000             | 94,600             | 196,742            | 63,992           | 285,575            | 26,280          | 79,330                      | 9,109           | 3,453,913           | 1,051,603          |
| 2028                         | 1,804,142                | 522,492            | 1,125,000                            | 236,244            | 65,000             | 92,200             | 212,710            | 57,069           | 298,426            | 13,429          | 82,901                      | 5,539           | 3,588,179           | 926,973            |
| 2029                         | 1,871,018                | 453,657            | 1,160,000                            | 202,494            | 65,000             | 89,600             | 229,510            | 49,588           | -                  | -               | 40,192                      | 1,808           | 3,365,720           | 797,147            |
| 2030                         | 1,188,832                | 396,982            | 1,195,000                            | 164,794            | 70,000             | 87,000             | 247,178            | 41,520           | -                  | -               | -                           | -               | 2,701,010           | 690,296            |
| 2031-2035                    | 5,438,380                | 1,338,602          | 3,825,000                            | 256,156            | 385,000            | 391,600            | 1,016,369          | 72,574           | -                  | -               | -                           | -               | 10,664,749          | 2,058,932          |
| 2036-2040                    | 3,335,000                | 304,850            | -                                    | -                  | 465,000            | 308,200            | -                  | -                | -                  | -               | -                           | -               | 3,800,000           | 613,050            |
| 2041-2045                    | -                        | -                  | -                                    | -                  | 570,000            | 207,000            | -                  | -                | -                  | -               | -                           | -               | 570,000             | 207,000            |
| 2046-2050                    | -                        | -                  | -                                    | -                  | 685,000            | 84,800             | -                  | -                | -                  | -               | -                           | -               | 685,000             | 84,800             |
| <b>Totals</b>                | <b>\$18,339,584</b>      | <b>\$4,321,754</b> | <b>\$9,455,000</b>                   | <b>\$1,429,376</b> | <b>\$2,425,000</b> | <b>\$1,452,000</b> | <b>\$2,084,079</b> | <b>\$355,128</b> | <b>\$857,278</b>   | <b>\$78,287</b> | <b>\$388,569</b>            | <b>\$33,960</b> | <b>\$33,540,910</b> | <b>\$7,670,505</b> |

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
SEPTEMBER 30, 2025

Note 12 - LONG-TERM LIABILITIES (CONT'D.)

Business-Type Activities

| Year Ending<br>September 30, | General Obligation Bonds |             | Combination Tax and<br>Revenue Bonds |              | Revenue Bonds |            | Notes Payable |              | Right-to-use Lease |            | Business-Type Activities |              | Total         |               |
|------------------------------|--------------------------|-------------|--------------------------------------|--------------|---------------|------------|---------------|--------------|--------------------|------------|--------------------------|--------------|---------------|---------------|
|                              | Principal                | Interest    | Principal                            | Interest     | Principal     | Interest   | Principal     | Interest     | Principal          | Interest   | Principal                | Interest     | Principal     | Interest      |
| 2026                         | \$ 69,054                | \$ 81,435   | \$ 1,690,000                         | \$ 466,314   | \$ 9,705,000  | \$ 607,000 | \$ 1,772,597  | \$ 503,207   | \$ 33,400          | \$ 27,882  | \$ 13,270,051            | \$ 1,685,838 | \$ 17,982,389 | \$ 2,926,542  |
| 2027                         | 637,734                  | 80,669      | 1,030,000                            | 426,326      | 2,435,000     | 121,750    | 1,682,463     | 457,957      | 35,572             | 27,548     | 5,820,769                | 1,114,250    | 9,274,683     | 2,165,853     |
| 2028                         | 645,858                  | 72,500      | 1,040,000                            | 410,800      | -             | -          | 1,587,380     | 418,628      | 37,822             | 27,192     | 3,311,060                | 929,120      | 6,899,239     | 1,856,093     |
| 2029                         | 653,982                  | 63,257      | 1,060,000                            | 394,416      | -             | -          | 1,664,126     | 379,852      | 40,150             | 26,814     | 3,418,258                | 864,339      | 6,783,978     | 1,661,486     |
| 2030                         | 666,168                  | 52,970      | 1,080,000                            | 377,134      | -             | -          | 1,744,164     | 338,805      | 42,561             | 26,412     | 3,532,893                | 795,321      | 6,233,903     | 1,485,617     |
| 2031-2035                    | 2,071,620                | 83,371      | 5,645,000                            | 1,597,668    | -             | -          | 10,290,135    | 931,630      | 252,006            | 125,165    | 18,258,761               | 2,737,834    | 28,923,510    | 4,796,756     |
| 2036-2040                    | -                        | -           | 6,180,000                            | 1,036,616    | -             | -          | 809,099       | 13,066       | 326,112            | 111,132    | 7,315,211                | 1,160,814    | 11,115,211    | 1,773,864     |
| 2041-2045                    | -                        | -           | 6,840,000                            | 367,555      | -             | -          | -             | -            | 413,754            | 93,132     | 7,253,754                | 460,687      | 7,823,754     | 667,687       |
| 2046-2050                    | -                        | -           | -                                    | -            | -             | -          | -             | -            | 517,176            | 70,444     | 517,176                  | 70,444       | 1,202,176     | 155,244       |
| 2051-2055                    | -                        | -           | -                                    | -            | -             | -          | -             | -            | 638,985            | 42,229     | 638,985                  | 42,229       | 638,985       | 42,229        |
| 2056-2058                    | -                        | -           | -                                    | -            | -             | -          | -             | -            | 450,627            | 9,133      | 450,627                  | 9,133        | 450,627       | 9,133         |
| Totals                       | \$ 4,744,416             | \$ 4,34,202 | \$ 24,565,000                        | \$ 5,076,829 | \$ 12,140,000 | \$ 728,750 | \$ 19,549,964 | \$ 3,043,145 | \$ 2,788,165       | \$ 587,083 | \$ 63,287,545            | \$ 9,870,009 | \$ 97,328,455 | \$ 17,540,514 |

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

#### Note 12 - LONG-TERM LIABILITIES (CONT'D.)

All of the General Obligation Bonds were issued on the full faith and credit of the City and are secured by ad valorem taxes levied against all taxable property. These bonds are serviced by the Debt Service Fund with an apportionment of the ad valorem tax levy. At September 30, 2025, this fund had a fund balance of \$2,068,295.

The Combination Tax and Revenue Bonds are secured by ad valorem taxes levied against all taxable property as well as a pledge of surplus net revenues of the City's combined waterworks and sewer system. The Series 2010 and 2011 Certificates will be serviced by the Debt Service Fund by contributions from the Wichita Falls 4B Economic Development Corporation. The Series 2016 Certificates will be serviced by the net revenues of the Water and Sewer Fund, as well as the Series 2010 Combination Tax and Revenue Refunding Certificates. A portion of the Series 2013 General Obligation Refunding Bonds will also be serviced by these net revenues.

The Venue Tax Revenue Bonds were issued for the purpose of improving the City's MPEC and Memorial Auditorium facilities and are serviced by an additional hotel/motel tax designated for these purposes.

All of the Water and Sewer Revenue Bonds were issued for purposes of improving the City's water and sewer systems and are serviced by the net revenues of the Water and Sewer Fund.

#### Notes Payable

##### *Banc of America Public Capital Corp. – Water Meters*

The City entered into a financing agreement in 2016 to finance the replacement of all of the City's water meters. The total amount financed was \$16,506,103. These assets are listed under "Buildings, systems and improvements" in Business-type Activities. The agreement carries an interest rate of 3.23% and is for a period of 20 years, with final payment due in fiscal year 2036.

##### *Signature Public Funding Corp. – Fire Equipment*

The City issued a financing agreement in 2024 for the purchase of fire department equipment in the amount of \$9,920,692. These assets are listed under "Motor vehicles" in Business-type Activities. This agreement carries an interest rate of 1.78% and is for a period of 11 years with final payment due in fiscal year 2034.

##### *AMERESCO Inc. – Street Lights*

The City entered into a financing agreement in 2018 to finance the conversion of the City's street lights to more energy-efficient LED lights. These assets are listed under "Infrastructure" in Governmental Activities. This agreement carries an interest rate of 3.45% and is for a period of 15 years, with final payment due in fiscal year 2034.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

#### Note 12 - LONG-TERM LIABILITIES (CONT'D.)

##### Right-to-Use Lease Liabilities

###### *Regional Airport – Land Lease*

The Regional Airport facilities are located on land at Sheppard Air Force Base. The land is leased from the Department of the Air Force for a period of fifty years, beginning May 15, 2009 and expiring May 14, 2059. The lease payment increases by 3% per year with a final lease payment of \$157,805 in 2058. The total value of assets under this agreement was \$3,066,768, with accumulated amortization of \$954,453 as of September 30, 2025. An interest rate of 1% is imputed for this lease agreement.

###### *Axon – Body-worn Cameras*

The City entered into a right-to-use lease in 2024 for body-worn camera equipment. The agreement called for annual payments over the 5-year term of the agreement totaling \$1,559,273. The total value of assets under this agreement was \$1,430,641, with accumulated amortization of \$559,393 as of September 30, 2025. An interest rate of 4.5% is imputed for this lease agreement.

##### Subscription Liabilities

The City has multiple subscription-based information technology agreements (SBITAs). An interest rate of 4.50% has been used in calculating the total present value of the agreements at inception, as well as annual interest expense on each agreement.

###### *Aqua-Metric Sales Co. – Automated Meter Reading System*

The City entered into a SBITA in 2016 for software related to an automated water meter reading system. The agreement called for annual payments over the 10-year term of the agreement totaling \$771,061.

###### *Patagonia Health Inc. – Electronic Health Record Software*

The City entered into a SBITA in 2024 for electronic health record software for use by the Health Department. This agreement includes 58 monthly payments of \$3,870 in addition to implementation costs of \$41,325, for total payments of \$265,785.

###### *UB Holdings, LLC – VenueOps Software for MPEC*

The City entered into a SBITA in 2024 for software for use by the MPEC. This agreement includes 3 annual payments totaling \$76,850.

###### *Hedgerow Software US, Inc. – Environmental Software for Health Department*

The City entered into a SBITA in 2024 for software for use by the Health Department. This agreement includes 5 annual payments each of \$42,000 in addition to implementation costs of \$40,000, for total payments of \$250,000.

