

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. The securities referenced herein 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.



(See "Continuing Disclosure Information" herein.)

PRELIMINARY OFFICIAL STATEMENT

Dated November 7, 2024

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

NEW ISSUE - Book-Entry-Only

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

THE CERTIFICATES **WILL BE** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$5,135,000*
CITY OF WILLOW PARK, TEXAS
(Parker County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024A

Dated Date: December 1, 2024
(Interest accrues from Delivery Date)

Due: February 15, As shown on page 2

PAYMENT TERMS. . . Interest on the \$5,135,000* City of Willow Park, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024A (the "Certificates") will accrue from the date of initial delivery provided below (the "Delivery Date") to the underwriter shown below (the "Underwriter"), will be payable February 15 and August 15 of each year commencing February 15, 2025, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar (identified below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Willow Park, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of the surplus net revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates to be adopted on the date of sale of the Certificates (the "Ordinance") (see "THE CERTIFICATES- Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purpose of (i) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and wastewater system properties or facilities, including the acquisition of land and rights-of-way therefor, and (ii) paying the costs associated with the issuance of the Certificates (see "THE CERTIFICATES – Purpose").

CUSIP PREFIX: 971148

MATURITY SCHEDULE & 9 DIGIT CUSIP See Schedule on Page 2

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

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on December 12, 2024.

RAYMOND JAMES

* Preliminary, subject to change.

MATURITY SCHEDULE*

\$5,135,000* COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024A

Principal Amount	Maturity (2/15)	Interest Rate	Initial Yield	CUSIP ⁽¹⁾	Principal Amount	Maturity (2/15)	Interest Rate	Initial Yield	CUSIP ⁽¹⁾
\$ 100,000	2027				\$ 170,000	2041			
100,000	2028				180,000	2042			
105,000	2029				185,000	2043			
115,000	2030				200,000	2044			
120,000	2031				205,000	2045			
120,000	2032				215,000	2046			
130,000	2033				230,000	2047			
135,000	2034				235,000	2048			
135,000	2035				250,000	2049			
145,000	2036				265,000	2050			
150,000	2037				270,000	2051			
150,000	2038				285,000	2052			
160,000	2039				300,000	2053			
165,000	2040				315,000	2054			

(Interest to accrue from Delivery Date)

OPTIONAL REDEMPTION OF THE CERTIFICATES . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - Optional Redemption”). Additionally, the Certificates will be subject to mandatory sinking fund redemption if the Underwriter elects to combine two or more of the serial maturities identified above into one or more term certificates.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by FactSet Research System 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. CUSIP numbers are provided for convenience of reference only. None of the City, the Financial Advisor, or the Underwriter take any responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the 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 as having been authorized by the City or the Underwriter.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Underwriter. 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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY ONLY SYSTEM AS DESCRIBED HEREIN, AS SUCH INFORMATION WAS PROVIDED BY DTC.

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

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

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

OFFICIAL STATEMENT SUMMARY

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

- THE CITY**..... The City of Willow Park, Texas (the “City”) is a political subdivision and Type A general law municipal corporation of the State, located in Parker County. The City covers approximately 6.43 square miles (see “INTRODUCTION - Description of the City” and “APPENDIX A – GENERAL INFORMATION REGARDING THE CITY”).
- THE CERTIFICATES** The City’s \$5,135,000* Combination Tax and Revenue Certificates of Obligation, Series 2024A (the “Certificates”) are expected to be issued as serial Certificates maturing on February 15 in the years 2027 through 2054 (see "THE CERTIFICATES - Description of the Certificates").
- PAYMENT OF INTEREST** Interest on the Certificates accrues from the date of initial delivery to the underwriter listed on the cover page hereof (the “Underwriter”) and will be payable initially on February 15, 2025, and each February 15 and August 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates" and "THE CERTIFICATES – Optional Redemption").
- AUTHORITY FOR ISSUANCE** The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly, Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the ordinance to be adopted by the City Council of the City on the date of sale of the Certificates (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 the surplus net revenues (as provided in the Ordinance) of the City’s Waterworks and Sewer System (see "THE CERTIFICATES - Security and Source of Payment").
- QUALIFIED TAX-EXEMPT OBLIGATIONS**..... The City **will designate** the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS" herein).
- OPTIONAL REDEMPTION** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption"). Additionally, the Certificates will be subject to mandatory sinking fund redemption if the Underwriter elects to combine two or more of the serial maturities into one or more term certificates.
- 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.
- USE OF PROCEEDS**..... Proceeds from the sale of the Certificates will be used for the purpose of (i) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and wastewater system properties or facilities, including the acquisition of land and rights-of-way therefor, and (ii) paying the costs associated with the issuance of the Certificates (see “THE CERTIFICATES – Purpose”).
- RATING** The Certificates and the presently outstanding tax supported debt of the City are rated “AA” by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) without regard to credit enhancement (see “OTHER INFORMATION - Rating”).
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").
- PAYMENT RECORD** The City has not defaulted in payment of its general obligation tax debt.

* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita	% of Total Tax Collections
2021	7,000	\$ 651,027,319	\$ 93,004	\$ 48,975,000	7.52%	\$ 6,996	96.48%
2022	7,000	741,818,198	105,974	56,195,000	7.58%	8,028	92.99%
2023	7,000	792,294,910	113,185	62,195,000	7.85%	8,885	107.12%
2024	8,900	1,023,767,281	115,030	63,560,000	6.21%	7,142	101.64%
2025	8,900	1,071,163,526	120,355	65,935,000 ⁽⁴⁾	6.16% ⁽⁴⁾	7,408 ⁽⁴⁾	N/A ⁽⁵⁾

- (1) Source: the City.
- (2) As reported by the Parker County Appraisal District on the City’s annual State property tax reports. Such values are subject to change during the ensuing year.
- (3) Includes self-supporting debt.
- (4) Includes the Certificates. Preliminary, subject to change.
- (5) Partial year collections as of June 30, 2024.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Beginning Balance	\$ 6,349,466	\$ 1,373,279	\$ 1,081,420	\$ 1,435,211	\$ 1,285,338
Total Revenue	5,967,575	5,432,183	4,726,142	4,093,784	3,613,195
Total Expenditures	15,953,342	4,867,381	4,469,283	4,713,544	5,845,643
Net Transfers and Adjustments	8,300,242	4,411,385	35,000	265,970	2,382,321
Prior Period Adjustment	-	-	-	-	-
Ending Balance	<u>\$ 4,663,941</u>	<u>\$ 6,349,466</u>	<u>\$ 1,373,279</u>	<u>\$ 1,081,421</u>	<u>\$ 1,435,211</u>

For additional information regarding the City, please contact:

Bryan Grimes City Manager City of Willow Park 120 E. Chico Trail, Suite A Willow Park, Texas 76087 (817) 441-7108	or	Erick Macha Managing Director Hilltop Securities Inc. 717 North Harwood, Suite 3400 Dallas, Texas 75201 (214) 953-4033
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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Position</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Doyle Moss Mayor	6 Years	May 2025	Business Owner/Insurance
Lea Young Mayor Pro Tem	5 Years	May, 2026	Homemaker
Eric Contreras Council Member, Place 1	5 Years	May 2025	Sales Manager - Automotive
Chawn Gilliland Council Member, Place 2	1 Year	May 2025	Criminal Investigator
Greg Runnebaum Council Member, Place 3	9 Years	May, 2026	Mortgage
Nathan Crummel Council Member, Place 5	3 Years	May, 2026	Petroleum Landman

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to the City</u>
Bryan Grimes	City Manager	6 Years
Crystal Dozier	City Secretary	1 Year

CONSULTANTS AND ADVISORS

Auditors	Snow Garrett Williams Weatherford, Texas
Bond Counsel	Norton Rose Fulbright US LLP Dallas, Texas
Financial Advisor	Hilltop Securities Inc. Dallas, Texas

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$5,135,000*

CITY OF WILLOW PARK, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024A

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$5,135,000* City of Willow Park, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024A (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City of Willow Park, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., Dallas, Texas.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the final Official Statement will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and Type A general law municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State. The City was incorporated in 1963. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers expiring in odd-numbered years and the terms of three Councilmembers expiring in even-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: general administration, public safety (police protection), water and wastewater, municipal court, and city services. The 2020 Census population for the City was 4,936, while the 2024 population is approximately 8,900. The City covers approximately 6.43 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated December 1, 2024 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery to the Underwriter, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2025 until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, 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 being issued pursuant to the Constitution and general laws of the State, particularly, Subchapter C of Chapter 271, Texas Local Government Code, as amended, and by an ordinance to be adopted by the City Council of the City on the date of sale of the Certificates (the "Ordinance").

PURPOSE... Proceeds from the sale of the Certificates will be used will be used for the purpose of (i) constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and wastewater system properties or facilities, including the acquisition of land and rights-of-way therefor, and (ii) paying the costs of issuance of the Certificates.

SECURITY AND SOURCE OF PAYMENT . . . The principal of and interest on the Certificates are 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

* Preliminary, subject to change.

within the City, and (ii) together with the Previously Issued Obligations (identified and defined in the Ordinance) are additionally payable from a pledge of the surplus net revenues of the City's Waterworks and Sewer System, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues that may be pledged to the payment of Prior Lien Obligations (as described and defined in the Ordinance) hereafter issued by the City. Currently, the City does not have any outstanding Prior Lien Obligations.

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. The City is a Type A general law municipality operating under the general laws of the State as authorized by Article XI, Section 4 of the Texas Constitution, which limits the maximum tax rate to \$1.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State will permit allocation of up to \$1.00 of the \$1.50 maximum tax rate for all general obligation debt, calculated at the time of issuance and based on 90% tax collection factor. The City's 2024/2025 tax rate is \$0.432546 of which \$0.229175 is for debt service purposes.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Certificates will be subject to mandatory sinking fund redemption if the Underwriter elects to combine two or more of the serial maturities into one or more term certificates.

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.

AMENDMENTS TO THE ORDINANCE . . . The City may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the City may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required to be held by Holders for consent to any such amendment, addition or rescission.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when payment of the principal of and premium, if any, on 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 other authorized entity, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent public accounting firm or other qualified third party to mature as to principal and interest in such amounts and at such times to insure 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 Government Securities. The Ordinance provides that "Government Securities" means (1) direct, noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (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, on the date of their purchase or acquisition by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their purchase or acquisition by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (4) any other then authorized securities or obligations under applicable law that may be used to defease obligations such as the Certificates. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government 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.

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 that have been defeased to maturity are extinguished; provided, however, that the right to call the Certificates that have been defeased to maturity 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 will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or for any other Government 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 accredited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The City and the Underwriter 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 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). One fully registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to

be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

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

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

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

Principal and interest payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, N.A., 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 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.

Interest on the Certificates will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption upon presentation and surrender to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the City where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "THE CERTIFICATES - Book-Entry-Only System," above.

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 and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate called for redemption in part.

RECORD DATE FOR INTEREST PAYMENT. . . The record date ("Record Date") for determining the party to whom the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each 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.

CERTIFICATEHOLDERS' REMEDIES. . . The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal, interest or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the obligations set forth in the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Certificates do 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") that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. The Texas Supreme Court reviewed *Wasson* again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine

whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the obligations set forth in the Certificates or the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or 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 13 administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

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

Sources of Funds:	
Par Amount	
Reoffering Premium	
Total Sources	<u><u>\$ -</u></u>
Uses of Funds:	
Project Fund	
Deposit to Debt Service Fund	
Costs of Issuance and Underwriter's Discount	
Total Uses	<u><u>\$ -</u></u>

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 1 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 Parker County 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.

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. On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “Subjected Property”) whose appraisal values are not more than \$5 million dollars (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 (collectively, the “Appraisal Cap”). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal years’ increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. The Appraisal Cap took effect on January 1, 2024.

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.

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.

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.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) 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 (hereinafter defined) 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. 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, 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.

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 one 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 was set at \$59,562,331 for the 2024 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.

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).

"preceding total value" means a taxing unit's current total value in the applicable preceding tax year.

"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 2021 through 2023 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.

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 an exemption to the market value of the residence homestead of persons 65 years of age or older of \$10,000.

The City has established a freeze on the taxes on residence homesteads of persons who are 65 years of age, as may be done on a local option basis.

The City has not granted an additional exemption of 20% of the market value of residence homesteads; the minimum exemption of \$5,000.

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

The City does tax nonbusiness personal property.

The Parker County Tax Assessor-Collector collects taxes for the City.

Except for the 65 plus years of age described above, the City does not permit split payments of taxes, and discounts on early payment of taxes are not allowed.

The City does not tax freepoint property.

The City has not taken action to tax goods-in-transit.

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

The City has adopted a tax abatement policy. Please see “Table 1 – Valuation, Exemptions and General Obligation Debt” for the value of abatements.

The City has entered into a Chapter 380 Agreement with UNCO for a restaurant/amusement and entertainment concept to be located along the South Frontage Road of IH 20. This agreement includes a rebate of 100% of Ad Valorem Taxes for a three-year period, extending through December 31, 2026, unless terminated sooner.

As of the date of this Official Statement, the City has one active tax increment reinvestment zone, the Wilks Development. The City has no current expectation of creating additional tax increment reinvestment zones, but reserves the right to do so, subject to the provisions of Chapter 311 of the Texas Tax Code. More information on the existing tax increment reinvestment zone is as follows.

<u>TIF Name</u>	<u>Base Value</u>	<u>Tax Year 2024 Taxable Value</u>	<u>Tax Year 2024 Increment</u>	<u>2024 City Participation (% of Ad Valorem Tax Increment)</u>	<u>Term</u>
Wilks Development	\$46,569,160	\$124,090,606	\$88,255,657	25%	20 Years

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/2025 Market Valuation Established by Parker County Appraisal District (excluding totally exempt property)		\$ 1,238,344,298
Less Exemptions/Reductions at 100% Market Value:		
Local Option - Over-65	\$ 5,647,490	
Veterans Exemption Loss	30,386,464	
Productivity Value Loss	24,680,926	
Abatements	14,418,259	
10% Cap Loss	78,040,436	
Miscellaneous Exemptions	<u>14,007,197</u>	<u>167,180,772</u>
2024/2025 Taxable Assessed Valuation		\$ 1,071,163,526
General Obligation Debt Payable from Ad Valorem Taxes as of 10/15/2024		
Outstanding Debt ⁽¹⁾	\$ 63,560,000	
The Certificates ⁽²⁾	<u>5,135,000</u>	
Total General Obligation Debt ⁽²⁾		\$ 68,695,000
Less: Self Supporting Debt ⁽³⁾		
Water & Sewer System Supported Debt ⁽⁴⁾	\$ 43,736,411	
Drainage System Supported Debt	<u>3,590,000</u>	
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 21,368,589
Ratio Net General Obligation Tax Debt to 2024/2025 Taxable Assessed Valuation		1.99%

2024 Estimated Population - 8,900

Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$7,719

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$2,401

(1) Includes self-supporting debt.

(2) Preliminary, subject to change.

(3) 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 an 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).

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

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Fiscal Year Ended September 30,					
	2025		2024		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 802,456,545	64.80%	\$ 786,832,265	64.48%	\$ 535,147,362	62.71%
Real, Residential, Multi-Family	102,706,969	8.29%	107,897,683	8.84%	81,926,039	9.60%
Real, Vacant Lots/Tracts	41,102,038	3.32%	41,512,426	3.40%	28,700,031	3.36%
Real, Acreage (Land Only)	24,745,081	2.00%	27,557,351	2.26%	20,578,013	2.41%
Real, Farm and Ranch Improvements	26,225,232	2.12%	24,142,302	1.98%	16,175,133	1.90%
Real, Commercial & Industrial	199,736,353	16.13%	195,251,180	16.00%	132,250,188	15.50%
Oil, Gas & Minerals	-	0.00%	-	0.00%	3,000	0.00%
Real and Tangible Personal, Utilities	8,096,650	0.65%	7,236,850	0.59%	8,044,660	0.94%
Tangible Personal, Commercial	16,823,400	1.36%	15,247,730	1.25%	12,188,920	1.43%
Tangible Personal, Industrial	6,348,120	0.51%	6,860,900	0.56%	8,194,660	0.96%
Tangible Personal, Mobile Homes	4,000	0.00%	4,000	0.00%	4,000	0.00%
Inventory, Residential	7,971,840	0.64%	5,681,664	0.47%	8,301,184	0.97%
Inventory, Special	2,128,070	0.17%	2,104,300	0.17%	1,921,110	0.23%
Total Market Value	\$ 1,238,344,298	100.00%	\$ 1,220,328,651	100.00%	\$ 853,434,300	100.00%
Less: Total Exemptions/Reductions	(167,180,772)		(196,561,370)		(61,139,390)	
Net Taxable Assessed Value	\$ 1,071,163,526		\$ 1,023,767,281		\$ 792,294,910	

Category	Fiscal Year Ended September 30,			
	2022		2021	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 522,619,812	64.50%	\$ 476,186,976	66.84%
Real, Residential, Multi-Family	67,545,120	8.34%	42,008,840	5.90%
Real, Vacant Lots/Tracts	26,391,291	3.26%	18,962,073	2.66%
Real, Acreage (Land Only)	19,628,411	2.42%	18,376,330	2.58%
Real, Farm and Ranch Improvements	15,505,423	1.91%	18,446,401	2.59%
Real, Commercial & Industrial	122,393,284	15.11%	108,158,600	15.18%
Oil, Gas & Minerals	24,400	0.00%	24,400	0.00%
Real and Tangible Personal, Utilities	7,027,210	0.87%	6,864,960	0.96%
Tangible Personal, Commercial	10,579,000	1.31%	9,301,040	1.31%
Tangible Personal, Industrial	7,669,010	0.95%	5,521,650	0.78%
Tangible Personal, Mobile Homes	4,000	0.00%	4,000	0.00%
Inventory, Residential	9,226,604	1.14%	6,706,273	0.94%
Inventory, Special	1,588,290	0.20%	1,823,680	0.26%
Total Market Value	\$ 810,201,855	100.00%	\$ 712,385,223	100.00%
Less: Total Exemptions/Reductions	(68,383,657)		(61,357,904)	
Net Taxable Assessed Value	\$ 741,818,198		\$ 651,027,319	

NOTE: Valuations shown are certified taxable assessed values reported by the 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.

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year ⁽³⁾	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2021	7,000	\$ 651,027,319	\$ 93,004	\$ 48,975,000	7.52%	\$ 6,996
2022	7,000	741,818,198	105,974	56,195,000	7.58%	8,028
2023	7,000	792,294,910	113,185	62,195,000	7.85%	8,885
2024	8,900	1,023,767,281	115,030	63,560,000	6.21%	7,142
2025	8,900	1,071,163,526	120,355	65,935,000 ⁽⁴⁾	6.16% ⁽⁴⁾	7,408 ⁽⁴⁾

- (1) Source: The City.
- (2) As reported by the Appraisal District on the City’s annual State Property Tax Board Reports; subject to change during the ensuing year.
- (3) Includes self-supporting debt.
- (4) Includes the Certificates. Preliminary, subject to change.

TABLE 3A - DERIVATION OF GENERAL PURPOSE FUNDED TAX DEBT

Fiscal Year Ended 9/30	General Obligation Debt Outstanding	Less: Water and Sewer Self-Supporting Tax Debt	Less: Drainage Self-Supporting Tax Debt	General Purpose Funded Tax Debt
2021	\$ 48,975,000	\$ 23,962,772	\$ -	\$ 25,012,228
2022	56,195,000	37,241,456	3,980,000	14,973,544
2023	62,195,000	35,962,873	3,780,000	22,452,127
2024	63,560,000	38,601,411	3,590,000	21,368,589
2025	65,935,000 ⁽¹⁾	42,324,943 ⁽²⁾	3,390,000	20,220,057

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

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Total Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	\$ 0.5367	\$ 0.2685	\$ 0.2682	\$ 3,167,632	95.79%	96.48%
2022	0.5666	0.3016	0.2650	4,115,905	92.43%	92.99%
2023	0.5384	0.2839	0.2545	3,699,010	106.95%	107.12%
2024	0.3976	0.1887	0.2089	4,258,914	101.51% ⁽¹⁾	101.64% ⁽¹⁾
2025	0.4325	0.2034	0.2292	4,633,275	N/A	N/A

- (1) Partial year collections as of June 30, 2024.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2024/2025 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
WW Olympus Crown Park LP	Apartments	\$ 42,501,000	3.97%
WPD Trinity LLC	Land	26,833,149	2.51%
Willow Crossing BOR LLC	Apartments	24,435,010	2.28%
Willow Park Preserves LLC	Apartments	23,300,000	2.18%
The Shops at Crown Park LLC	Shopping Center	14,590,590	1.36%
Glamper Camper Storage LLC	Storage	9,274,510	0.87%
First National Bank of Weatherford	Bank	8,705,113	0.81%
Willow Park North LLC	Land	8,516,720	0.80%
Canvas WP Owner LP	Apartments	8,409,740	0.79%
St Marianne Cope Health Care LLC	Health Care	7,690,055	0.72%
		\$ 174,255,887	16.27%

TABLE 6 - TAX ADEQUACY⁽¹⁾

2024 Principal and Interest Requirements, All General Obligation Debt ⁽¹⁾	\$ 4,675,475
\$0.4547 Tax Rate at 96% Collection Produces	\$ 4,675,757
Maximum Principal and Interest Requirements, All General Obligation Debt, 2026 ⁽¹⁾	\$ 4,711,728
\$0.4582 Tax Rate at 96% Collection Produces	\$ 4,711,748
2024 Principal and Interest Requirements, Net General Obligation Debt ⁽²⁾	\$ 2,015,929
\$0.1961 Tax Rate at 96% Collection Produces	\$ 2,016,530
Maximum Principal and Interest Requirements, Net General Obligation Debt, 2026 ⁽²⁾	\$ 2,038,293
\$0.1983 Tax Rate at 96% Collection Produces	\$ 2,039,153

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

(2) Excludes self-supporting debt.