**CITY OF WICHITA FALLS, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)  
SEPTEMBER 30, 2025**

*Note 13 - INTERFUND BALANCES*

Transfers to and from other funds during the year ended September 30, 2025 were as follows:

| <u>Transfers From</u>       | <u>Transfers To</u>         | <u>Amount</u>       | <u>Reason</u>                 |
|-----------------------------|-----------------------------|---------------------|-------------------------------|
| General Fund                | Nonmajor Governmental Funds | \$ 125,617          | Supplement operating grants   |
| General Fund                | Nonmajor Governmental Funds | 614,471             | Supplement operating deficits |
| General Fund                | Nonmajor Enterprise Funds   | 367,318             | Supplement operating deficits |
| General Fund                | Internal Service Funds      | 158,308             | Purchase capital assets       |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | 941,644             | Fund debt service payment     |
| Nonmajor Governmental Funds | Internal Service Funds      | 1,309,490           | Purchase capital assets       |
| Water and Sewer Fund        | General Fund                | 1,993,442           | Administrative overhead       |
| Water and Sewer Fund        | Nonmajor Governmental Funds | 154,500             | Fund debt service payment     |
| Water and Sewer Fund        | Internal Service Funds      | 762,728             | Purchase capital assets       |
| Sanitation Fund             | General Fund                | 1,031,249           | Administrative overhead       |
| Sanitation Fund             | Internal Service Funds      | 4,316,845           | Purchase capital assets       |
| Stormwater Drainage Fund    | Nonmajor Governmental Funds | 407,050             | Fund debt service payment     |
| Stormwater Drainage Fund    | Internal Service Funds      | 350,459             | Purchase capital assets       |
| Nonmajor Enterprise Funds   | Internal Service Funds      | 1,190,270           | Purchase capital assets       |
| Internal Service Funds      | General Fund                | <u>312,000</u>      | Administrative overhead       |
|                             | Total                       | <u>\$14,035,391</u> |                               |

Balances due to and from other funds as of September 30, 2025 were as follows:

| <u>Due To Fund</u> | <u>Due From Fund</u>        | <u>Amount</u>      | <u>Purpose</u>  |
|--------------------|-----------------------------|--------------------|-----------------|
| General Fund       | Nonmajor Governmental Funds | \$3,918,151        | Short-term loan |
| General Fund       | Nonmajor Enterprise Funds   | 2,832,887          | Short-term loan |
| General Fund       | Internal Service Funds      | <u>462,283</u>     | Short-term loan |
|                    | Total                       | <u>\$7,213,321</u> |                 |

All amounts due are scheduled to be repaid within one year.

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

*Note 14 - CONDENSED FINANCIAL INFORMATION FOR DISCRETELY PRESENTED COMPONENT UNITS*

The City has five component units that are discretely presented in the City's basic financial statements. Condensed financial information for the year ended September 30, 2025 is as follows:

|   | Wichita Falls<br>Economic<br>Development<br><u>Corporation</u> | Wichita Falls<br>4B Sales<br>Tax<br><u>Corporation</u> | Wichita Falls Reinvestment |                    |                    | <u>Totals</u>       |
|---|--|--|----------------------------|--------------------|--------------------|---------------------|
|   |  |  | Zone #2                    | Zone #3            | Zone #4            |                     |
| <b>Condensed statement of net position:</b>     |  |  |                            |                    |                    |                     |
| Cash, investments and other current assets      | \$21,736,144   | \$14,888,023   | \$3,759,070                | \$1,594,306        | \$1,919,832        | \$43,897,375        |
| Capital assets, net of accumulated depreciation | <u>12,357,834</u>  | <u>16,332,938</u>                                      | -                          | -                  | -                  | <u>28,690,772</u>   |
| Total assets                                    | <u>34,093,978</u>  | <u>31,220,961</u>                                      | <u>3,759,070</u>           | <u>1,594,306</u>   | <u>1,919,832</u>   | <u>72,588,147</u>   |
| Accounts payable and other current liabilities  | 35,000   | 28,750   | -                          | 1,894              | -                  | 65,644              |
| Long-term liabilities                           | <u>9,178,810</u>   | <u>17,065,000</u>                                      | -                          | -                  | -                  | <u>26,243,810</u>   |
| Total liabilities                               | <u>9,213,810</u>   | <u>17,093,750</u>                                      | -                          | <u>1,894</u>       | -                  | <u>26,309,454</u>   |
| <b>Net position</b>                             | <u>\$24,880,168</u>  | <u>\$14,127,211</u>                                    | <u>\$3,759,070</u>         | <u>\$1,592,412</u> | <u>\$1,919,832</u> | <u>\$46,278,693</u> |
| <b>Condensed statement of activities:</b>       |  |  |                            |                    |                    |                     |
| <b>Expenses:</b>                                |  |  |                            |                    |                    |                     |
| Community development                           | <u>\$ 8,947,064</u>  | <u>\$ 7,455,012</u>                                    | <u>\$1,176,584</u>         | \$ -               | \$ -               | <u>\$17,578,660</u> |
| Program revenues:                               |  |  |                            |                    |                    |                     |
| Operating grants and contributions              | -  | <u>719,047</u>   | -                          | -                  | -                  | <u>719,047</u>      |
| <b>Net program expense</b>                      | <u>( 8,947,064)</u>  | <u>( 6,735,965)</u>                                    | <u>(1,176,584)</u>         | -                  | -                  | <u>(16,859,613)</u> |
| General revenues:                               |  |  |                            |                    |                    |                     |
| Tax revenues                                    | 5,258,905  | 5,258,905  | 838,703                    | 170,255            | 412,228            | 11,938,996          |
| Non-tax general revenues                        | <u>2,950,850</u>   | <u>892,536</u>   | <u>83,178</u>              | <u>75,371</u>      | <u>18,309</u>      | <u>4,020,244</u>    |
| Total general revenues                          | <u>8,209,755</u>   | <u>6,151,441</u>                                       | <u>921,881</u>             | <u>245,626</u>     | <u>430,537</u>     | <u>15,959,240</u>   |
| Change in net position                          | (737,309)  | (584,524)  | (254,703)                  | 245,626            | 430,537            | (900,373)           |
| Beginning net position                          | <u>25,617,477</u>  | <u>14,711,735</u>                                      | <u>4,013,773</u>           | <u>1,346,786</u>   | <u>1,489,295</u>   | <u>47,179,066</u>   |
| Ending net position                             | <u>\$24,880,168</u>  | <u>\$14,127,211</u>                                    | <u>\$3,759,070</u>         | <u>\$1,592,412</u> | <u>\$1,919,832</u> | <u>\$46,278,693</u> |

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

#### *Note 15 - TAX ABATEMENT AGREEMENTS*

The City has approved value limitation agreements with companies for a limitation on the appraised value of properties within the City pursuant to Chapter 312 of the Texas Tax Code, as amended, i.e., the Property Tax Abatement Act. Under these agreements, the City has agreed to abate varying amounts of property taxes levied on qualified improvements during the abatement period. These abatements may be granted to businesses that construct improvements within certain areas designated by the Mayor and City Council.

For the fiscal year ended September 30, 2025, the City abated property taxes totaling \$1,821,442 under this program and received payments in lieu of taxes totaling \$1,726,189.

#### *Note 16 - COMMITMENTS AND CONTINGENCIES*

##### Litigation

The City is a defendant in various lawsuits. In the opinion of the City's management, any unrecorded liabilities resulting from such suits will not materially affect the financial position of the City.

##### Contract Commitment with West Texas Utilities Company

In 1977, the City and Wichita County Water Improvement District Number 2 entered into a sixty-year contract with the West Texas Utilities Company (Company) and agreed to provide an adequate water supply for the Company's use in generating power upon completion of the Company's construction of a power plant adjacent to the Lake Kemp-Lake Diversion System.

The significant terms of the contract provide for standby charges to be paid to the City and the Wichita County Water Improvement District Number 2 in equal amounts. Minimum charges for the calendar year 1997 and all years thereafter until the end of contract will be \$500,000 per year.

For water actually consumed, the Company shall pay the City and Wichita County Water Improvement District Number 2 equally, at the base rate of \$0.23 per one thousand gallons, which is adjusted annually. The rate for the year ended September 30, 2025 was \$.404046 per one thousand gallons.

This contract can be terminated at any time by the Company. If the contract is terminated, the Company is required to make a maximum termination payment equal to the minimum charges which would have become due and payable during the following twenty-four month period.

In December 2021, this contract was assumed by Oklaunion Industrial Park, LLC.

# CITY OF WICHITA FALLS, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

### Note 16 - COMMITMENTS AND CONTINGENCIES (CONT'D.)

#### Contract Commitments

At September 30, 2025, the City was committed to various contracts. The amounts for which the various funds are committed to complete these contracts are as follows:

|  |                     |
|--|---------------------|
| General Fund                                 | \$ 1,172,699        |
| ARPA Fund                                    | 5,444,113           |
| Nonmajor Governmental Funds                  | 2,211,493           |
| Water and Sewer Fund                         | 2,889,896           |
| Stormwater Drainage Fund                     | <u>2,639,068</u>    |
| Total contract commitments - City            | <u>\$14,357,269</u> |
| Total contract commitments – Component Units | <u>\$898,128</u>    |

#### Federal and State Grants - Compliance Audits

The City participates in numerous Federal and State grants, on both a direct and state pass-through basis, as well as on a service-provider basis. Principal among these are Community Development Block Grants, Section 8 Housing Assistance, Home Investment Partnership Agreement Program, and numerous health-related grants.

In connection with these grants, the City is required to comply with specific terms and agreements as well as applicable Federal and State laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives.

In the opinion of management, the City has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of any disallowance of claimed expenditures, the City expects the resulting liability to be immaterial.

### Note 17 - ERROR CORRECTION

During the year ended September 30, 2025, the City discovered an error in the amounts reported as of September 30, 2024. A right-to-use leased asset and the related liability was not included in Governmental Activities. The result of this error was a decrease to the beginning net position of Governmental Activities in the amount of \$154,954. Additionally, an error was made in the capital assets of the Internal Service Funds that resulted in a decrease to the beginning net position in the amount of \$249,484.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2025

*Note 18 - CHANGE IN ACCOUNTING PRINCIPLE*

During the year ended September 30, 2025, the City adopted GASB Statement No. 101, *Compensated Absences*. This adoption led to an adjustment to the liability recognized for vacation and sick leave that is estimated to be used by employees in the future. This change in accounting principle resulted in decreases in beginning net position of \$1,124,315 and \$1,084,125 in Governmental Activities and Business-type Activities, respectively. This change also decreased the beginning net position of the Water and Sewer Fund (\$545,136), Sanitation Fund (\$261,753), Stormwater Drainage Fund (\$24,204), Nonmajor Enterprise Fund (\$163,308) and Internal Service Funds (\$195,248).

*Note 19 - SUBSEQUENT EVENTS*

On October 15, 2025, the Wichita Falls Economic Development Corporation (WFEDC) acquired the Sikes Senter Mall at 3111 Midwestern Parkway for \$27,500,000. The acquisition is part of a strategic initiative for commercial redevelopment. The purchase was funded through \$18,000,000 in external financing which consisted of a 2-year term loan at 6.15% interest. Additionally, an inter-fund loan of \$3.5M from the 4B Sales Tax Corporation was utilized and subsequently repaid in full by November. The WFEDC has entered into a management agreement with Forward Wichita Falls to oversee operations through the transition and lead marketing efforts for the site's redevelopment. As of the date of these financial statements, the Corporation has not entered into any formal agreements for the sale or long-term lease of the property.

On October 31, 2025, the Wichita Falls Economic Development Corporation (WFEDC) sold approximately 225 acres of land and the associated mineral rights of the property within the Wichita Falls Business Park to Texas Data Centers Campus LLC (an entity of Skybox Datacenters) for \$14,891,275. Skybox intends to use the site to develop a new data center campus, with construction anticipated to commence in 2026.