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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 debt (“Tax Debt”) was developed from information contained in “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Further-more, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2023/24 Taxable Assessed Value	2023/24 Tax Rate	G.O. Tax Debt as of 8/1/2024	Estimated % Applicable	City's Overlapping G.O. Tax Debt	Authorized But Unissued Debt As Of 8/1/2024
City of Willow Park	\$ 1,071,163,526	\$ 0.4325	\$ 68,695,000 ⁽¹⁾	100.00%	\$ 68,695,000 ⁽¹⁾	\$ -
Parker County	25,902,383,378	0.2871	204,740,000	3.95%	8,087,230	50,000,000
Parker Co JCD	25,836,164,281	0.1061	1,225,000	3.95%	48,388	-
Aledo ISD	6,312,226,902	1.2075	366,109,021	12.52%	45,836,849	-
Weatherford ISD	6,750,223,930	1.0365	83,613,498	1.18%	986,639	-
Total Direct and Overlapping Tax Debt					\$ 123,654,106	
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation					11.54%	
Per Capita Direct and Overlapping Tax Debt					13,893.72	

(1) Includes the Certificates and self-supporting debt. See “Table 1 – Valuation, Exemptions and General Obligation Debt.” Preliminary, subject to change.

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DEBT INFORMATION

TABLE 8 - PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending	Outstanding Debt			The Certificates ⁽¹⁾			Total Debt Service	Less:		General Purpose General Obligation Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		Water & Sewer	Less: Drainage		
								Self Supporting Debt Service ⁽²⁾	Self Supporting Debt Service		
2025	\$ 2,760,000	\$ 1,704,021	\$ 4,464,021	\$ -	\$ 211,454	\$ 211,454	\$ 4,675,475	\$ 2,292,146	\$ 367,400	\$ 2,015,929	4.02%
2026	2,840,000	1,643,130	4,483,130	-	228,599	228,599	4,711,728	2,306,285	367,150	2,038,293	
2027	2,215,000	1,586,325	3,801,325	100,000	226,099	326,099	4,127,423	2,400,049	371,275	1,356,099	
2028	2,270,000	1,531,941	3,801,941	100,000	221,099	321,099	4,123,039	2,393,520	369,775	1,359,744	
2029	2,325,000	1,474,851	3,799,851	105,000	215,974	320,974	4,120,825	2,398,641	367,775	1,354,409	18.51%
2030	2,390,000	1,414,805	3,804,805	115,000	210,474	325,474	4,130,278	2,402,430	370,150	1,357,698	
2031	2,505,000	1,350,029	3,855,029	120,000	205,487	325,487	4,180,515	2,407,100	371,775	1,401,640	
2032	2,545,000	1,280,365	3,825,365	120,000	201,257	321,257	4,146,621	2,373,714	367,775	1,405,133	
2033	2,335,000	1,211,184	3,546,184	130,000	196,831	326,831	3,873,015	2,103,383	368,150	1,401,483	
2034	2,410,000	1,142,374	3,552,374	135,000	192,121	327,121	3,879,495	2,110,595	367,775	1,401,125	37.15%
2035	2,480,000	1,069,537	3,549,537	135,000	187,247	322,247	3,871,784	2,106,224	366,650	1,398,910	
2036	2,515,000	994,798	3,509,798	145,000	182,065	327,065	3,836,863	2,070,435	371,400	1,395,028	
2037	2,580,000	921,763	3,501,763	150,000	176,436	326,436	3,828,199	2,063,334	367,200	1,397,665	
2038	2,225,000	857,443	3,082,443	150,000	170,519	320,519	3,402,962	2,005,017		1,397,945	
2039	2,280,000	798,905	3,078,905	160,000	164,247	324,247	3,403,151	2,005,426		1,397,725	55.81%
2040	2,345,000	738,259	3,083,259	165,000	157,510	322,510	3,405,768	2,004,098		1,401,670	
2041	2,405,000	676,425	3,081,425	170,000	150,381	320,381	3,401,806	2,001,896		1,399,910	
2042	2,475,000	612,652	3,087,652	180,000	142,794	322,794	3,410,446	2,008,706		1,401,740	
2043	1,985,000	554,007	2,539,007	185,000	134,772	319,772	2,858,779	1,998,882		859,898	
2044	2,040,000	500,640	2,540,640	200,000	126,184	326,184	2,866,824	2,007,399		859,425	73.50%
2045	2,095,000	444,940	2,539,940	205,000	117,030	322,030	2,861,970	2,004,253		857,718	
2046	2,160,000	386,780	2,546,780	215,000	107,432	322,432	2,869,212	2,004,577		864,635	
2047	1,945,000	330,212	2,275,212	230,000	97,162	327,162	2,602,374	2,013,109		589,265	
2048	2,000,000	275,405	2,275,405	235,000	86,315	321,315	2,596,720	2,004,962		591,758	
2049	2,055,000	218,297	2,273,297	250,000	74,867	324,867	2,598,164	2,010,102		588,063	90.08%
2050	2,120,000	158,783	2,278,783	265,000	62,609	327,609	2,606,392	2,018,212		588,180	
2051	1,315,000	104,378	1,419,378	270,000	49,836	319,836	1,739,214	1,152,251		586,963	
2052	1,370,000	55,222	1,425,222	285,000	36,529	321,529	1,746,751	1,157,453		589,298	
2053	575,000	15,038	590,038	300,000	22,445	322,445	912,482	322,445		590,038	
2054	-	-	-	315,000	7,607	322,607	322,607	322,607		-	100.00%
	<u>\$ 63,560,000</u>	<u>\$ 24,052,505</u>	<u>\$ 87,612,505</u>	<u>\$ 5,135,000</u>	<u>\$ 4,363,376</u>	<u>\$ 9,498,376</u>	<u>\$ 97,110,881</u>	<u>\$ 58,469,249</u>	<u>\$ 4,794,250</u>	<u>\$ 33,847,382</u>	

(1) Preliminary, subject to change.

(2) Includes the Certificates. The average life of the issue is 18.650 years and the true interest cost of the Certificates has been calculated at 4.557% for the purpose of illustration only. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending September 30, 2024 ⁽¹⁾		\$ 2,050,686
Interest and Sinking Fund Balance, 9/30/2023	249,319	
Calculated Interest and Sinking Fund Levy, FYE 9/30/2024	<u>2,422,190</u>	<u>2,671,509</u>
Estimated Balance, 9/30/2024		<u>\$ 620,823</u>

(1) Excludes self-supported debt.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Gross Income, Waterworks & Sewer System, Fiscal Year Ended 9/30/2023	\$ 7,529,432
Less: Net Operating Expenses, Waterworks & Sewer System, Fiscal Year Ended 9/30/2023 ⁽¹⁾	<u>2,835,324</u>
Balance Available for Other Purposes	\$ 4,694,108
Waterworks and Sewer System General Obligation Requirements, Fiscal Year Ended 9/30/2024	\$ 1,927,368
Percentage of Waterworks and Sewer System General Obligation Debt Self-Supporting	100.00%
Gross Income, Drainage Utility System, Fiscal Year Ended 9/30/2023	\$ 497,905
Less: Net Operating Expenses, Drainage Utility System, Fiscal Year Ended 9/30/2023	<u>-</u>
Balance Available for Other Purposes	\$ 497,905
Drainage Utility System General Obligation Requirements, Fiscal Year Ended 9/30/2024	\$ 367,150
Percentage of Drainage Utility System General Obligation Debt Self-Supporting	100.00%

(1) Excludes depreciation.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation debt.

ANTICIPATED ISSUANCE OF ADDITIONAL DEBT...The City does not anticipate issuing additional general obligation debt within the next 12 months. The City may incur non-voted debt payable from or secured by its collection of taxes and other sources of revenue, including tax notes, certificates of obligation, public property finance contractual obligations, and leases for various purposes.

TABLE 12 - OTHER OBLIGATIONS

NOTES FROM DIRECT BORROWINGS – GOVERNMENTAL ACTIVITIES

Radios & Equipment

- To fund the purchase of radios and equipment for the fire and police departments.
- Original balance of \$373,072.
- Payable in annual installments of \$47,013 including principal and interest, maturing October 30, 2028.
- Interest payable annually on October 30 at 4.38%
- Outstanding balance of \$210,066 at September 30, 2023.

Fiscal Year Ending 9/30	Notes Payable from Direct Borrowings		
	Principal	Interest	Total
2024	\$ 45,138	\$ 10,981	\$ 56,119
2025	37,943	9,070	47,013
2026	39,605	7,408	47,013
2027	41,340	5,673	47,013
2028	43,150	3,863	47,013
2029-2033	11,676	1,973	13,649
Total	\$ 218,852	\$ 38,968	\$ 257,820

Freightliner

- To fund the purchase of one freightliner for the public works department.
- Original balance of \$156,458.
- Payable in annual installments of \$18,419 including principal and interest, maturing February 29, 2024.
- Interest payable annually on February 28 at 3.20%.
- Outstanding balance of \$17,775 at September 30, 2023.

Water Meters

- To fund the purchase of water meters.
- Original balance of \$382,799.
- Payable in annual installments of \$82,373 including principal and interest, maturing March 4, 2026.
- Interest payable annually on March 4 at 2.49%.
- Outstanding balance of \$235,303 at September 30, 2023.

The annual requirements to amortize long-term debt as of September 30, 2023 are as follows:

Fiscal Year Ending 9/30	Notes Payable from Direct Borrowings		
	Principal	Interest	Total
2024	\$ 94,287	\$ 6,504	\$ 100,791
2025	78,419	3,954	82,373
2026	80,372	2,001	82,373
Total	253,078	12,459	265,537

Leases

The City leases thirteen vehicles for use by the police department, fire marshal department, and public works, parks, and roads department. Each vehicle's original lease term is 60 months with monthly payments ranging from \$327 to \$1,001. Interest rates range from 3.69% to 7.97%.

The City leases several vehicles for use by the water department and wastewater department. Each vehicle's original lease term is 60 months with monthly payments ranging from \$419 to \$741. Interest rates range from 3.80% to 7.97%.

There were no variable payments or residual value guarantees or penalties not included in the measurement of the leases. The City did not have any commitments under leases not yet commenced at year-end, components of losses associated with asset impairments, or sublease transactions for fiscal year 2023.

The annual requirements to amortize lease activity as of September 30, 2023 are as follows:

Fiscal Year Ending 9/30	Governmental Activities		
	Principal	Interest	Total
2024	\$ 78,147	\$ 13,041	\$ 91,188
2025	63,261	9,066	72,327
2026	43,489	5,589	49,078
2027	39,965	2,606	42,571
2028	12,672	275	12,947
Total	\$ 237,534	\$ 30,577	\$ 268,111

PENSION PLAN

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained at www.TMRS.com.

The City makes annual contributions to the plan equal to the amounts accrued for pension expense. (For more detailed information concerning the retirement plan, see Appendix B, “Excerpts from the City’s Annual Financial Report” – Note K to the Financial Statements for the Fiscal Year Ended September 30, 2023.)

OTHER POST-EMPLOYMENT BENEFITS

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The City has elected, by ordinance, to participate in this program and provide group-term life insurance coverage for both active and retired employees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be a single-employer unfunded other postemployment benefit (OPEB) plan. Since only the retiree participants qualifies as an OPEB, the SDBF is administered through a non-qualifying trust per paragraph 4, item (b), of the Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” For more information concerning the City’s supplemental death benefits, see Note L. Other Post Employment Benefits in the City’s Annual Financial Report for Fiscal Year Ended September 30, 2023.

FINANCIAL INFORMATION

TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2023	2022	2021	2020	2019
Revenues:					
Property Taxes	\$ 1,901,676	\$ 1,903,522	\$ 1,543,006	\$ 1,579,675	\$ 1,474,202
Sales and Use Taxes	2,217,931	1,866,827	1,530,690	1,280,021	1,150,147
Franchise Taxes	411,357	397,514	373,064	374,099	384,572
Court Fines and Fees	300,253	168,865	132,049	125,688	157,639
Drainage Fees	363,456	330,894	-	-	-
Licenses and Permits	422,007	725,298	773,439	709,424	392,864
Grants	5,049	-	-	-	-
Investment Earnings	219,613	36,684	3,519	14,508	44,201
Intergovernmental	56,151	843	1,169	1,352	1,312
Contributions	9,893	175	1,059	3,724	2,943
Rental Revenue	41,549	-	-	-	-
Other Revenue	18,640	1,561	368,147	5,293	5,315
Total Revenues	\$ 5,967,575	\$ 5,432,183	\$ 4,726,142	\$ 4,093,784	\$ 3,613,195
Expenditures:					
Administration	\$ 648,278	\$ 500,280	\$ 482,636	\$ 460,193	\$ 482,935
Development Services	580,107	603,714	438,289	439,630	336,579
Legislative	200,797	191,736	225,463	196,561	213,340
Municipal Court	188,843	160,202	185,797	182,861	162,673
Police	1,784,356	1,446,442	1,435,646	1,226,316	1,071,708
Fire and Rescue	826,389	1,199,198	1,113,559	1,070,992	1,025,957
Public Works, Parks, and Roads	385,881	329,851	219,097	477,466	732,491
Miscellaneous Expenses	-	-	-	550,713	-
Capital Outlay	10,646,980	233,508	238,313	2,767	1,819,960
Debt Service	691,711	202,450	130,483	106,045	-
Total Expenditures	\$ 15,953,342	\$ 4,867,381	\$ 4,469,283	\$ 4,713,544	\$ 5,845,643
Excess (Deficient) Revenues Over Expenditures	\$ (9,985,767)	\$ 564,802	\$ 256,859	\$ (619,761)	\$ (2,232,448)
Transfers In (Out) and Other Sources	\$ 8,300,242	4,411,385 ⁽¹⁾	\$ 35,000	\$ 265,970	\$ 2,382,321
Fund Balance Beginning of Year	\$ 6,349,466	\$ 1,373,279	\$ 1,081,420	\$ 1,435,211	\$ 1,285,338
Prior Period Restatement	-	-	-	-	-
Fund Balance End of Year	\$ 4,663,941	\$ 6,349,466	\$ 1,373,279	\$ 1,081,420	\$ 1,435,211

(1) \$4,374,248 of this amount represents proceeds from previously issued certificates of obligation. Therefore, such funds may only be used for authorized project costs.

TABLE 13A - CHANGE IN NET ASSETS

	Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
Revenues:					
Program Revenues:					
Charges for Services	\$ 842,998	\$ 897,933	\$ 915,949	\$ 843,307	\$ 564,507
Operating Grants and Contributions	130,857	172,239	2,328	39,664	33,447
Capital Grants & Contributions					
General Revenues:					
Property Tax	3,959,918	3,834,214	3,221,649	3,050,245	2,629,388
Sales Taxes	2,217,931	1,866,827	1,530,690	1,280,021	1,150,147
Franchise Tax	411,357	397,514	308,679	374,099	384,572
Hotel Occupancy Tax	243,759	142,932	-	5,043	5,031
Drainage Fees	363,456	330,894	-	-	-
Investment Earnings	377,940	75,373	4,221	32,857	134,616
Gain on Sale of Capital Assets	-	37,793	35,000	-	(23,701)
Other Revenue	85,454	20,551	377,728	386,695	34,894
Loss on Transfer of Operations	(420,087)	-	-	-	-
Total Revenues	<u>\$ 8,213,583</u>	<u>\$ 7,776,270</u>	<u>\$ 6,396,244</u>	<u>\$ 6,011,931</u>	<u>\$ 4,912,901</u>
Expenses:					
Administration	\$ 1,430,749	\$ 536,874	\$ 607,623	\$ 602,695	\$ 501,630
Development Services	938,743	865,865	580,985	455,251	375,944
Legislative	195,622	189,575	224,779	198,218	213,352
Municipal Court	190,097	157,886	185,270	191,964	166,396
Police Department	1,923,144	1,576,253	1,600,273	1,379,019	1,114,541
Fire and Rescue	978,789	1,445,665	1,385,158	1,401,421	1,242,509
Public Works, Parks & Roads	582,800	1,414,337	1,015,177	1,121,842	1,195,888
Tourism		-	-	-	-
Debt Service	621,048	446,871	472,258	686,842	335,572
Total Expenses	<u>\$ 6,860,992</u>	<u>\$ 6,633,326</u>	<u>\$ 6,071,523</u>	<u>\$ 6,037,252</u>	<u>\$ 5,145,832</u>
Increase (Decrease) in Net Assets	\$ 1,352,591	\$ 1,142,944	\$ 324,721	\$ (25,321)	\$ (232,931)
Transfers	-	-	-	250,713	(57,047)
Beginning Net Position	\$ 4,377,712	\$ 3,076,522	\$ 3,094,742	\$ 2,869,350	\$ 3,159,328
Prior Year Adjustment	-	158,246	(342,941)	-	-
Ending Net Position	<u>\$ 5,730,303</u>	<u>\$ 4,377,712</u>	<u>\$ 3,076,522</u>	<u>\$ 3,094,742</u>	<u>\$ 2,869,350</u>

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TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the 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. The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales 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 tax is approved and levied, the ad valorem property tax levy must be reduced by the estimated amount of the sales tax revenues to be generated in the current year. 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 addition to the one percent (1%) local sales and use tax referred to above, the City imposes an additional one-half percent (1/2%) sales and use tax for the reduction of ad valorem taxes.

Fiscal Year Ended 9/30	Total Collected ⁽¹⁾	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita ⁽²⁾
2020	\$ 1,280,021	40.41%	\$ 0.1966	\$ 182.86
2021	1,455,205	35.36%	0.1962	207.89
2022	1,866,827	50.47%	0.2356	266.69
2023	2,217,931	52.08%	0.2166	249.21
2024	1,525,321 ⁽³⁾	32.92%	0.1424	171.38

- (1) Includes the additional one-half percent (1/2%) sales and use tax collected for the reduction of ad valorem taxes.
- (2) See “Estimated Population” under “Table 3 – Valuation and General Obligation Debt History”.
- (3) Collections as of June 30, 2024.

FINANCIAL POLICIES

Basis of Accounting . . . The City’s accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmaturred.

The accrual basis of accounting is utilized for proprietary funds. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

General Fund . . . The City’s goal is to maintain a General Fund balance in excess of two months General Fund expenditures.

Debt Service Fund . . . As required by bond covenants and ordinances, if applicable, reserves are established as prescribed to protect bondholders from payment defaults. Interest earnings are not transferred, but remain as a reserve in the debt service fund and reserve funds.

Budgetary Procedures . . . An official budget is prepared and adopted by the City Council prior to the beginning of each fiscal year on a basis consistent with Generally Accepted Accounting Principles (GAAP).

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.

LEGAL INVESTMENTS . . . Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) “A” or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized U.S. government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an “A” or better rated state or national bank; (10) 270-day or shorter bankers’ acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAAm”-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15 percent of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund’s total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

INVESTMENT POLICIES . . . Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City must adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City’s investments 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.” The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

TABLE 15 - CURRENT INVESTMENTS⁽¹⁾

As of June 30, 2024, the City’s investable funds were invested in the following category:

<u>Description</u>	<u>Market Value</u>
First Bank of Texas	\$ 136,085
Totals	<u>\$ 136,085</u>

(1) No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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TAX MATTERS

TAX EXEMPTION. . . The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A form of Bond Counsel’s opinion is reproduced in Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of “arbitrage” profits from the investment of proceeds and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the “taxpayer,” and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, corporations subject to the alternative minimum tax on adjusted financial statement income, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Certificates. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Certificates.

Existing law may change to reduce or eliminate the benefit to Certificateholders of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES . . . The initial public offering price of certain Certificates (the “Discount Certificates”) may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under “Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking

into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Certificates (the "Premium Certificates") paid by an owner may be greater than the amount payable on such Certificates at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Certificates over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Certificate in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Certificate, the yield based on a call date that results in the lowest yield on the Certificate).

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The City will designate the Certificates as "qualified tax-exempt obligations" and will certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates pursuant to the United States Securities and Exchange Commission's (the "SEC") Rule 15c2-12 (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the City of the general type of included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 (such information being the “Annual Operating Report”). The City will additionally provide financial statements of the City (the “Financial Statements”), that will be (i) 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 and shall be in substantially the form included in Appendix B and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2024. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”).

The City’s current fiscal year end is September 30. Accordingly, the Annual Operating Report must be provided by March 31 in each year, and the Financial Statements must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under “Annual Reports” and any notices of events in accordance with this section.

For these purposes, any event described in clause (12) of 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 ordinance 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. Neither the Certificates nor the Ordinance make any provision for a bond trustee, debt service reserves, credit enhancement, or liquidity enhancement. The City will provide each notice described in this paragraph to the MSRB. For the purposes of the above describe events (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.