***REQUIRED SUPPLEMENTARY INFORMATION***

## CITY OF WICHITA FALLS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

|  | Budgeted Amounts     |                      | Actual               | Variance With                            |
|--|----------------------|----------------------|----------------------|--|
|  | Original             | Final                |                      | Final Budget -<br>Positive<br>(Negative) |
| <b>Revenues:</b>   |                      |                      |                      |  |
| Taxes  | \$ 88,888,727        | \$ 88,888,727        | \$ 89,279,117        | \$ 390,390                               |
| Charges for services   | 3,140,916            | 3,140,916            | 3,364,511            | 223,595                                  |
| Licenses and permits   | 2,131,224            | 2,131,224            | 1,896,041            | (235,183)                                |
| Fines and forfeitures  | 3,087,200            | 3,087,200            | 3,338,437            | 251,237                                  |
| Contributions  | 232,500              | 2,332,500            | 2,419,531            | 87,031                                   |
| Miscellaneous revenue  | 7,656,290            | 7,656,290            | 5,686,997            | (1,969,293)                              |
| Total revenues   | <u>105,136,857</u>   | <u>107,236,857</u>   | <u>105,984,634</u>   | <u>(1,252,223)</u>                       |
| <b>Expenditures:</b>   |                      |                      |                      |  |
| <b>Current:</b>  |                      |                      |                      |  |
| Administrative services  | 16,608,190           | 17,828,291           | 17,462,015           | 366,276                                  |
| Police   | 35,122,374           | 35,125,149           | 35,131,158           | (6,009)                                  |
| Fire   | 23,120,363           | 24,171,676           | 23,782,573           | 389,103                                  |
| Parks and recreation   | 10,738,875           | 13,025,772           | 11,550,440           | 1,475,332                                |
| Accounting/finance   | 2,465,734            | 2,489,693            | 2,440,324            | 49,369                                   |
| Community development  | 2,851,425            | 2,873,925            | 2,700,080            | 173,845                                  |
| Public works   | 8,979,899            | 11,953,859           | 9,693,911            | 2,259,948                                |
| Health   | 4,645,517            | 4,767,093            | 4,485,027            | 282,066                                  |
| Traffic and transportation   | 3,186,046            | 3,375,456            | 2,347,148            | 1,028,308                                |
| Total expenditures   | <u>107,718,423</u>   | <u>115,610,914</u>   | <u>109,592,676</u>   | <u>6,018,238</u>                         |
| Excess of revenues over (under) expenditures                                     | <u>(2,581,566)</u>   | <u>(8,374,057)</u>   | <u>(3,608,042)</u>   | <u>4,766,015</u>                         |
| <b>Other financing sources (uses):</b>   |                      |                      |                      |  |
| Transfers in   | 3,336,691            | 3,336,691            | 3,336,691            | -  |
| Transfers out  | (755,127)            | (755,127)            | (1,247,955)          | (492,828)                                |
| Total other financing sources (uses)   | <u>2,581,564</u>     | <u>2,581,564</u>     | <u>2,088,736</u>     | <u>(492,828)</u>                         |
| Excess of revenues and other sources<br>over (under) expenditures and other uses | (2)                  | (5,792,493)          | (1,519,306)          | 4,273,187                                |
| Fund balance - beginning   | <u>50,854,754</u>    | <u>50,854,754</u>    | <u>50,854,754</u>    | <u>-</u>                                 |
| Fund balance - ending  | <u>\$ 50,854,752</u> | <u>\$ 45,062,261</u> | <u>\$ 49,335,448</u> | <u>\$ 4,273,187</u>                      |

# CITY OF WICHITA FALLS, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

|  | 2024                  | 2023                  | 2022                  | 2021                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability</b>                           |                       |                       |                       |                       |
| Service cost   | \$ 8,374,451          | \$ 7,724,088          | \$ 7,290,057          | \$ 6,571,147          |
| Interest on total pension liability                      | 22,626,038            | 22,017,837            | 21,000,865            | 20,199,933            |
| Changes of benefit terms                                 | -                     | -                     | -                     | -                     |
| Difference between expected and actual experience        | 3,166,185             | 1,137,336             | 4,338,549             | 937,276               |
| Changes of assumptions                                   | -                     | (3,012,418)           | -                     | -                     |
| Benefit payments/refunds of contributions                | (19,818,368)          | (18,544,887)          | (17,015,598)          | (15,388,693)          |
| Net change in total pension liability                    | <u>14,348,306</u>     | <u>9,321,956</u>      | <u>15,613,873</u>     | <u>12,319,663</u>     |
| Total pension liability, beginning                       | 340,922,526           | 331,600,570           | 315,986,697           | 303,667,034           |
| Total pension liability, ending (a)                      | <u>\$ 355,270,832</u> | <u>\$ 340,922,526</u> | <u>\$ 331,600,570</u> | <u>\$ 315,986,697</u> |
| <b>Fiduciary Net Position</b>                            |                       |                       |                       |                       |
| Contributions - employer                                 | \$ 9,996,812          | \$ 9,040,321          | \$ 8,622,779          | \$ 7,844,017          |
| Contributions - employee                                 | 4,217,349             | 3,909,517             | 3,673,895             | 3,311,593             |
| Net investment income                                    | 29,889,533            | 30,462,384            | (21,100,627)          | 33,864,112            |
| Benefit payments/refunds of contributions                | (19,818,368)          | (18,544,887)          | (17,015,598)          | (15,388,693)          |
| Administrative expenses                                  | (192,194)             | (194,195)             | (182,885)             | (156,861)             |
| Other  | (4,496)               | (1,356)               | 218,235               | 1,072                 |
| Net change in fiduciary net position                     | <u>24,088,636</u>     | <u>24,671,784</u>     | <u>(25,784,201)</u>   | <u>29,475,240</u>     |
| Fiduciary net position, beginning                        | 288,415,085           | 263,743,301           | 289,527,502           | 260,052,262           |
| Fiduciary net position, ending (b)                       | <u>\$ 312,503,721</u> | <u>\$ 288,415,085</u> | <u>\$ 263,743,301</u> | <u>\$ 289,527,502</u> |
| Net pension liability, ending = (a) - (b)                | <u>\$ 42,767,111</u>  | <u>\$ 52,507,441</u>  | <u>\$ 67,857,269</u>  | <u>\$ 26,459,195</u>  |
| Fiduciary net position as a % of total pension liability | <u>87.96%</u>         | <u>84.60%</u>         | <u>79.54%</u>         | <u>91.63%</u>         |
| Covered payroll  | <u>\$ 60,247,849</u>  | <u>\$ 55,850,239</u>  | <u>\$ 52,484,212</u>  | <u>\$ 47,308,476</u>  |
| Net pension liability as a % of covered payroll          | <u>70.99%</u>         | <u>94.01%</u>         | <u>129.29%</u>        | <u>55.93%</u>         |

## EXHIBIT B-2

| 2020                  | 2019                  | 2018                  | 2017                  | 2016                  | 2015                  |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 6,472,668          | \$ 6,447,967          | \$ 4,990,566          | \$ 4,917,413          | \$ 2,466,531          | \$ 4,697,339          |
| 19,539,894            | 18,913,918            | 17,400,438            | 16,873,140            | 16,126,720            | 16,093,246            |
| -                     | 12,613,317            | -                     | -                     | -                     | -                     |
| (1,175,031)           | (1,475,630)           | 540,881               | (1,117,057)           | 3,641,511             | 203,406               |
| -                     | (26,378)              | -                     | -                     | -                     | 1,340,184             |
| (14,828,151)          | (14,368,878)          | (13,335,060)          | (12,461,447)          | (12,342,806)          | (12,073,025)          |
| <u>10,009,380</u>     | <u>22,104,316</u>     | <u>9,596,825</u>      | <u>8,212,049</u>      | <u>9,891,956</u>      | <u>10,261,150</u>     |
| 293,657,654           | 271,553,338           | 261,956,513           | 253,744,464           | 243,852,508           | 233,591,358           |
| <u>\$ 303,667,034</u> | <u>\$ 293,657,654</u> | <u>\$ 271,553,338</u> | <u>\$ 261,956,513</u> | <u>\$ 253,744,464</u> | <u>\$ 243,852,508</u> |
| \$ 7,598,124          | \$ 5,913,578          | \$ 5,783,625          | \$ 5,565,648          | \$ 5,339,437          | \$ 5,639,053          |
| 3,257,273             | 2,590,541             | 2,558,451             | 2,470,741             | 2,494,525             | 2,497,984             |
| 18,618,015            | 33,663,780            | (6,883,878)           | 28,538,620            | 13,331,438            | 296,795               |
| (14,828,151)          | (14,368,878)          | (13,335,060)          | (12,461,447)          | (12,342,806)          | (12,073,025)          |
| (120,598)             | (190,372)             | (133,122)             | (147,954)             | (150,608)             | (180,789)             |
| (4,705)               | (5,719)               | (6,955)               | (7,498)               | (8,114)               | (8,931)               |
| <u>14,519,958</u>     | <u>27,602,930</u>     | <u>(12,016,939)</u>   | <u>23,958,110</u>     | <u>8,663,872</u>      | <u>(3,828,913)</u>    |
| <u>245,532,304</u>    | <u>217,929,374</u>    | <u>229,946,313</u>    | <u>205,988,203</u>    | <u>197,324,331</u>    | <u>201,153,244</u>    |
| <u>\$ 260,052,262</u> | <u>\$ 245,532,304</u> | <u>\$ 217,929,374</u> | <u>\$ 229,946,313</u> | <u>\$ 205,988,203</u> | <u>\$ 197,324,331</u> |
| <u>\$ 43,614,772</u>  | <u>\$ 48,125,350</u>  | <u>\$ 53,623,964</u>  | <u>\$ 32,010,200</u>  | <u>\$ 47,756,261</u>  | <u>\$ 46,528,177</u>  |
| <u>85.64%</u>         | <u>83.61%</u>         | <u>80.25%</u>         | <u>87.78%</u>         | <u>81.18%</u>         | <u>80.92%</u>         |
| <u>\$ 46,532,477</u>  | <u>\$ 46,321,599</u>  | <u>\$ 45,081,895</u>  | <u>\$ 44,380,980</u>  | <u>\$ 44,793,885</u>  | <u>\$ 45,036,746</u>  |
| <u>93.73%</u>         | <u>103.89%</u>        | <u>118.95%</u>        | <u>72.13%</u>         | <u>106.61%</u>        | <u>103.31%</u>        |

## CITY OF WICHITA FALLS, TEXAS

### REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS TEXAS MUNICIPAL RETIREMENT SYSTEM

|  | <u>2025</u>         | <u>2024</u>        | <u>2023</u>        | <u>2022</u>        |
|--|---------------------|--------------------|--------------------|--------------------|
| Actuarial determined contribution                                    | \$ 10,323,019       | \$ 9,713,387       | \$ 8,844,724       | \$ 8,805,755       |
| Contributions in relation to the actuarially determined contribution | <u>(10,323,019)</u> | <u>(9,713,387)</u> | <u>(8,844,724)</u> | <u>(8,805,755)</u> |
| Contribution deficiency  | <u>\$ -</u>         | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| Covered payroll  | \$ 63,869,937       | \$ 59,147,881      | \$ 54,472,026      | \$ 53,500,680      |
| Contributions as a percentage of covered payroll                     | <u>16.16%</u>       | <u>16.42%</u>      | <u>16.24%</u>      | <u>16.46%</u>      |

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31 and become effective 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 | 21 years (longest amortization ladder)   |
| Asset Valuation Method        | 10 Year smoothed market; 12% soft corridor   |
| Inflation                     | 2.5%   |
| 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 ages. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.  |
| Mortality                     | <p>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).</p> <p>Pre-retirement: PUB(10) mortality tables, with 110% the Public Safety table used for males and 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).</p> |

**Other Information:**

There were no benefit changes during the year.

## EXHIBIT B-3

| <u>2021</u>        | <u>2020</u>        | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 7,624,424       | \$ 7,185,753       | \$ 5,877,907       | \$ 5,675,065       | \$ 5,521,772       | \$ 5,427,145       |
| <u>(7,624,424)</u> | <u>(7,185,753)</u> | <u>(5,877,907)</u> | <u>(5,675,065)</u> | <u>(5,521,772)</u> | <u>(5,427,145)</u> |
| <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| \$ 46,206,994      | \$ 46,894,603      | \$ 45,968,759      | \$ 44,522,000      | \$ 44,687,123      | \$ 44,674,967      |
| <u>16.50%</u>      | <u>15.32%</u>      | <u>12.79%</u>      | <u>12.75%</u>      | <u>12.36%</u>      | <u>12.15%</u>      |

# CITY OF WICHITA FALLS, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND

|  | 2024                  | 2023                  | 2022                  | 2021                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability</b>                           |                       |                       |                       |                       |
| Service cost   | \$ 2,809,468          | \$ 2,928,522          | \$ 2,640,087          | \$ 3,462,346          |
| Interest on total pension liability                      | 7,163,068             | 6,880,704             | 6,792,673             | 6,175,999             |
| Changes of benefit terms                                 | -                     | -                     | -                     | -                     |
| Difference between expected and actual experience        | 919,073               | 1,286,962             | -                     | (2,700,656)           |
| Changes of assumptions                                   | (10,048,590)          | (1,036,875)           | 2,195,408             | (20,894,841)          |
| Benefit payments/refunds of contributions                | (6,637,305)           | (6,317,093)           | (6,006,806)           | (6,535,299)           |
| Net change in total pension liability                    | <u>(5,794,286)</u>    | <u>3,742,220</u>      | <u>5,621,362</u>      | <u>(20,492,451)</u>   |
| Total pension liability, beginning                       | 126,841,951           | 123,099,731           | 117,478,369           | 137,970,820           |
| Total pension liability, ending (a)                      | <u>\$ 121,047,665</u> | <u>\$ 126,841,951</u> | <u>\$ 123,099,731</u> | <u>\$ 117,478,369</u> |
| <b>Fiduciary Net Position</b>                            |                       |                       |                       |                       |
| Contributions - employer                                 | \$ 3,313,807          | \$ 2,109,816          | \$ 1,646,524          | \$ 1,615,588          |
| Contributions - employee                                 | 1,823,000             | 1,695,157             | 1,615,459             | 1,583,797             |
| Net investment income                                    | 6,008,411             | 6,795,399             | (8,438,527)           | 8,128,492             |
| Benefit payments/refunds of contributions                | (6,637,305)           | (6,317,093)           | (6,006,806)           | (6,535,299)           |
| Administrative expenses                                  | (111,753)             | (97,104)              | (144,781)             | (266,037)             |
| Other  | -                     | 28,430                | 10,060                | 3,386                 |
| Net change in fiduciary net position                     | <u>4,396,160</u>      | <u>4,214,605</u>      | <u>(11,318,071)</u>   | <u>4,529,927</u>      |
| Fiduciary net position, beginning                        | 55,255,221            | 51,040,616            | 62,358,687            | 57,828,760            |
| Fiduciary net position, ending (b)                       | <u>\$ 59,651,381</u>  | <u>\$ 55,255,221</u>  | <u>\$ 51,040,616</u>  | <u>\$ 62,358,687</u>  |
| Net pension liability, ending = (a)-(b)                  | <u>\$ 61,396,284</u>  | <u>\$ 71,586,730</u>  | <u>\$ 72,059,115</u>  | <u>\$ 55,119,682</u>  |
| Fiduciary net position as a % of total pension liability | <u>49.28%</u>         | <u>43.56%</u>         | <u>41.46%</u>         | <u>53.08%</u>         |
| Covered payroll  | <u>\$ 14,023,008</u>  | <u>\$ 13,039,659</u>  | <u>\$ 12,426,596</u>  | <u>\$ 12,183,054</u>  |
| Net pension liability (asset) as a % of covered payroll  | <u>437.83%</u>        | <u>548.99%</u>        | <u>579.88%</u>        | <u>452.43%</u>        |

| 2020                 | 2019                 | 2018                 | 2017                 | 2016                 | 2015                 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 3,066,397         | \$ 2,916,767         | \$ 3,073,858         | \$ 2,859,969         | \$ 1,560,472         | \$ 1,493,672         |
| 6,287,518            | 6,110,936            | 5,899,445            | 5,728,347            | 5,827,804            | 5,298,361            |
| -                    | -                    | (5,007,726)          | -                    | -                    | 7,781                |
| -                    | (399,085)            | -                    | 5,304,698            | (2,151,748)          | (1,542,023)          |
| 8,631,596            | 3,933,059            | (1,453,521)          | 14,862,872           | 24,107,651           | -                    |
| (5,901,298)          | (5,759,722)          | (5,292,918)          | (5,250,040)          | (4,543,166)          | (3,950,906)          |
| <u>12,084,213</u>    | <u>6,801,955</u>     | <u>(2,780,862)</u>   | <u>23,505,846</u>    | <u>24,801,013</u>    | <u>1,306,885</u>     |
| <u>125,886,607</u>   | <u>119,084,652</u>   | <u>121,865,514</u>   | <u>98,359,668</u>    | <u>73,558,655</u>    | <u>72,251,770</u>    |
| <u>\$137,970,820</u> | <u>\$125,886,607</u> | <u>\$119,084,652</u> | <u>\$121,865,514</u> | <u>\$98,359,668</u>  | <u>\$73,558,655</u>  |
| \$ 1,551,830         | \$ 1,442,485         | \$ 1,455,950         | \$ 1,411,351         | \$ 1,283,410         | \$ 1,273,913         |
| 1,551,830            | 1,468,465            | 1,475,242            | 1,463,122            | 1,350,904            | 1,221,926            |
| 7,864,359            | 9,142,584            | (2,225,595)          | 6,581,299            | 2,577,572            | 421,270              |
| (5,901,298)          | (5,759,722)          | (5,292,918)          | (5,250,040)          | (4,543,166)          | (3,950,906)          |
| (115,915)            | (111,432)            | (96,102)             | (124,267)            | (115,843)            | (87,245)             |
| -                    | -                    | -                    | 347,490              | 250                  | -                    |
| <u>4,950,806</u>     | <u>6,182,380</u>     | <u>(4,683,423)</u>   | <u>4,428,955</u>     | <u>553,127</u>       | <u>(1,121,042)</u>   |
| <u>52,877,954</u>    | <u>46,695,574</u>    | <u>51,378,997</u>    | <u>46,950,042</u>    | <u>46,396,915</u>    | <u>47,517,957</u>    |
| <u>\$ 57,828,760</u> | <u>\$ 52,877,954</u> | <u>\$ 46,695,574</u> | <u>\$ 51,378,997</u> | <u>\$ 46,950,042</u> | <u>\$ 46,396,915</u> |
| <u>\$ 80,142,060</u> | <u>\$ 73,008,653</u> | <u>\$ 72,389,078</u> | <u>\$ 70,486,517</u> | <u>\$ 51,409,626</u> | <u>\$ 27,161,740</u> |
| <u>41.91%</u>        | <u>42.00%</u>        | <u>39.21%</u>        | <u>42.16%</u>        | <u>47.73%</u>        | <u>63.07%</u>        |
| <u>\$ 11,937,154</u> | <u>\$ 11,295,885</u> | <u>\$ 11,348,015</u> | <u>\$ 11,254,785</u> | <u>\$ 10,391,569</u> | <u>\$ 10,182,717</u> |
| <u>671.37%</u>       | <u>646.33%</u>       | <u>637.90%</u>       | <u>626.28%</u>       | <u>494.72%</u>       | <u>266.74%</u>       |

# CITY OF WICHITA FALLS, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND

|  | 2025           | 2024          | 2023          | 2022          |
|--|----------------|---------------|---------------|---------------|
| Actuarial determined contribution                                    | \$ 2,533,237   | \$ 2,245,965  | \$ 2,004,905  | \$ 1,633,202  |
| Contributions in relation to the actuarially determined contribution | (3,533,237)    | (2,245,965)   | (2,004,905)   | (1,633,202)   |
| Contribution deficiency (excess)                                     | \$ (1,000,000) | \$ -          | \$ -          | \$ -          |
| Covered payroll  | \$ 14,668,749  | \$ 13,670,605 | \$ 12,917,098 | \$ 12,326,052 |
| Contributions as a percentage of covered payroll                     | 24.09%         | 16.43%        | 15.52%        | 13.25%        |

**Valuation Date:** January 1, 2024

**Methods and Assumptions Used to Determine Contribution Rates:**

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Entry Age Normal   |
| Amortization Method           | Level Percentage of Compensation   |
| Remaining Amortization Period | 43.3 years (as of 1/1/2020 valuation)  |
| Mortality                     | PubS-2010 (amount-weighted) tables   |
| Retirement Age                | Based upon tables dependent upon hire date, in conjunction with an actuarial study dated October 2022.   |
| Retirement Election           | Members eligible for the DROP are assumed to elect either straight service retirement benefits or the DROP, whichever is more valuable. Other members are assumed to receive straight service retirement benefits. |
| Termination Rates             | Based upon service table, in conjunction with an actuarial experience study dated October 2022.  |
| Disability Rates              | Based upon member age, in conjunction with an actuarial experience study dated October 2022.   |
| Interest Rate:                | 7.50% per year, compounded annually, net of expenses. This is supported by the asset allocation of the trust and the long-term expected return by asset class.   |
| Salary Increases              | Based upon service table, in conjunction with an actuarial experience study dated October 2022.  |

| <u>2021</u>        | <u>2020</u>        | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 1,587,003       | \$ 1,508,426       | \$ 1,455,581       | \$ 1,411,351       | \$ 1,283,410       | \$ 1,273,913       |
| <u>(1,587,003)</u> | <u>(1,508,426)</u> | <u>(1,455,581)</u> | <u>(1,411,351)</u> | <u>(1,283,410)</u> | <u>(1,273,913)</u> |
| <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| \$ 12,039,888      | \$ 11,834,931      | \$ 11,500,098      | \$ 11,214,407      | \$ 10,929,570      | \$ 11,088,538      |
| <u>13.18%</u>      | <u>12.75%</u>      | <u>12.66%</u>      | <u>12.59%</u>      | <u>11.74%</u>      | <u>11.49%</u>      |

Payroll Growth 3.00% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumed payroll growth was approved in conjunction with an actuarial study dated October 2022.

Marital Status: 100% of actives are assumed to be married at time of benefit commencement. Males are assumed to be two years older than their spouses.

Dependent Children: Each member is assumed to have two children. The first child is assumed to have been born when the member was 25. The second child is assumed to be two years younger. It is also assumed that benefits will be paid until each child reaches the age of 20.