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 the 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 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 the 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 (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter of the initial public offering of the Certificates from lawfully purchasing or selling Certificates in such offering. 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 (5) years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATING

The Certificates and the presently outstanding tax supported debt of the City are rated "AA" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

CYBERSECURITY

The City, like other cities in the State, utilizes technology in conducting its operations. As a user of technology, the City potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the City may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the City. The City employs a multi-layered approach to combating cybersecurity threats. While the City deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the City's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the City to litigation and other legal risks, which could cause the City to incur other costs related to such legal claims or proceedings.

LITIGATION

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

At the time of the initial delivery of the Certificates, the City will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale or delivery of the Certificates.

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.

It is the obligation of the Underwriter to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City has agreed to cooperate, at the Underwriter's written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

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, investment securities 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. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, 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 - Rating" 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 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.

LEGAL OPINIONS

The City will furnish a complete transcript of proceedings to the Underwriter incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS " herein. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions "THE CERTIFICATES" (exclusive of the subcaptions "Book-Entry-Only System," "Certificateholders' Remedies," "Use of Proceeds," and the last two sentences under the subcaption "Tax Rate Limitation"), "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 Opinions" (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. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, whose legal fee is contingent on the sale and delivery of the Certificates.

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

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

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to

investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices to the public shown on page 2 hereof, less an underwriting discount of \$_____, and no accrued interest. The Underwriter 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 Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does 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.

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 orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. 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.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in the Rule.

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

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION AND POPULATION

The City of Willow Park is located on Interstate Highway 20 and U.S. Highways 80 and 180, approximately 13 miles from downtown Fort Worth. The 2020 census was 4,936, an increase of almost 24% since 2010. The 2024 population is estimated to be 8,900. The majority of the people living within the City work in the greater Fort Worth metropolitan area.

Parker County is a north central Texas county created and organized in 1855 from Bosque and Navarro Counties and is located adjacent to the western boundary of Tarrant County. The County is traversed by Interstate Highway 20, U.S. Highway 180, and State Highways 171 and 199, as well as the Brazos River and Clear Fork of the Trinity River. The economy is based on agribusiness, with a large number of residents commuting to the Dallas-Fort Worth Metroplex for employment. The Texas Almanac designates cattle, horses, hay and horticultural plants production as principal sources of agricultural income. The County seat is Weatherford.

Source: Municipal Advisory Council of Texas.

EMPLOYMENT STATISTICS

	Annual Averages				
	2024 ⁽¹⁾	2023	2020	2019	2018
Parker County					
Civilian Labor Force	77,600	76,471	74,625	71,585	68,141
Total Employment	74,859	73,916	72,184	68,413	64,129
Unemployment	2,741	2,555	2,441	3,172	4,012
Percent Unemployment	3.5%	3.3%	3.3%	4.4%	5.9%
State of Texas					
Civilian Labor Force	15,313,272	15,067,153	14,662,558	14,220,446	13,983,319
Total Employment	14,684,462	14,472,524	14,092,833	13,413,036	12,915,337
Unemployment	628,810	594,629	569,725	807,410	1,067,982
Percent Unemployment	4.1%	3.9%	3.9%	5.7%	7.6%

Source: Texas Workforce Commission.

(1) Data through July 2024.

MINERAL PRODUCTION IN PARKER COUNTY

Parker County Onshore Oil & Gas Production				
Annual Totals, Jan 2020 - May 2024				
Date	Oil (BBL)	Casinghead (MCF)	GW Gas (MCF)	Condensate (BBL)
2020	459	124,832	51,361,190	50,327
2021	335	113,551	46,901,503	50,897
2022	210	85,139	43,805,874	34,786
2023	164	91,794	40,274,529	33,117
2024 ⁽¹⁾	65	37,131	19,178,116	19,737

Source: Railroad Commission of Texas.

(1) Data through June 2024.

EDUCATION

The City of Willow Park is part of the Aledo and Weatherford Independent School Districts. Fall 2023 enrollment was 7,857 and 8,255, respectively. Both school districts have experienced significant enrollment growth during recent years, but no assurance can be given that such growth can be maintained.

MAJOR EMPLOYERS

<u>Company</u>	<u>Type of Business</u>	<u>Estimated Number of Employees</u>
Brookeshires Grocery	Grocery Store	150
Trinity Christian Academy	Private School	116
Texas Health Resources	Medical Provider	90
Whataburger	Fast Food Restaurant	65
McCall Elementary	Public Education	60
Railhead BBQ	Restaurant	49
City of Willow Park	Local Government	44
Sprouts Learning Center	Child Care Center	40
Willow Park Nails Bar	Nail Salon	40
Ice House	Restaurant	35

Source: The City.

ECONOMIC INDICES

<u>Fiscal Year Ended 9/30</u>	<u>Building Permits</u>	<u>Water Utility Connections</u>
2019	190,810	1,956
2020	524,355	2,069
2021	773,439	2,234
2022	725,050	2,228
2023	457,444	2,421

Source: The City, as of September 30, 2023.

APPENDIX B

EXCERPTS FROM THE
CITY OF WILLOW PARK, TEXAS
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Willow Park, Texas Annual Financial Report for the Year Ended September 30, 2023, 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.

The information contained in this Appendix is provided as of the respective dates and for the periods specified herein and is subject to change without notice, and the filing of this Appendix does not, under any circumstances, imply that there has been no change in the affairs of the City since the specified date as of which such information is provided. The historical information set forth in this Appendix is not necessarily indicative of future results or performance due to these and other factors, including those discussed in the Official Statement.

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SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council City of
Willow Park, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willow Park, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willow Park, Texas (the City) as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 judgement, 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 our audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of changes in the net pension liability/(asset) and related ratios, the schedule of employer pension contributions and related ratios, the schedule of changes in the total OPEB liability and related ratios, and the schedule of OPEB contributions and related ratios on pages 6-14 and 57-61 be presented to supplement the basic financial statements.

Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the GASB 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2024, on our consideration of the City of Willow Park, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Willow Park, Texas' 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 of Willow Park, Texas' internal control over financial reporting and compliance.

Snow Garrett Williams

Snow Garrett Williams
March 7, 2024

City of Willow Park, Texas Management's Discussion and Analysis

The management's discussion and analysis (MD&A) of the City of Willow Park (the City) provides an overview of the City's financial activities for the fiscal year ended September 30, 2023. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of fiscal year 2023 by \$20,782,240 (*net position*). Of this amount, \$4,206,103 is restricted for specific purposes and \$15,059,107 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. Net position also includes \$1,517,030 in net investment in capital assets.
- In contrast to the government-wide statements, the governmental fund statements report a fund balance at year-end of \$7,178,705, of which \$2,653,117 represents restricted fund balance and \$4,525,588 represents unassigned fund balance.
- The general fund unassigned fund balance of \$4,525,588 equals 28% of total general fund expenditures.
- The City's total noncurrent liabilities increased by \$4,705,897 during the current fiscal year as a result of the issuance of two new certificates of obligations, offset by scheduled annual debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's 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 also contains required supplementary information and other supplemental information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. 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 resource focus and the accrual basis of accounting, meaning that all the current year's revenues and expenses are included regardless of when cash is received or paid.

The Statement of Net Position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, including capital assets and long-term obligations. The difference between the two 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.

The Statement of Activities presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Willow Park, Texas Management's Discussion and Analysis

The Statement of Net Position and the Statement of Activities divide the primary government (the City) activities into two types:

Governmental activities – Most of the City's basic services are reported here, including administration, development services, fire and rescue, legislative, municipal court, police, and public works, parks, and roads. General property taxes, sales taxes, and franchise fees provide the majority of the financing for these activities.

Business-type activities – Activities for which the City charges a fee to customers to pay most or all of the costs of a service it provides are reported here. The City's business-type activities include its water, wastewater, and solid waste operations.

The government-wide financial statements can be found beginning on page 16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. These statements focus on the most significant funds and are used to report more detailed information about the City's most significant activities. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for the majority of the City's activities, which are essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year for future spending. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term 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 the comparison between governmental funds and governmental activities.

The City maintains thirteen individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and Roads Capital Projects Fund, which are considered to be major funds. Data for the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the supplementary information section of this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement (original versus final) has been provided in this report for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found beginning on page 18 of this report.

City of Willow Park, Texas Management's Discussion and Analysis

Proprietary funds. When the City charges customers for services it provides, the activities are generally reported in proprietary funds. The City maintains one type of proprietary fund: an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, wastewater, and solid waste operations. These services are primarily provided to outside or non-governmental customers.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water Fund and Wastewater Fund, which are considered to be the major proprietary funds of the City. Information is also presented for the Solid Waste Fund, which is a non-major proprietary fund.

The proprietary fund financial statements can be found beginning on page 21 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 24 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison information and information concerning pension and OPEB benefits. The required supplementary information can be found beginning on page 57 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. This other supplemental information can be found beginning on page 63 of this report.

City of Willow Park, Texas Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,782,240 as of September 30, 2023.

City of Willow Park's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 9,736,978	\$12,976,918	\$28,298,135	\$32,814,140	\$38,035,113	\$45,791,058
Capital assets and right-to-use assets, net of depreciation/amortization	27,160,545	14,961,775	24,527,767	22,770,786	51,688,312	37,732,561
Total assets	36,897,523	27,938,693	52,825,902	55,584,926	89,723,425	83,523,619
Deferred outflows of resources	202,533	140,525	74,909	51,975	277,442	192,500
Long-term liabilities	27,172,192	22,870,805	35,088,665	39,693,305	62,260,857	62,564,110
Other liabilities	3,682,145	665,626	2,753,126	2,516,416	6,435,271	3,182,042
Total liabilities	30,854,337	23,536,431	37,841,791	42,209,721	68,696,128	65,746,152
Deferred inflows of resources	515,416	165,075	7,083	61,055	522,499	226,130
Net position:						
Net investment in capital assets	(231,735)	(2,400,065)	1,748,765	970,159	1,517,030	(1,429,906)
Restricted	1,183,769	937,155	3,022,334	2,892,699	4,206,103	3,829,854
Unrestricted	4,778,269	5,840,622	10,280,838	9,503,267	15,059,107	15,343,889
Total net position	\$ 5,730,303	\$ 4,377,712	\$15,051,937	\$13,366,125	\$20,782,240	\$17,743,837

The City's net investment in capital assets (e.g., land, construction in progress, buildings and improvements, furniture and equipment, vehicles, infrastructure, water and wastewater systems, and right-of-use assets) less any related debt used to acquire those assets that is still outstanding is \$1,517,030. The City uses those assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$4,206,103 (or 20%) of the City's net position represents resources that are subject to external restrictions on how they may be used. All restricted net position of the City is being held for the purposes established by state and local laws, for future construction, and for debt service requirements on the City's outstanding debt. The remaining portion of the City's net position is \$15,059,107 and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, both for the City as a whole and for its separate governmental and business-type activities, except for net investment in capital assets of governmental activities. At the end of the prior fiscal year, all categories of net position were reported as positive balances with the exception of net investment in capital assets of governmental activities.