Contribution Rates: Members - 13.00%  
City - 16.50% (as of January 1, 2024)

Actuarial Asset Method: Fair Market Value

# CITY OF WICHITA FALLS, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS CITY OF WICHITA FALLS RETIREE HEALTH CARE PLAN

|   | 2024          | 2023          |
|---|---------------|---------------|
| <b>Total OPEB Liability</b>                           |               |               |
| Service cost  | \$ 758,684    | \$ 649,071    |
| Interest on total OPEB liability                      | 1,652,092     | 1,606,708     |
| Changes of benefit terms                              | -             | -             |
| Difference between expected and actual experience     | 2,015,235     | -             |
| Changes of assumptions                                | -             | -             |
| Benefit payments/refunds of contributions             | (1,480,020)   | (1,906,024)   |
| Net change in total OPEB liability                    | 2,945,991     | 349,755       |
| Total OPEB liability, beginning                       | 24,456,777    | 24,107,022    |
| Total OPEB liability, ending (a)                      | \$ 27,402,768 | \$ 24,456,777 |
| <b>Fiduciary Net Position</b>                         |               |               |
| Contributions - employer                              | \$ 488,861    | \$ 2,221,786  |
| Contributions - employee                              | -             | -             |
| Net investment income                                 | 1,558,214     | 5,588,971     |
| Benefit payments/refunds of contributions             | (1,480,020)   | (1,906,024)   |
| Administrative expenses                               | -             | -             |
| Other   | -             | -             |
| Net change in fiduciary net position                  | 567,055       | 5,904,733     |
| Fiduciary net position, beginning                     | 14,579,602    | 8,674,869     |
| Fiduciary net position, ending (b)                    | \$ 15,146,657 | \$ 14,579,602 |
| Net OPEB liability / (asset), ending = (a) - (b)      | \$ 12,256,111 | \$ 9,877,175  |
| Fiduciary net position as a % of total OPEB liability | 55.27%        | 59.61%        |
| Covered payroll                                       | \$ 69,872,334 | \$ 64,344,926 |
| Net OPEB liability (asset) as a % of covered payroll  | 17.54%        | 15.35%        |

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been prepared.

| 2022                 | 2021                 | 2020                 | 2019                 | 2018                 | 2017                 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 628,392           | \$ 667,554           | \$ 557,600           | \$ 523,568           | \$ 518,007           | \$ 505,385           |
| 980,948              | 1,593,949            | 1,471,238            | 1,432,914            | 1,480,271            | 1,456,410            |
| -                    | -                    | -                    | -                    | -                    | -                    |
| 266,525              | -                    | 678,603              | -                    | (705,047)            | -                    |
| (318,362)            | -                    | 733,999              | 281,546              | 765,976              | -                    |
| (2,158,526)          | (1,667,492)          | (1,689,454)          | (1,685,098)          | (1,679,932)          | (1,584,144)          |
| <u>(601,023)</u>     | <u>594,011</u>       | <u>1,751,986</u>     | <u>552,930</u>       | <u>379,275</u>       | <u>377,651</u>       |
| <u>24,708,045</u>    | <u>24,114,034</u>    | <u>22,362,048</u>    | <u>21,809,118</u>    | <u>21,429,843</u>    | <u>21,052,192</u>    |
| <u>\$ 24,107,022</u> | <u>\$ 24,708,045</u> | <u>\$ 24,114,034</u> | <u>\$ 22,362,048</u> | <u>\$ 21,809,118</u> | <u>\$ 21,429,843</u> |
| \$ 2,580,498         | \$ 2,059,484         | \$ 2,051,116         | \$ 2,214,088         | \$ 2,260,421         | \$ 2,029,653         |
| -                    | -                    | -                    | -                    | -                    | -                    |
| (1,558,642)          | 1,459,619            | 1,022,243            | 1,204,836            | (374,667)            | 737,181              |
| (2,158,526)          | (1,667,492)          | (1,689,454)          | (1,685,098)          | (1,679,932)          | (1,584,144)          |
| -                    | -                    | -                    | -                    | (1,202)              | (4,171)              |
| -                    | -                    | -                    | (344,259)            | -                    | -                    |
| <u>(1,136,670)</u>   | <u>1,851,611</u>     | <u>1,383,905</u>     | <u>1,389,567</u>     | <u>204,620</u>       | <u>1,178,519</u>     |
| <u>9,811,539</u>     | <u>7,959,928</u>     | <u>6,576,023</u>     | <u>5,186,456</u>     | <u>4,981,836</u>     | <u>3,803,317</u>     |
| <u>\$ 8,674,869</u>  | <u>\$ 9,811,539</u>  | <u>\$ 7,959,928</u>  | <u>\$ 6,576,023</u>  | <u>\$ 5,186,456</u>  | <u>\$ 4,981,836</u>  |
| <u>\$ 15,432,153</u> | <u>\$ 14,896,506</u> | <u>\$ 16,154,106</u> | <u>\$ 15,786,025</u> | <u>\$ 16,622,662</u> | <u>\$ 16,448,007</u> |
| <u>35.98%</u>        | <u>39.71%</u>        | <u>33.01%</u>        | <u>29.41%</u>        | <u>23.78%</u>        | <u>23.25%</u>        |
| <u>\$ 62,111,131</u> | <u>\$ 63,620,585</u> | <u>\$ 59,760,545</u> | <u>\$ 58,259,148</u> | <u>\$ 57,044,011</u> | <u>\$ 55,647,372</u> |
| <u>24.85%</u>        | <u>23.41%</u>        | <u>27.03%</u>        | <u>27.10%</u>        | <u>29.14%</u>        | <u>29.56%</u>        |

# CITY OF WICHITA FALLS, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS CITY OF WICHITA FALLS RETIREE HEALTH CARE PLAN

|   | 2025          | 2024          | 2023          |
|---|---------------|---------------|---------------|
| Actuarial determined contribution                                       | \$ 2,411,070  | \$ 3,011,353  | \$ 2,765,123  |
| Contributions in relation to the actuarially<br>determined contribution | (488,861)     | (2,221,786)   | (2,580,498)   |
| Contribution deficiency (excess)  | \$ 1,922,209  | \$ 789,567    | \$ 184,625    |
| Covered payroll   | \$ 69,872,334 | \$ 64,344,926 | \$ 62,111,131 |
| Contributions as a percentage of<br>covered payroll                     | 0.70%         | 3.45%         | 4.15%         |

**Valuation Date:** December 31, 2024

**Methods and Assumptions Used to Determine Contribution Rates:**

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Entry age, level percentage of salary  |
| Amortization Method           | Level dollar   |
| Remaining Amortization Period | Closed; 8 years as of FYE 2025   |
| Asset Valuation               | Market Value of Assets   |
| Investment Rate of Return     | 6.75%, net of investment expenses, including inflation   |
| Inflation                     | 2.25%  |
| Salary Increases              | 2.75%  |
| Payroll Growth                | 3.00%  |
| Demographic Assumptions       | <p>TMRS: Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the TMRS.</p> <p>Fire: Based on the January 1, 2018 valuation for the Wichita Falls Firemen's Relief and Retirement Fund.</p> |

| <u>2022</u>        | <u>2021</u>        | <u>2020</u>        | <u>2019</u>         | <u>2018</u>        |
|--------------------|--------------------|--------------------|---------------------|--------------------|
| \$ 2,196,691       | \$ 2,125,861       | \$ 2,198,413       | \$ 2,134,381        | \$ 2,072,215       |
| <u>(2,292,372)</u> | <u>(1,966,977)</u> | <u>(2,153,169)</u> | <u>(2,453,913)</u>  | <u>(2,072,215)</u> |
| <u>\$ (95,681)</u> | <u>\$ 158,884</u>  | <u>\$ 45,244</u>   | <u>\$ (319,532)</u> | <u>\$ -</u>        |
| \$ 59,568,372      | \$ 54,420,074      | \$ 55,361,994      | \$ 58,359,009       | \$ 55,042,215      |
| <u>3.85%</u>       | <u>3.61%</u>       | <u>3.89%</u>       | <u>4.20%</u>        | <u>3.76%</u>       |

**Mortality**            The actuarial valuation used the PUB-2010 sex distinct headcount weighted mortality tables with generational mortality improvement scale MP-2021.

**Participation Rates**    45% of participants are assumed to elect coverage if they retire at the age of 49 or older.

**Healthcare Cost Trend Rates**    Initial rate of 5.92% declining to ultimate rates of 4.14% in the year 2041

**Other Information:**

There were no benefit changes during the year.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2025

#### Budgetary Information

##### *General Fund*

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

The City adheres to the following procedures in establishing the operating budget reflected in the basic financial statements:

On or before August 15 of each year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted. The budget is legally enacted by the City Council through passage of appropriation and tax levying ordinances prior to September 30 and is published under a separate cover.

An annual budget, including debt service requirements, is legally adopted for the General Fund on a basis which is consistent with generally accepted accounting principles.

The City Council must approve any transfer of appropriation balances or portions thereof from one department to another. The City Manager has the authority, without City Council approval, to transfer appropriation balances from one expenditure account to another within a single department of the City. Supplemental appropriations of \$5,792,491 were approved by the City Council. The reported budgetary data includes amendments made during the year.

At the close of each fiscal year, any unencumbered appropriated balance lapses to the unreserved fund balance.

##### *ARPA Fund*

A budget is not legally required for the ARPA Fund; therefore, a budgetary comparison schedule is not presented for that fund.

#### Texas Municipal Retirement System

##### *Changes of benefit terms:*

For measurement date 12/31/2019, amounts reported as changes of benefit terms resulted from the City adopting a 7% employee contribution rate for all employees.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONT'D.) SEPTEMBER 30, 2025

#### Wichita Falls Firemen's Relief and Retirement Fund

##### *Changes of benefit terms:*

For measurement date 12/31/2018, amounts reported as changes of benefit terms resulted from the following benefit amendments that were implemented into the Fund for all active participants:

- A maximum accrued benefit cap of \$100,000 per year
- The average final compensation period was increased from 3 years to 5 years
- The normal form of annuity payments was amended from a 66-2/3% Joint & Survivor Annuity to a Life Annuity

Effective April 20, 2016, there have been multiple changes in benefits, as follows:

- The member contribution rate was increased from 12% to 13% of salary for all members.
- All future new entrants will accrue benefits under a "Tier 2" benefit structure.

##### *Changes of assumptions:*

For purposes of determining the GASB discount rate at the 12/31/2019 measurement date, a depletion date projection as of that date was performed. The results of this projection showed a single discount rate of 4.99%. The discount rate was decreased from 5.13% to 4.99%.

For purposes of determining the GASB discount rate at the 12/31/2018 measurement date, a depletion date projection as of that date was performed. The results of this projection showed a single discount rate of 5.13%. The discount rate was increased from 5.03% to 5.13%.

For purposes of determining the GASB discount rate at the 12/31/2017 measurement date, a depletion date projection as of that date was performed. The results of this projection showed a single discount rate of 5.03%. The discount rate was decreased from 5.81% to 5.03%.

As a result of an actuarial experience study dated October 6, 2017, the following assumption changes were approved by the Board of Trustees:

- The investment return assumption was lowered from 8.00% to 7.75% per year, net of all expenses.
- The assumed rates of salary increases were amended.
- The assumed rates of retirement were amended.
- The assumed rates of withdrawal were amended.
- The assumed rates of disablement were amended.

For purposes of determining the GASB discount rate at the 12/31/2016 measurement date, a depletion date projection as of that date was performed. The results of this projection showed a single discount rate of 5.81%. The discount rate was decreased from 8.00% to 5.81%.

***REQUIRED SUPPLEMENTARY INFORMATION***

## CITY OF WICHITA FALLS, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**

|  | Budgeted Amounts     |                      | Actual               | Variance With                            |
|--|----------------------|----------------------|----------------------|--|
|  | Original             | Final                |                      | Final Budget -<br>Positive<br>(Negative) |
| Revenues:  |                      |                      |                      |  |
| Taxes  | \$ 88,888,727        | \$ 88,888,727        | \$ 89,279,117        | \$ 390,390                               |
| Charges for services   | 3,140,916            | 3,140,916            | 3,364,511            | 223,595                                  |
| Licenses and permits   | 2,131,224            | 2,131,224            | 1,896,041            | (235,183)                                |
| Fines and forfeitures  | 3,087,200            | 3,087,200            | 3,338,437            | 251,237                                  |
| Contributions  | 232,500              | 2,332,500            | 2,419,531            | 87,031                                   |
| Miscellaneous revenue  | 7,656,290            | 7,656,290            | 5,686,997            | (1,969,293)                              |
| Total revenues   | <u>105,136,857</u>   | <u>107,236,857</u>   | <u>105,984,634</u>   | <u>(1,252,223)</u>                       |
| Expenditures:  |                      |                      |                      |  |
| Current:   |                      |                      |                      |  |
| Administrative services  | 16,608,190           | 17,828,291           | 17,462,015           | 366,276                                  |
| Police   | 35,122,374           | 35,125,149           | 35,131,158           | (6,009)                                  |
| Fire   | 23,120,363           | 24,171,676           | 23,782,573           | 389,103                                  |
| Parks and recreation   | 10,738,875           | 13,025,772           | 11,550,440           | 1,475,332                                |
| Accounting/finance   | 2,465,734            | 2,489,693            | 2,440,324            | 49,369                                   |
| Community development  | 2,851,425            | 2,873,925            | 2,700,080            | 173,845                                  |
| Public works   | 8,979,899            | 11,953,859           | 9,693,911            | 2,259,948                                |
| Health   | 4,645,517            | 4,767,093            | 4,485,027            | 282,066                                  |
| Traffic and transportation   | 3,186,046            | 3,375,456            | 2,347,148            | 1,028,308                                |
| Total expenditures   | <u>107,718,423</u>   | <u>115,610,914</u>   | <u>109,592,676</u>   | <u>6,018,238</u>                         |
| Excess of revenues over (under) expenditures                                     | <u>(2,581,566)</u>   | <u>(8,374,057)</u>   | <u>(3,608,042)</u>   | <u>4,766,015</u>                         |
| Other financing sources (uses):  |                      |                      |                      |  |
| Transfers in   | 3,336,691            | 3,336,691            | 3,336,691            | -  |
| Transfers out  | (755,127)            | (755,127)            | (1,247,955)          | (492,828)                                |
| Total other financing sources (uses)   | <u>2,581,564</u>     | <u>2,581,564</u>     | <u>2,088,736</u>     | <u>(492,828)</u>                         |
| Excess of revenues and other sources<br>over (under) expenditures and other uses | (2)                  | (5,792,493)          | (1,519,306)          | 4,273,187                                |
| Fund balance - beginning   | <u>50,854,754</u>    | <u>50,854,754</u>    | <u>50,854,754</u>    | <u>-</u>                                 |
| Fund balance - ending  | <u>\$ 50,854,752</u> | <u>\$ 45,062,261</u> | <u>\$ 49,335,448</u> | <u>\$ 4,273,187</u>                      |

# CITY OF WICHITA FALLS, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM

|  | 2024                  | 2023                  | 2022                  | 2021                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability</b>                           |                       |                       |                       |                       |
| Service cost   | \$ 8,374,451          | \$ 7,724,088          | \$ 7,290,057          | \$ 6,571,147          |
| Interest on total pension liability                      | 22,626,038            | 22,017,837            | 21,000,865            | 20,199,933            |
| Changes of benefit terms                                 | -                     | -                     | -                     | -                     |
| Difference between expected and actual experience        | 3,166,185             | 1,137,336             | 4,338,549             | 937,276               |
| Changes of assumptions                                   | -                     | (3,012,418)           | -                     | -                     |
| Benefit payments/refunds of contributions                | (19,818,368)          | (18,544,887)          | (17,015,598)          | (15,388,693)          |
| Net change in total pension liability                    | <u>14,348,306</u>     | <u>9,321,956</u>      | <u>15,613,873</u>     | <u>12,319,663</u>     |
| Total pension liability, beginning                       | 340,922,526           | 331,600,570           | 315,986,697           | 303,667,034           |
| Total pension liability, ending (a)                      | <u>\$ 355,270,832</u> | <u>\$ 340,922,526</u> | <u>\$ 331,600,570</u> | <u>\$ 315,986,697</u> |
| <b>Fiduciary Net Position</b>                            |                       |                       |                       |                       |
| Contributions - employer                                 | \$ 9,996,812          | \$ 9,040,321          | \$ 8,622,779          | \$ 7,844,017          |
| Contributions - employee                                 | 4,217,349             | 3,909,517             | 3,673,895             | 3,311,593             |
| Net investment income                                    | 29,889,533            | 30,462,384            | (21,100,627)          | 33,864,112            |
| Benefit payments/refunds of contributions                | (19,818,368)          | (18,544,887)          | (17,015,598)          | (15,388,693)          |
| Administrative expenses                                  | (192,194)             | (194,195)             | (182,885)             | (156,861)             |
| Other  | (4,496)               | (1,356)               | 218,235               | 1,072                 |
| Net change in fiduciary net position                     | <u>24,088,636</u>     | <u>24,671,784</u>     | <u>(25,784,201)</u>   | <u>29,475,240</u>     |
| Fiduciary net position, beginning                        | 288,415,085           | 263,743,301           | 289,527,502           | 260,052,262           |
| Fiduciary net position, ending (b)                       | <u>\$ 312,503,721</u> | <u>\$ 288,415,085</u> | <u>\$ 263,743,301</u> | <u>\$ 289,527,502</u> |
| Net pension liability, ending = (a) - (b)                | <u>\$ 42,767,111</u>  | <u>\$ 52,507,441</u>  | <u>\$ 67,857,269</u>  | <u>\$ 26,459,195</u>  |
| Fiduciary net position as a % of total pension liability | <u>87.96%</u>         | <u>84.60%</u>         | <u>79.54%</u>         | <u>91.63%</u>         |
| Covered payroll  | <u>\$ 60,247,849</u>  | <u>\$ 55,850,239</u>  | <u>\$ 52,484,212</u>  | <u>\$ 47,308,476</u>  |
| Net pension liability as a % of covered payroll          | <u>70.99%</u>         | <u>94.01%</u>         | <u>129.29%</u>        | <u>55.93%</u>         |

## EXHIBIT B-2

| 2020                  | 2019                  | 2018                  | 2017                  | 2016                  | 2015                  |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 6,472,668          | \$ 6,447,967          | \$ 4,990,566          | \$ 4,917,413          | \$ 2,466,531          | \$ 4,697,339          |
| 19,539,894            | 18,913,918            | 17,400,438            | 16,873,140            | 16,126,720            | 16,093,246            |
| -                     | 12,613,317            | -                     | -                     | -                     | -                     |
| (1,175,031)           | (1,475,630)           | 540,881               | (1,117,057)           | 3,641,511             | 203,406               |
| -                     | (26,378)              | -                     | -                     | -                     | 1,340,184             |
| (14,828,151)          | (14,368,878)          | (13,335,060)          | (12,461,447)          | (12,342,806)          | (12,073,025)          |
| <u>10,009,380</u>     | <u>22,104,316</u>     | <u>9,596,825</u>      | <u>8,212,049</u>      | <u>9,891,956</u>      | <u>10,261,150</u>     |
| 293,657,654           | 271,553,338           | 261,956,513           | 253,744,464           | 243,852,508           | 233,591,358           |
| <u>\$ 303,667,034</u> | <u>\$ 293,657,654</u> | <u>\$ 271,553,338</u> | <u>\$ 261,956,513</u> | <u>\$ 253,744,464</u> | <u>\$ 243,852,508</u> |
| \$ 7,598,124          | \$ 5,913,578          | \$ 5,783,625          | \$ 5,565,648          | \$ 5,339,437          | \$ 5,639,053          |
| 3,257,273             | 2,590,541             | 2,558,451             | 2,470,741             | 2,494,525             | 2,497,984             |
| 18,618,015            | 33,663,780            | (6,883,878)           | 28,538,620            | 13,331,438            | 296,795               |
| (14,828,151)          | (14,368,878)          | (13,335,060)          | (12,461,447)          | (12,342,806)          | (12,073,025)          |
| (120,598)             | (190,372)             | (133,122)             | (147,954)             | (150,608)             | (180,789)             |
| (4,705)               | (5,719)               | (6,955)               | (7,498)               | (8,114)               | (8,931)               |
| <u>14,519,958</u>     | <u>27,602,930</u>     | <u>(12,016,939)</u>   | <u>23,958,110</u>     | <u>8,663,872</u>      | <u>(3,828,913)</u>    |
| <u>245,532,304</u>    | <u>217,929,374</u>    | <u>229,946,313</u>    | <u>205,988,203</u>    | <u>197,324,331</u>    | <u>201,153,244</u>    |
| <u>\$ 260,052,262</u> | <u>\$ 245,532,304</u> | <u>\$ 217,929,374</u> | <u>\$ 229,946,313</u> | <u>\$ 205,988,203</u> | <u>\$ 197,324,331</u> |
| <u>\$ 43,614,772</u>  | <u>\$ 48,125,350</u>  | <u>\$ 53,623,964</u>  | <u>\$ 32,010,200</u>  | <u>\$ 47,756,261</u>  | <u>\$ 46,528,177</u>  |
| <u>85.64%</u>         | <u>83.61%</u>         | <u>80.25%</u>         | <u>87.78%</u>         | <u>81.18%</u>         | <u>80.92%</u>         |
| <u>\$ 46,532,477</u>  | <u>\$ 46,321,599</u>  | <u>\$ 45,081,895</u>  | <u>\$ 44,380,980</u>  | <u>\$ 44,793,885</u>  | <u>\$ 45,036,746</u>  |
| <u>93.73%</u>         | <u>103.89%</u>        | <u>118.95%</u>        | <u>72.13%</u>         | <u>106.61%</u>        | <u>103.31%</u>        |

## CITY OF WICHITA FALLS, TEXAS

### REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS TEXAS MUNICIPAL RETIREMENT SYSTEM

|  | <u>2025</u>         | <u>2024</u>        | <u>2023</u>        | <u>2022</u>        |
|--|---------------------|--------------------|--------------------|--------------------|
| Actuarial determined contribution                                    | \$ 10,323,019       | \$ 9,713,387       | \$ 8,844,724       | \$ 8,805,755       |
| Contributions in relation to the actuarially determined contribution | <u>(10,323,019)</u> | <u>(9,713,387)</u> | <u>(8,844,724)</u> | <u>(8,805,755)</u> |
| Contribution deficiency  | <u>\$ -</u>         | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| Covered payroll  | \$ 63,869,937       | \$ 59,147,881      | \$ 54,472,026      | \$ 53,500,680      |
| Contributions as a percentage of covered payroll                     | <u>16.16%</u>       | <u>16.42%</u>      | <u>16.24%</u>      | <u>16.46%</u>      |

**Valuation Date:**

Actuarially determined contribution rates are calculated as of December 31 and become effective 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 | 21 years (longest amortization ladder)   |
| Asset Valuation Method        | 10 Year smoothed market; 12% soft corridor   |
| Inflation                     | 2.5%   |
| 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 ages. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.  |
| Mortality                     | <p>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).</p> <p>Pre-retirement: PUB(10) mortality tables, with 110% the Public Safety table used for males and 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).</p> |

**Other Information:**

There were no benefit changes during the year.