City of Willow Park, Texas Management's Discussion and Analysis

The City's total net position increased by \$3,038,403 during the current fiscal year. The City's governmental activities increased net position by \$1,352,591. The total cost of all governmental activities this year was \$6,860,992. The amount that taxpayers paid for these activities through property taxes was \$3,959,918, or 58%. The City's business-type activities increased net position by \$1,685,812. The total cost of all business-type activities for fiscal year 2023 was \$4,298,303.

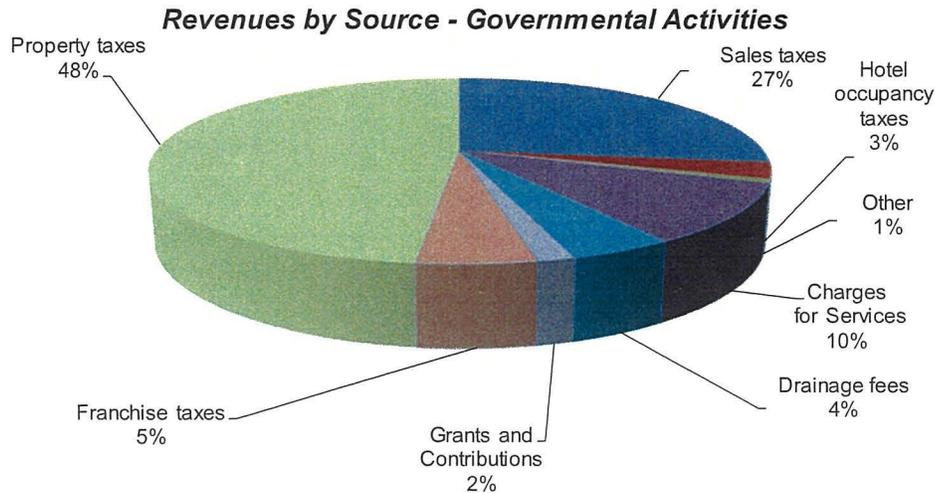
City of Willow Park's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 842,998	\$ 897,933	\$ 4,394,192	\$ 4,362,328	\$ 5,237,190	\$ 5,260,261
Operating grants and contributions	130,857	172,239	-	-	130,857	172,239
Capital grants and contributions	-	-	1,339,642	488,997	1,339,642	488,997
General revenues:						
Property taxes	3,959,918	3,834,214	-	-	3,959,918	3,834,214
Sales and use taxes	2,217,931	1,866,827	-	-	2,217,931	1,866,827
Franchise taxes	411,357	397,514	-	-	411,357	397,514
Hotel occupancy taxes	243,759	142,932	-	-	243,759	142,932
Drainage fees	363,456	330,894	-	-	363,456	330,894
Investment earnings	377,940	75,373	250,281	22,098	628,221	97,471
Other	85,454	20,551	-	-	85,454	20,551
Gain on sale of capital assets	-	37,793	-	35,111	-	72,904
Special item:						
Loss on transfer of operations	(420,087)	-	-	-	(420,087)	-
Total revenues	8,213,583	7,776,270	5,984,115	4,908,534	14,197,698	12,684,804
Expenses:						
Administration	1,430,749	536,874	-	-	1,430,749	536,874
Development services	938,743	865,865	-	-	938,743	865,865
Fire and rescue	978,789	1,445,665	-	-	978,789	1,445,665
Legislative	195,622	189,575	-	-	195,622	189,575
Municipal court	190,097	157,886	-	-	190,097	157,886
Police	1,923,144	1,576,253	-	-	1,923,144	1,576,253
Public works, parks, and roads	582,800	1,414,337	-	-	582,800	1,414,337
Interest and fiscal charges	621,048	446,871	-	-	621,048	446,871
Water	-	-	2,961,449	2,637,569	2,961,449	2,637,569
Wastewater	-	-	1,025,366	925,494	1,025,366	925,494
Solid waste	-	-	311,488	296,289	311,488	296,289
Total expenses	6,860,992	6,633,326	4,298,303	3,859,352	11,159,295	10,492,678
Change in net position	1,352,591	1,142,944	1,685,812	1,049,182	3,038,403	2,192,126
Net position, beginning of year	4,377,712	3,076,522	13,366,125	12,316,943	17,743,837	15,393,465
Prior period adjustment	-	158,246	-	-	-	158,246
Net position, beginning of year, restated	4,377,712	3,234,768	13,366,125	12,316,943	17,743,837	15,551,711
Net position, end of year	\$ 5,730,303	\$ 4,377,712	\$15,051,937	\$13,366,125	\$20,782,240	\$17,743,837

City of Willow Park, Texas Management's Discussion and Analysis

Governmental activities. Governmental activities increased the City's net position by \$1,352,591. Key elements of this increase are as follows:

- Increase in general revenues due to an overall increase in taxes, including an approximate 3% increase in property taxes, 19% increase in sales and use taxes, and 70% increase in hotel occupancy taxes;
- Decrease in general revenues is primarily due to the loss related to the transfer of fire protection services to Parker County Emergency Services District No. 1, and
- Increase in expenses for administration and police services.



Business-type activities. Business-type activities increased the City's net position by \$1,685,812.

Operating revenue increased by \$31,864 from the prior year primarily due to an increase in water, wastewater, and solid waste sales and an increase in impact fees. Operating expenses increased by \$438,951 from the prior year primarily due to an increase in personnel services. Additionally, the City recognized \$1,339,642 in grant revenue during fiscal year 2023.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$7,178,705, which is a decrease of \$5,077,041 in comparison with the prior year. \$4,525,588 or 63% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been set aside to pay debt service (\$249,319), to fund road capital projects (\$1,447,817), for court security and technology (\$120,908), for police seizure funds (\$4,848), to fund tourism (\$466,784), for police and first responder contributions (\$134,869), and for truancy funds (\$26,476), to fund other capital projects (\$12,371), and other City related expenditures (\$51,372).

City of Willow Park, Texas Management's Discussion and Analysis

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was \$4,663,941, of which \$4,525,588 represented unassigned fund balance, or 97% of the total general fund balance. As a measure of the general fund's liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 28%, or approximately 104 days of total fund expenditures.

The fund balance of the City's general fund decreased by \$1,685,525 during the current fiscal year. Key elements of the decrease are as follows:

- Total revenues in the general fund increased by \$535,392, or 10%. The increase is primarily due to an increase in sales and use taxes of \$351,104, and an increase in investment earnings of \$182,929 and court fines of \$131,388, offset by a decrease in licenses and permits of \$303,291.
- Total expenditures in the general fund increased by \$11,085,961, or 228%. The increase is primarily due to an increase in capital outlay for the new city hall.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, the City's revenues exceeded the budget by approximately \$241,416. This was primarily due to sales tax revenue and investment earnings exceeding budget by approximately \$172,606 and \$203,113, respectively. Sales tax budget projections were conservative; however, with the growth of commercial properties within the City, sales tax revenue continued to grow. Investment earnings exceeded projections due to an overall increase in interest rates.

The City's expenditures were more than budgeted amounts by approximately \$10,254,482. This was due to capital outlay for the new city hall exceeding appropriations as well as negative variances in administration, municipal court, and development services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City's investment in total capital assets for its governmental and business-type activities as of September 30, 2023, amounts to \$51,688,312 (net of accumulated depreciation/amortization). Investments in capital assets related to governmental activities (\$27,160,545) include land, construction in progress, buildings and improvements, furniture and equipment, vehicles, infrastructure, and right-of-use assets. The City's investments in capital assets related to business-type activities (\$24,527,767) include land, construction in progress, buildings and improvements, furniture and equipment, vehicles, water system, wastewater system, and right-of-use assets.

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

Administration

- New City Hall construction.

Public Works, Parks, and Roads Department

- Ongoing street projects.
- Ongoing drainage projects.

Water Department

- Ongoing Fort Worth water line project.
- Water system improvements.
- Purchase of three generators and a skid steer track loader.

City of Willow Park, Texas Management's Discussion and Analysis

Wastewater Department

- System improvements to the Bankhead Lift Station.
- Ongoing wastewater treatment project.
- Completion of the water and sewer extension project at Bankhead South.

City of Willow Park's Capital Assets (net of depreciation / amortization)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 958,993	\$ 126,027	\$ 394,576	\$ 394,576	\$ 1,353,569	\$ 520,603
Construction in progress	6,314,372	502,321	1,883,327	10,774,452	8,197,699	11,276,773
Buildings and improvements	13,062,703	6,034,689	41,641	43,617	13,104,344	6,078,306
Furniture and equipment	300,472	413,415	413,709	299,710	714,181	713,125
Vehicles	37,736	1,225,635	92,753	117,722	130,489	1,343,357
Infrastructure	6,192,094	6,518,478	-	-	6,192,094	6,518,478
Water system	-	-	16,976,981	7,052,889	16,976,981	7,052,889
Wastewater system	-	-	4,615,495	3,994,252	4,615,495	3,994,252
Right-of-use assets - vehicles	294,175	141,210	109,285	93,568	403,460	234,778
Total	\$ 27,160,545	\$ 14,961,775	\$ 24,527,767	\$ 22,770,786	\$ 51,688,312	\$ 37,732,561

Additional information on the City's capital assets can be found in Note G on pages 35 through 37 of this report.

Long-term obligations. At the end of the current fiscal year, the City had total long-term obligations outstanding of:

City of Willow Park's Outstanding Debt

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 6,330,000	\$ -	\$ 6,330,000
Certificates of obligation	17,602,126	35,962,874	53,565,000
Tax notes	2,300,000	-	2,300,000
Notes from direct borrowings	218,852	253,078	471,930
Unamortized debt premium	1,748,929	164,195	1,913,124
Lease liability	237,534	66,663	304,197
Net pension liability	205,148	75,877	281,025
Compensated absences	130,195	37,870	168,065
Total OPEB liability	56,747	20,989	77,736
Total	\$ 28,829,531	\$ 36,581,546	\$ 65,411,077

The City's total long-term obligations increased by a net amount of \$4,705,897 during the current fiscal year primarily as a result of the issuance of two new certificates of obligation, offset by principal payments made on outstanding debt. The City's compensated absences and OPEB liability decreased in the current fiscal year, while the City's unamortized debt premium, lease liability and net pension liability increased. Additional information on the City's long-term debt can be found in Note H on pages 37 through 44 of this report.

City of Willow Park, Texas Management's Discussion and Analysis

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2022-2023 was \$0.538450 per \$100 assessed valuation, of which \$0.283941 was for maintenance and operations and \$0.254509 was for debt service.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective, and economic uses of the City's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources, and establishes its priorities. In considering the City budget for fiscal year 2024, the City Council and administration considered the following factors:

For fiscal year 2023 – 2024, the City is anticipating benefitting from a new statute that became effective as of September 1, 2023. This statute, which allows property owners to petition to be removed from the ETJ, has produced interest in some of those properties to be annexed by the City of Willow Park. The City of Willow Park has invested approximately \$25 Million in various infrastructure projects, most notably the Fort Worth water line project, and the new wastewater treatment plant. These projects give confidence to owners who desire to develop their properties that the City of Willow Park can provide those basic infrastructure needs. These properties have high potential for significant sales tax growth, residential growth, commercial growth, an overall ad valorem tax increase of new property, and other streams of new revenue for the City of Willow Park.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the City of Willow Park's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Finance Department at 120 El Chico, Suite A, Willow Park, Texas 76087.

BASIC FINANCIAL STATEMENTS

City of Willow Park, Texas
Statement of Net Position
September 30, 2023

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 7,716,551	\$ 15,440,482	\$ 23,157,033
Investments	591,151	1,645,857	2,237,008
Receivables (net of allowances of \$1,198,775)			
Property taxes	28,102	-	28,102
Accounts	40,807	-	40,807
Court fines and fees	96,489	595,327	691,816
Lease	501,446	-	501,446
Due from other governments	349,876	8,422,287	8,772,163
Restricted assets			
Cash and investments	412,556	2,085,671	2,498,227
Certificates of deposit	-	108,511	108,511
Capital assets and right-to-use assets			
Nondepreciable	7,273,365	2,277,903	9,551,268
Depreciable/amortizable, net of accumulated depreciation and amortization	19,887,180	22,249,864	42,137,044
Total assets	36,897,523	52,825,902	89,723,425
Deferred outflows of resources			
Deferred outflows related to pensions	202,533	74,909	277,442
Total deferred outflows of resources	202,533	74,909	277,442
Liabilities			
Accounts payable	1,390,736	584,096	1,974,832
Payroll liabilities	47,804	15,037	62,841
Due to other governments	-	312,735	312,735
Retainage payable	436,934	41,664	478,598
Court bonds payable	7,185	-	7,185
Unearned revenue	55,215	-	55,215
Long-term obligations, due within one year	1,657,339	1,492,881	3,150,220
Current liabilities payable from restricted assets			
Interest payable	86,932	69,497	156,429
Customer deposits	-	237,216	237,216
Noncurrent liabilities			
Net pension liability	205,148	75,877	281,025
Total OPEB liability	56,747	20,989	77,736
Long-term obligations, due in more than one year	26,910,297	34,991,799	61,902,096
Total liabilities	30,854,337	37,841,791	68,696,128
Deferred inflows of resources			
Deferred inflows related to OPEB	19,147	7,083	26,230
Deferred inflows related to leases	496,269	-	496,269
Total deferred inflows of resources	515,416	7,083	522,499
Net position			
Net investment in capital assets	(231,735)	1,748,765	1,517,030
Restricted for:			
Debt service	249,319	-	249,319
Police	8,445	-	8,445
First responder	136,217	-	136,217
Tourism	466,784	-	466,784
Capital projects	-	3,022,334	3,022,334
Court security and technology	120,908	-	120,908
Public access channel capital projects	138,353	-	138,353
TIRZ	3,000	-	3,000
Construction projects	12,371	-	12,371
TexSTAR parks and recreation	48,372	-	48,372
Unrestricted net position	4,778,269	10,280,838	15,059,107
Total net position	\$ 5,730,303	\$ 15,051,937	\$ 20,782,240

City of Willow Park, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2023

Functions/Programs	Net Revenue (Expense) and Changes In Net Position						
	Program Revenues			Primary Government			Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities							
Administration	\$ 1,430,749	\$ -	\$ -	\$ -	\$ (1,430,749)	\$ -	\$ (1,430,749)
Development services	938,743	422,007	-	-	(516,736)	-	(516,736)
Fire and rescue	978,789	-	-	-	(978,789)	-	(978,789)
Legislative	195,622	-	-	-	(195,622)	-	(195,622)
Municipal court	190,097	333,445	-	-	143,348	-	143,348
Police	1,923,144	81,303	129,357	-	(1,712,484)	-	(1,712,484)
Public works, parks, and roads	582,800	6,243	1,500	-	(575,057)	-	(575,057)
Interest and fiscal charges	621,048	-	-	-	(621,048)	-	(621,048)
Total governmental activities	6,860,992	842,998	130,857	-	(5,887,137)	-	(5,887,137)
Business-type activities							
Water	2,961,449	3,167,697	-	378,213	-	584,461	584,461
Wastewater	1,025,366	862,507	-	961,429	-	798,570	798,570
Solid waste	311,488	363,988	-	-	-	52,500	52,500
Total business-type activities	4,298,303	4,394,192	-	1,339,642	-	1,435,531	1,435,531
Total primary government	\$ 11,159,295	\$ 5,237,190	\$ 130,857	\$ 1,339,642	(5,887,137)	1,435,531	(4,451,606)
General revenues							
Taxes:							
Property taxes, levied for general purposes					1,902,971	-	1,902,971
Property taxes, levied for debt service					1,707,163	-	1,707,163
Property taxes, levied for TIRZ					349,784	-	349,784
Sales and use					2,217,931	-	2,217,931
Franchise					411,357	-	411,357
Hotel					243,759	-	243,759
Drainage fees					363,456	-	363,456
Investment earnings					377,940	250,281	628,221
Other revenue					85,454	-	85,454
Special Item:							
Loss on transfer of operations					(420,087)	-	(420,087)
Total general revenues					7,239,728	250,281	7,490,009
Change in net position					1,352,591	1,685,812	3,038,403
Net position, beginning of year					4,377,712	13,366,125	17,743,837
Net position, end of year					\$ 5,730,303	\$ 15,051,937	\$ 20,782,240

The accompanying notes are an integral part of these financial statements.

City of Willow Park, Texas
Balance Sheet
Governmental Funds
September 30, 2023

	General Fund	Debt Service Fund	Roads Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,244,340	\$ 249,319	\$ 1,864,300	\$ 771,148	\$ 8,129,107
Investments	542,779	-	-	48,372	591,151
Receivables (net of allowances for uncollectibles)					
Property taxes	16,326	11,776	-	-	28,102
Accounts	40,807	-	-	-	40,807
Court fines and fees	96,489	-	-	-	96,489
Lease	501,446	-	-	-	501,446
Due from other funds	-	-	708,622	-	708,622
Due from other governments	349,876	-	-	-	349,876
Total assets	\$ 6,792,063	\$ 261,095	\$ 2,572,922	\$ 819,520	\$ 10,445,600
Liabilities					
Accounts payable	\$ 678,307	\$ -	\$ 710,537	\$ 1,892	\$ 1,390,736
Payroll liabilities	47,804	-	-	-	47,804
Due to other funds	708,622	-	-	-	708,622
Court bonds escrow	7,185	-	-	-	7,185
Unearned revenue - franchise taxes	55,215	-	-	-	55,215
Retainage payable	22,366	-	414,568	-	436,934
Total liabilities	1,519,499	-	1,125,105	1,892	2,646,496
Deferred inflows of resources					
Unavailable revenue - court fines	96,489	-	-	-	96,489
Unavailable revenue - property taxes	15,865	11,776	-	-	27,641
Unavailable revenue - leases	496,269	-	-	-	496,269
Total deferred inflows of resources	608,623	11,776	-	-	620,399
Fund balances					
Restricted	138,353	249,319	1,447,817	817,628	2,653,117
Unassigned	4,525,588	-	-	-	4,525,588
Total fund balances	4,663,941	249,319	1,447,817	817,628	7,178,705
Total liabilities, deferred inflows of resources, and fund balances	\$ 6,792,063	\$ 261,095	\$ 2,572,922	\$ 819,520	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.					27,160,545
Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds.					202,533
Some assets and liabilities, including general obligation bonds, certificates of obligation, tax notes, notes from direct borrowings, premiums on debt, lease liabilities, net pension asset, compensated absences, and total OPEB liability are not due and payable in the current period and, therefore, are not reported in the funds.					(28,916,463)
Revenues earned but not available within 60 days of year-end are not recognized as revenue on the fund financial statements.					620,399
Deferred inflows of resources related to pension and OPEB are not financial resources and, therefore, are not reported in the funds.					(515,416)
Net position of governmental activities - statement of net position					\$ 5,730,303

City of Willow Park, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2023

	General Fund	Debt Service Fund	Roads Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Property	\$ 1,901,676	\$ 1,706,468	\$ -	\$ -	\$ 3,608,144
Sales and use	2,217,931	-	-	-	2,217,931
Franchise	411,357	-	-	-	411,357
Hotel occupancy tax	-	-	-	243,759	243,759
TIRZ	-	-	-	349,784	349,784
Licenses and permits	422,007	-	-	-	422,007
Drainage fees	363,456	-	-	-	363,456
Court fines and fees	300,253	-	-	22,873	323,126
Grants	5,049	-	-	-	5,049
Investment earnings	219,613	15,445	127,885	14,997	377,940
Intergovernmental	56,151	-	-	-	56,151
Contributions	9,893	-	-	124,308	134,201
Rental income	41,549	-	-	-	41,549
Other revenue	18,640	-	-	-	18,640
Total revenues	5,967,575	1,721,913	127,885	755,721	8,573,094
Expenditures					
Current:					
Administration	648,278	-	-	-	648,278
Development services	580,107	-	-	350,000	930,107
Fire and rescue	826,389	-	-	91,131	917,520
Legislative	200,797	-	-	-	200,797
Municipal Court	188,843	-	-	-	188,843
Police	1,784,356	-	-	-	1,784,356
Public works, parks, and roads	385,881	-	-	-	385,881
Capital outlay	10,646,980	-	3,783,230	-	14,430,210
Debt service:					
Principal	290,567	1,245,630	-	-	1,536,197
Interest and fiscal charges	176,100	527,044	-	-	703,144
Certificate of obligation issuance costs	225,044	-	-	-	225,044
Total expenditures	15,953,342	1,772,674	3,783,230	441,131	21,950,377
Excess (deficiency) of revenues over (under) expenditures	(9,985,767)	(50,761)	(3,655,345)	314,590	(13,377,283)
Other financing sources (uses)					
Proceeds from sale of capital assets	9,340	-	-	-	9,340
Proceeds from certificate of obligation issuance	8,500,000	-	-	-	8,500,000
Premium on issuance of long-term debt	225,044	-	-	-	225,044
Proceeds from issuance of lease liability	176,562	-	-	-	176,562
Special item:	-	-	-	-	-
Loss on transfer of operations	(610,704)	-	-	-	(610,704)
Total other financing sources (uses)	8,300,242	-	-	-	8,300,242
Net change in fund balances	(1,685,525)	(50,761)	(3,655,345)	314,590	(5,077,041)
Fund balances, beginning of year	6,349,466	300,080	5,103,162	503,038	12,255,746
Fund balances, end of year	\$ 4,663,941	\$ 249,319	\$ 1,447,817	\$ 817,628	\$ 7,178,705