## EXHIBIT B-3

| <u>2021</u>        | <u>2020</u>        | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 7,624,424       | \$ 7,185,753       | \$ 5,877,907       | \$ 5,675,065       | \$ 5,521,772       | \$ 5,427,145       |
| <u>(7,624,424)</u> | <u>(7,185,753)</u> | <u>(5,877,907)</u> | <u>(5,675,065)</u> | <u>(5,521,772)</u> | <u>(5,427,145)</u> |
| <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| \$ 46,206,994      | \$ 46,894,603      | \$ 45,968,759      | \$ 44,522,000      | \$ 44,687,123      | \$ 44,674,967      |
| <u>16.50%</u>      | <u>15.32%</u>      | <u>12.79%</u>      | <u>12.75%</u>      | <u>12.36%</u>      | <u>12.15%</u>      |

# CITY OF WICHITA FALLS, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND

|  | 2024                  | 2023                  | 2022                  | 2021                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability</b>                           |                       |                       |                       |                       |
| Service cost   | \$ 2,809,468          | \$ 2,928,522          | \$ 2,640,087          | \$ 3,462,346          |
| Interest on total pension liability                      | 7,163,068             | 6,880,704             | 6,792,673             | 6,175,999             |
| Changes of benefit terms                                 | -                     | -                     | -                     | -                     |
| Difference between expected and actual experience        | 919,073               | 1,286,962             | -                     | (2,700,656)           |
| Changes of assumptions                                   | (10,048,590)          | (1,036,875)           | 2,195,408             | (20,894,841)          |
| Benefit payments/refunds of contributions                | (6,637,305)           | (6,317,093)           | (6,006,806)           | (6,535,299)           |
| Net change in total pension liability                    | <u>(5,794,286)</u>    | <u>3,742,220</u>      | <u>5,621,362</u>      | <u>(20,492,451)</u>   |
| Total pension liability, beginning                       | 126,841,951           | 123,099,731           | 117,478,369           | 137,970,820           |
| Total pension liability, ending (a)                      | <u>\$ 121,047,665</u> | <u>\$ 126,841,951</u> | <u>\$ 123,099,731</u> | <u>\$ 117,478,369</u> |
| <b>Fiduciary Net Position</b>                            |                       |                       |                       |                       |
| Contributions - employer                                 | \$ 3,313,807          | \$ 2,109,816          | \$ 1,646,524          | \$ 1,615,588          |
| Contributions - employee                                 | 1,823,000             | 1,695,157             | 1,615,459             | 1,583,797             |
| Net investment income                                    | 6,008,411             | 6,795,399             | (8,438,527)           | 8,128,492             |
| Benefit payments/refunds of contributions                | (6,637,305)           | (6,317,093)           | (6,006,806)           | (6,535,299)           |
| Administrative expenses                                  | (111,753)             | (97,104)              | (144,781)             | (266,037)             |
| Other  | -                     | 28,430                | 10,060                | 3,386                 |
| Net change in fiduciary net position                     | <u>4,396,160</u>      | <u>4,214,605</u>      | <u>(11,318,071)</u>   | <u>4,529,927</u>      |
| Fiduciary net position, beginning                        | 55,255,221            | 51,040,616            | 62,358,687            | 57,828,760            |
| Fiduciary net position, ending (b)                       | <u>\$ 59,651,381</u>  | <u>\$ 55,255,221</u>  | <u>\$ 51,040,616</u>  | <u>\$ 62,358,687</u>  |
| Net pension liability, ending = (a)-(b)                  | <u>\$ 61,396,284</u>  | <u>\$ 71,586,730</u>  | <u>\$ 72,059,115</u>  | <u>\$ 55,119,682</u>  |
| Fiduciary net position as a % of total pension liability | <u>49.28%</u>         | <u>43.56%</u>         | <u>41.46%</u>         | <u>53.08%</u>         |
| Covered payroll  | <u>\$ 14,023,008</u>  | <u>\$ 13,039,659</u>  | <u>\$ 12,426,596</u>  | <u>\$ 12,183,054</u>  |
| Net pension liability (asset) as a % of covered payroll  | <u>437.83%</u>        | <u>548.99%</u>        | <u>579.88%</u>        | <u>452.43%</u>        |

| 2020                 | 2019                  | 2018                 | 2017                  | 2016                 | 2015                 |
|----------------------|-----------------------|----------------------|-----------------------|----------------------|----------------------|
| \$ 3,066,397         | \$ 2,916,767          | \$ 3,073,858         | \$ 2,859,969          | \$ 1,560,472         | \$ 1,493,672         |
| 6,287,518            | 6,110,936             | 5,899,445            | 5,728,347             | 5,827,804            | 5,298,361            |
| -                    | -                     | (5,007,726)          | -                     | -                    | 7,781                |
| -                    | (399,085)             | -                    | 5,304,698             | (2,151,748)          | (1,542,023)          |
| 8,631,596            | 3,933,059             | (1,453,521)          | 14,862,872            | 24,107,651           | -                    |
| (5,901,298)          | (5,759,722)           | (5,292,918)          | (5,250,040)           | (4,543,166)          | (3,950,906)          |
| <u>12,084,213</u>    | <u>6,801,955</u>      | <u>(2,780,862)</u>   | <u>23,505,846</u>     | <u>24,801,013</u>    | <u>1,306,885</u>     |
| 125,886,607          | 119,084,652           | 121,865,514          | 98,359,668            | 73,558,655           | 72,251,770           |
| <u>\$137,970,820</u> | <u>\$ 125,886,607</u> | <u>\$119,084,652</u> | <u>\$ 121,865,514</u> | <u>\$ 98,359,668</u> | <u>\$ 73,558,655</u> |
| \$ 1,551,830         | \$ 1,442,485          | \$ 1,455,950         | \$ 1,411,351          | \$ 1,283,410         | \$ 1,273,913         |
| 1,551,830            | 1,468,465             | 1,475,242            | 1,463,122             | 1,350,904            | 1,221,926            |
| 7,864,359            | 9,142,584             | (2,225,595)          | 6,581,299             | 2,577,572            | 421,270              |
| (5,901,298)          | (5,759,722)           | (5,292,918)          | (5,250,040)           | (4,543,166)          | (3,950,906)          |
| (115,915)            | (111,432)             | (96,102)             | (124,267)             | (115,843)            | (87,245)             |
| -                    | -                     | -                    | 347,490               | 250                  | -                    |
| 4,950,806            | 6,182,380             | (4,683,423)          | 4,428,955             | 553,127              | (1,121,042)          |
| 52,877,954           | 46,695,574            | 51,378,997           | 46,950,042            | 46,396,915           | 47,517,957           |
| <u>\$ 57,828,760</u> | <u>\$ 52,877,954</u>  | <u>\$ 46,695,574</u> | <u>\$ 51,378,997</u>  | <u>\$ 46,950,042</u> | <u>\$ 46,396,915</u> |
| <u>\$ 80,142,060</u> | <u>\$ 73,008,653</u>  | <u>\$ 72,389,078</u> | <u>\$ 70,486,517</u>  | <u>\$ 51,409,626</u> | <u>\$ 27,161,740</u> |
| <u>41.91%</u>        | <u>42.00%</u>         | <u>39.21%</u>        | <u>42.16%</u>         | <u>47.73%</u>        | <u>63.07%</u>        |
| <u>\$ 11,937,154</u> | <u>\$ 11,295,885</u>  | <u>\$ 11,348,015</u> | <u>\$ 11,254,785</u>  | <u>\$ 10,391,569</u> | <u>\$ 10,182,717</u> |
| <u>671.37%</u>       | <u>646.33%</u>        | <u>637.90%</u>       | <u>626.28%</u>        | <u>494.72%</u>       | <u>266.74%</u>       |

# CITY OF WICHITA FALLS, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND

|  | 2025           | 2024          | 2023          | 2022          |
|--|----------------|---------------|---------------|---------------|
| Actuarial determined contribution                                    | \$ 2,533,237   | \$ 2,245,965  | \$ 2,004,905  | \$ 1,633,202  |
| Contributions in relation to the actuarially determined contribution | (3,533,237)    | (2,245,965)   | (2,004,905)   | (1,633,202)   |
| Contribution deficiency (excess)                                     | \$ (1,000,000) | \$ -          | \$ -          | \$ -          |
| Covered payroll  | \$ 14,668,749  | \$ 13,670,605 | \$ 12,917,098 | \$ 12,326,052 |
| Contributions as a percentage of covered payroll                     | 24.09%         | 16.43%        | 15.52%        | 13.25%        |

**Valuation Date:** January 1, 2024

**Methods and Assumptions Used to Determine Contribution Rates:**

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Entry Age Normal   |
| Amortization Method           | Level Percentage of Compensation   |
| Remaining Amortization Period | 43.3 years (as of 1/1/2020 valuation)  |
| Mortality                     | PubS-2010 (amount-weighted) tables   |
| Retirement Age                | Based upon tables dependent upon hire date, in conjunction with an actuarial study dated October 2022.   |
| Retirement Election           | Members eligible for the DROP are assumed to elect either straight service retirement benefits or the DROP, whichever is more valuable. Other members are assumed to receive straight service retirement benefits. |
| Termination Rates             | Based upon service table, in conjunction with an actuarial experience study dated October 2022.  |
| Disability Rates              | Based upon member age, in conjunction with an actuarial experience study dated October 2022.   |
| Interest Rate:                | 7.50% per year, compounded annually, net of expenses. This is supported by the asset allocation of the trust and the long-term expected return by asset class.   |
| Salary Increases              | Based upon service table, in conjunction with an actuarial experience study dated October 2022.  |

| <u>2021</u>        | <u>2020</u>        | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 1,587,003       | \$ 1,508,426       | \$ 1,455,581       | \$ 1,411,351       | \$ 1,283,410       | \$ 1,273,913       |
| <u>(1,587,003)</u> | <u>(1,508,426)</u> | <u>(1,455,581)</u> | <u>(1,411,351)</u> | <u>(1,283,410)</u> | <u>(1,273,913)</u> |
| <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| \$ 12,039,888      | \$ 11,834,931      | \$ 11,500,098      | \$ 11,214,407      | \$ 10,929,570      | \$ 11,088,538      |
| <u>13.18%</u>      | <u>12.75%</u>      | <u>12.66%</u>      | <u>12.59%</u>      | <u>11.74%</u>      | <u>11.49%</u>      |

Payroll Growth 3.00% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumed payroll growth was approved in conjunction with an actuarial study dated October 2022.

Marital Status: 100% of actives are assumed to be married at time of benefit commencement. Males are assumed to be two years older than their spouses.

Dependent Children: Each member is assumed to have two children. The first child is assumed to have been born when the member was 25. The second child is assumed to be two years younger. It is also assumed that benefits will be paid until each child reaches the age of 20.

Contribution Rates: Members - 13.00%  
City - 16.50% (as of January 1, 2024)

Actuarial Asset Method: Fair Market Value

# CITY OF WICHITA FALLS, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS CITY OF WICHITA FALLS RETIREE HEALTH CARE PLAN

|   | 2024          | 2023          |
|---|---------------|---------------|
| <b>Total OPEB Liability</b>                           |               |               |
| Service cost  | \$ 758,684    | \$ 649,071    |
| Interest on total OPEB liability                      | 1,652,092     | 1,606,708     |
| Changes of benefit terms                              | -             | -             |
| Difference between expected and actual experience     | 2,015,235     | -             |
| Changes of assumptions                                | -             | -             |
| Benefit payments/refunds of contributions             | (1,480,020)   | (1,906,024)   |
| Net change in total OPEB liability                    | 2,945,991     | 349,755       |
| Total OPEB liability, beginning                       | 24,456,777    | 24,107,022    |
| Total OPEB liability, ending (a)                      | \$ 27,402,768 | \$ 24,456,777 |
| <b>Fiduciary Net Position</b>                         |               |               |
| Contributions - employer                              | \$ 488,861    | \$ 2,221,786  |
| Contributions - employee                              | -             | -             |
| Net investment income                                 | 1,558,214     | 5,588,971     |
| Benefit payments/refunds of contributions             | (1,480,020)   | (1,906,024)   |
| Administrative expenses                               | -             | -             |
| Other   | -             | -             |
| Net change in fiduciary net position                  | 567,055       | 5,904,733     |
| Fiduciary net position, beginning                     | 14,579,602    | 8,674,869     |
| Fiduciary net position, ending (b)                    | \$ 15,146,657 | \$ 14,579,602 |
| Net OPEB liability / (asset), ending = (a) - (b)      | \$ 12,256,111 | \$ 9,877,175  |
| Fiduciary net position as a % of total OPEB liability | 55.27%        | 59.61%        |
| Covered payroll                                       | \$ 69,872,334 | \$ 64,344,926 |
| Net OPEB liability (asset) as a % of covered payroll  | 17.54%        | 15.35%        |

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been prepared.

| 2022                 | 2021                 | 2020                 | 2019                 | 2018                 | 2017                 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 628,392           | \$ 667,554           | \$ 557,600           | \$ 523,568           | \$ 518,007           | \$ 505,385           |
| 980,948              | 1,593,949            | 1,471,238            | 1,432,914            | 1,480,271            | 1,456,410            |
| -                    | -                    | -                    | -                    | -                    | -                    |
| 266,525              | -                    | 678,603              | -                    | (705,047)            | -                    |
| (318,362)            | -                    | 733,999              | 281,546              | 765,976              | -                    |
| (2,158,526)          | (1,667,492)          | (1,689,454)          | (1,685,098)          | (1,679,932)          | (1,584,144)          |
| (601,023)            | 594,011              | 1,751,986            | 552,930              | 379,275              | 377,651              |
| <u>24,708,045</u>    | <u>24,114,034</u>    | <u>22,362,048</u>    | <u>21,809,118</u>    | <u>21,429,843</u>    | <u>21,052,192</u>    |
| <u>\$ 24,107,022</u> | <u>\$ 24,708,045</u> | <u>\$ 24,114,034</u> | <u>\$ 22,362,048</u> | <u>\$ 21,809,118</u> | <u>\$ 21,429,843</u> |
| \$ 2,580,498         | \$ 2,059,484         | \$ 2,051,116         | \$ 2,214,088         | \$ 2,260,421         | \$ 2,029,653         |
| -                    | -                    | -                    | -                    | -                    | -                    |
| (1,558,642)          | 1,459,619            | 1,022,243            | 1,204,836            | (374,667)            | 737,181              |
| (2,158,526)          | (1,667,492)          | (1,689,454)          | (1,685,098)          | (1,679,932)          | (1,584,144)          |
| -                    | -                    | -                    | -                    | (1,202)              | (4,171)              |
| -                    | -                    | -                    | (344,259)            | -                    | -                    |
| (1,136,670)          | 1,851,611            | 1,383,905            | 1,389,567            | 204,620              | 1,178,519            |
| 9,811,539            | 7,959,928            | 6,576,023            | 5,186,456            | 4,981,836            | 3,803,317            |
| <u>\$ 8,674,869</u>  | <u>\$ 9,811,539</u>  | <u>\$ 7,959,928</u>  | <u>\$ 6,576,023</u>  | <u>\$ 5,186,456</u>  | <u>\$ 4,981,836</u>  |
| <u>\$ 15,432,153</u> | <u>\$ 14,896,506</u> | <u>\$ 16,154,106</u> | <u>\$ 15,786,025</u> | <u>\$ 16,622,662</u> | <u>\$ 16,448,007</u> |
| <u>35.98%</u>        | <u>39.71%</u>        | <u>33.01%</u>        | <u>29.41%</u>        | <u>23.78%</u>        | <u>23.25%</u>        |
| <u>\$ 62,111,131</u> | <u>\$ 63,620,585</u> | <u>\$ 59,760,545</u> | <u>\$ 58,259,148</u> | <u>\$ 57,044,011</u> | <u>\$ 55,647,372</u> |
| <u>24.85%</u>        | <u>23.41%</u>        | <u>27.03%</u>        | <u>27.10%</u>        | <u>29.14%</u>        | <u>29.56%</u>        |

# CITY OF WICHITA FALLS, TEXAS

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS CITY OF WICHITA FALLS RETIREE HEALTH CARE PLAN

|   | 2025          | 2024          | 2023          |
|---|---------------|---------------|---------------|
| Actuarial determined contribution                                       | \$ 2,411,070  | \$ 3,011,353  | \$ 2,765,123  |
| Contributions in relation to the actuarially<br>determined contribution | (488,861)     | (2,221,786)   | (2,580,498)   |
| Contribution deficiency (excess)  | \$ 1,922,209  | \$ 789,567    | \$ 184,625    |
| Covered payroll   | \$ 69,872,334 | \$ 64,344,926 | \$ 62,111,131 |
| Contributions as a percentage of<br>covered payroll                     | 0.70%         | 3.45%         | 4.15%         |

**Valuation Date:** December 31, 2024

**Methods and Assumptions Used to Determine Contribution Rates:**

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Entry age, level percentage of salary  |
| Amortization Method           | Level dollar   |
| Remaining Amortization Period | Closed; 8 years as of FYE 2025   |
| Asset Valuation               | Market Value of Assets   |
| Investment Rate of Return     | 6.75%, net of investment expenses, including inflation   |
| Inflation                     | 2.25%  |
| Salary Increases              | 2.75%  |
| Payroll Growth                | 3.00%  |
| Demographic Assumptions       | <p>TMRS: Based on the experience study covering the four-year period ending December 31, 2014 as conducted for the TMRS.</p> <p>Fire: Based on the January 1, 2018 valuation for the Wichita Falls Firemen's Relief and Retirement Fund.</p> |

| <u>2022</u>        | <u>2021</u>        | <u>2020</u>        | <u>2019</u>         | <u>2018</u>        |
|--------------------|--------------------|--------------------|---------------------|--------------------|
| \$ 2,196,691       | \$ 2,125,861       | \$ 2,198,413       | \$ 2,134,381        | \$ 2,072,215       |
| <u>(2,292,372)</u> | <u>(1,966,977)</u> | <u>(2,153,169)</u> | <u>(2,453,913)</u>  | <u>(2,072,215)</u> |
| <u>\$ (95,681)</u> | <u>\$ 158,884</u>  | <u>\$ 45,244</u>   | <u>\$ (319,532)</u> | <u>\$ -</u>        |
| \$ 59,568,372      | \$ 54,420,074      | \$ 55,361,994      | \$ 58,359,009       | \$ 55,042,215      |
| <u>3.85%</u>       | <u>3.61%</u>       | <u>3.89%</u>       | <u>4.20%</u>        | <u>3.76%</u>       |

**Mortality**            The actuarial valuation used the PUB-2010 sex distinct headcount weighted mortality tables with generational mortality improvement scale MP-2021.

**Participation Rates**    45% of participants are assumed to elect coverage if they retire at the age of 49 or older.

**Healthcare Cost Trend Rates**    Initial rate of 5.92% declining to ultimate rates of 4.14% in the year 2041

**Other Information:**

There were no benefit changes during the year.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2025

#### Budgetary Information

##### *General Fund*

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

The City adheres to the following procedures in establishing the operating budget reflected in the basic financial statements:

On or before August 15 of each year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted. The budget is legally enacted by the City Council through passage of appropriation and tax levying ordinances prior to September 30 and is published under a separate cover.

An annual budget, including debt service requirements, is legally adopted for the General Fund on a basis which is consistent with generally accepted accounting principles.

The City Council must approve any transfer of appropriation balances or portions thereof from one department to another. The City Manager has the authority, without City Council approval, to transfer appropriation balances from one expenditure account to another within a single department of the City. Supplemental appropriations of \$5,792,491 were approved by the City Council. The reported budgetary data includes amendments made during the year.

At the close of each fiscal year, any unencumbered appropriated balance lapses to the unreserved fund balance.

##### *ARPA Fund*

A budget is not legally required for the ARPA Fund; therefore, a budgetary comparison schedule is not presented for that fund.

#### Texas Municipal Retirement System

##### *Changes of benefit terms:*

For measurement date 12/31/2019, amounts reported as changes of benefit terms resulted from the City adopting a 7% employee contribution rate for all employees.

## CITY OF WICHITA FALLS, TEXAS

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONT'D.) SEPTEMBER 30, 2025

#### Wichita Falls Firemen's Relief and Retirement Fund

##### *Changes of benefit terms:*

For measurement date 12/31/2018, amounts reported as changes of benefit terms resulted from the following benefit amendments that were implemented into the Fund for all active participants:

- A maximum accrued benefit cap of \$100,000 per year
- The average final compensation period was increased from 3 years to 5 years
- The normal form of annuity payments was amended from a 66-2/3% Joint & Survivor Annuity to a Life Annuity

Effective April 20, 2016, there have been multiple changes in benefits, as follows:

- The member contribution rate was increased from 12% to 13% of salary for all members.
- All future new entrants will accrue benefits under a "Tier 2" benefit structure.

##### *Changes of assumptions:*

For purposes of determining the GASB discount rate at the 12/31/2019 measurement date, a depletion date projection as of that date was performed. The results of this projection showed a single discount rate of 4.99%. The discount rate was decreased from 5.13% to 4.99%.

For purposes of determining the GASB discount rate at the 12/31/2018 measurement date, a depletion date projection as of that date was performed. The results of this projection showed a single discount rate of 5.13%. The discount rate was increased from 5.03% to 5.13%.

For purposes of determining the GASB discount rate at the 12/31/2017 measurement date, a depletion date projection as of that date was performed. The results of this projection showed a single discount rate of 5.03%. The discount rate was decreased from 5.81% to 5.03%.

As a result of an actuarial experience study dated October 6, 2017, the following assumption changes were approved by the Board of Trustees:

- The investment return assumption was lowered from 8.00% to 7.75% per year, net of all expenses.
- The assumed rates of salary increases were amended.
- The assumed rates of retirement were amended.
- The assumed rates of withdrawal were amended.
- The assumed rates of disablement were amended.

For purposes of determining the GASB discount rate at the 12/31/2016 measurement date, a depletion date projection as of that date was performed. The results of this projection showed a single discount rate of 5.81%. The discount rate was decreased from 8.00% to 5.81%.

**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

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**Proposed Form of Opinion of Bond Counsel**

*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 of Obligation, assuming no material changes in facts or law.*

**CITY OF WICHITA FALLS, TEXAS  
COMBINATION TAX AND LIMITED SURPLUS REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2026  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ \_\_\_\_\_**

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with law; and that the Certificates, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors’ rights generally or by general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues 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 upon a failure by the Issuer to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of 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.

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 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 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.

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 our opinions 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.

Respectfully,