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

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

Net change in fund balances - total governmental funds \$ (5,077,041)

Governmental funds report capital outlays as expenditures. However in the statement of activities, assets are capitalized and the costs are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay	\$ 14,430,210	
Depreciation expense	<u>(1,081,921)</u>	13,348,289

All proceeds from the sale of capital assets are reported as revenue in the funds. However, in the statement of activities, only the gain or loss on disposal is reported. (1,149,519)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Amortization of premium on debt	\$ 108,432	
Net pension liability (asset)	(255,089)	
Compensated absences	131,619	
Total OPEB liability	<u>31,644</u>	16,606

The change in taxes receivable, net of allowance, is reported as revenue in the statement of activities; however, this change does not provide current financial resources and is, therefore, not reported as revenue in the funds. 1,990

Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. 29,603

Pension expense in the funds is recorded as contributions when made to the TMRS plan. Pension expense in governmental activities is recorded as the TMRS plan's pension expense for the measurement period. This is the effect of the difference between the two statements. 246,580

OPEB expense in the funds is recorded as contributions when made to the TMRS plan. OPEB expense in governmental activities is recorded as the TMRS plan's OPEB expense for the measurement period. This is the effect of the difference between the two statements. (38,644)

The issuance of long-term debt (e.g. bonds payable, notes payable, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long-term obligation principal repayments	\$ 2,785,766	
Payments on lease liabilities	90,567	
Proceeds from certificates of obligations issuance	(8,500,000)	
Premium on issuance of debt	(225,044)	
Proceeds from the issuance of lease liabilities	<u>(176,562)</u>	<u>(6,025,273)</u>

Change in net position of governmental activities \$ 1,352,591

City of Willow Park, Texas
Statement of Net Position
Proprietary Funds
September 30, 2023

	Water	Wastewater	Solid Waste	Totals
Assets				
Current assets				
Cash and cash equivalents	\$ 1,683,892	\$ 13,456,296	\$ 300,294	\$ 15,440,482
Investments	1,590,047	55,810	-	1,645,857
Receivables (net of allowances):				
Accounts	447,525	100,651	47,151	595,327
Due from other governments	8,422,287	-	-	8,422,287
Restricted assets				
Cash and cash equivalents	1,575,313	510,358	-	2,085,671
Certificates of deposit	108,511	-	-	108,511
Total current assets	13,827,575	14,123,115	347,445	28,298,135
Noncurrent assets				
Capital assets and right-to-use assets				
Nondepreciable	271,397	2,006,506	-	2,277,903
Depreciable / amortizable	24,150,376	6,466,489	-	30,616,865
Less: accumulated depreciation / amortization	(5,662,008)	(2,704,993)	-	(8,367,001)
Capital assets, net	18,759,765	5,768,002	-	24,527,767
Total noncurrent assets	18,759,765	5,768,002	-	24,527,767
Total assets	32,587,340	19,891,117	347,445	52,825,902
Deferred outflows of resources				
Deferred outflows related to pensions	69,360	5,549	-	74,909
Total deferred outflows of resources	69,360	5,549	-	74,909
Liabilities				
Current liabilities				
Accounts payable	348,148	206,540	29,408	584,096
Payroll liabilities	12,473	2,564	-	15,037
Due to other governments	312,735	-	-	312,735
Retainage payable	-	41,664	-	41,664
Unearned revenue	-	-	-	-
Current portion of long-term obligations	870,412	622,469	-	1,492,881
Current liabilities payable from restricted assets:				
Interest payable	39,348	30,149	-	69,497
Customer deposits	237,216	-	-	237,216
Total current liabilities	1,820,332	903,386	29,408	2,753,126
Noncurrent liabilities				
Net pension liability	70,257	5,620	-	75,877
Total OPEB liability	19,434	1,555	-	20,989
Long-term obligations	19,766,799	15,225,000	-	34,991,799
Total noncurrent liabilities	19,856,490	15,232,175	-	35,088,665
Total liabilities	21,676,822	16,135,561	29,408	37,841,791
Deferred inflows of resources				
Deferred inflows related to OPEB	6,558	525	-	7,083
Total deferred inflows of resources	6,558	525	-	7,083
Net Position				
Net investment in capital assets	(992,760)	2,775,008	-	1,782,248
Restricted for capital projects	2,057,231	965,103	-	3,022,334
Unrestricted	9,908,849	20,469	318,037	10,247,355
Total net position	\$ 10,973,320	\$ 3,760,580	\$ 318,037	\$ 15,051,937

City of Willow Park, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2023

	Water	Wastewater	Solid Waste	Totals
Operating revenues				
Charges for services	\$ 3,010,904	\$ 806,209	\$ 363,988	\$ 4,181,101
Impact fees	73,337	56,298	-	129,635
Tap fees	1,500	-	-	1,500
Other fees	81,956	-	-	81,956
Total operating revenues	3,167,697	862,507	363,988	4,394,192
Operating expenses				
Personnel	950,277	137,503	-	1,087,780
Contractual services	584,408	243,364	311,488	1,139,260
Supplies	413,321	68,835	-	482,156
Franchise fees	129,978	37,220	-	167,198
Utilities	157,509	112,909	-	270,418
Depreciation / amortization	425,474	181,014	-	606,488
Total operating expenses	2,660,967	780,845	311,488	3,753,300
Operating income	506,730	81,662	52,500	640,892
Nonoperating revenues (expenses)	2,961,449	295,940		
Investment earnings	155,585	86,254	8,442	250,281
Interest and fiscal charges	(300,482)	(244,521)	-	(545,003)
Capital grants	-	961,429	-	961,429
Total nonoperating revenues (expenses)	(144,897)	803,162	8,442	666,707
Income before transfers and contributions	361,833	884,824	60,942	1,307,599
Transfers and contributions				
Capital contributions	378,213	-	-	378,213
Transfers in	-	414,655	-	414,655
Transfers out	(414,655)	-	-	(414,655)
Total contributions	(36,442)	414,655	-	378,213
Change in net position	325,391	1,299,479	60,942	1,685,812
Net position, beginning of year	10,647,929	2,461,101	257,095	13,366,125
Net position, end of year	<u>\$ 10,973,320</u>	<u>\$ 3,760,580</u>	<u>\$ 318,037</u>	<u>\$ 15,051,937</u>

City of Willow Park, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2023

	Water	Wastewater	Solid Waste	Totals
Cash flows from operating activities:				
Cash received from customers	\$ 3,097,675	\$ 840,690	\$ 354,315	\$ 4,292,680
Cash paid to suppliers	(1,072,282)	(695,334)	(309,916)	(2,077,532)
Cash paid to employees	(941,556)	(136,153)	-	(1,077,709)
Net cash provided by operating activities	<u>1,083,837</u>	<u>9,203</u>	<u>44,399</u>	<u>1,137,439</u>
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(755,390)	(615,000)	-	(1,370,390)
Proceeds from issuance of lease liability	36,171	-	-	36,171
Principal payments on lease liability	(40,394)	(4,722)	-	(45,116)
Payments from other governments	686,740	961,429	-	1,648,169
Payments to other governments	(2,439,212)	-	-	(2,439,212)
Capital asset purchases	(1,954,368)	(1,012,702)	-	(2,967,070)
Capital contributions	378,213	-	-	378,213
Transfers from (to) other funds	(414,655)	414,655	-	-
Interest paid on long-term debt	(308,478)	(245,530)	-	(554,008)
Net cash used for capital and related financing activities	<u>(4,811,373)</u>	<u>(501,870)</u>	<u>-</u>	<u>(5,313,243)</u>
Cash flows from investing activities:				
Interest income	83,672	83,786	8,442	175,900
Net cash provided by investing activities	<u>83,672</u>	<u>83,786</u>	<u>8,442</u>	<u>175,900</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,643,864)</u>	<u>(408,881)</u>	<u>52,841</u>	<u>(3,999,904)</u>
Cash and cash equivalents at beginning of year	6,903,069	14,375,535	247,453	21,526,057
Cash and cash equivalents at end of year	<u>\$ 3,259,205</u>	<u>\$ 13,966,654</u>	<u>\$ 300,294</u>	<u>\$ 17,526,153</u>
Cash and cash equivalents	<u>\$ 1,683,892</u>	<u>\$ 13,456,296</u>	<u>\$ 300,294</u>	<u>\$ 15,440,482</u>
Restricted cash and cash equivalents	<u>1,575,313</u>	<u>510,358</u>	<u>-</u>	<u>2,085,671</u>
Total cash and cash equivalents - end of year	<u>\$ 3,259,205</u>	<u>\$ 13,966,654</u>	<u>\$ 300,294</u>	<u>\$ 17,526,153</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 506,730	\$ 81,662	\$ 52,500	\$ 640,892
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation / amortization expense	425,474	181,014	-	606,488
(Increase) decrease in assets:				
Accounts receivable	(83,239)	(21,817)	(9,673)	(114,729)
Deferred outflows	(84,444)	(6,756)	-	(91,200)
(Increase) decrease in liabilities:				
Accounts payable	212,934	(233,006)	1,572	(18,500)
Payroll liabilities	3,407	926	-	4,333
Customer deposits	13,217	-	-	13,217
Net pension asset	87,360	6,988	-	94,348
OPEB liability	(10,837)	(867)	-	(11,704)
Compensated absences payable	-	-	-	-
Deferred inflows	13,235	1,059	-	14,294
Net cash provided by operating activities:	<u>\$ 1,083,837</u>	<u>\$ 9,203</u>	<u>\$ 44,399</u>	<u>\$ 1,137,439</u>

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note A. Summary of Significant Accounting Policies

The accounting policies of the City of Willow Park, Texas (the City) conform to accounting principles generally accepted in the United States of America as applicable to governments. The following are the most significant accounting policies.

Financial Reporting Entity

The City was formed as an incorporated city in the state of Texas in 1963. The City is governed by an elected mayor and five-member City Council, and provides the following services to the citizens of the City: administration, development services, fire and rescue, legislative, municipal court, police, public works, parks, and roads, water, wastewater, and solid waste.

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Government-wide Financial Statements

The two government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all of the non-fiduciary activities of the City. Governmental activities, which include those activities primarily supported by taxes or intergovernmental revenue, are reported separately from business-type activities, which generally rely on fees and charges for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The Statement of Activities reflects the degree to which the direct expenses of a given function or segment is 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not categorized as program revenues are reported as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds to aid financial management activities and to demonstrate legal compliance. Separate financial statements are provided for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements, while all nonmajor funds are aggregated and presented in a single column. Detailed statements for nonmajor funds are presented within the Supplementary Information section.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note A. Summary of Significant Accounting Policies (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balances of current financial resources while the modified accrual basis of accounting is used. The City reports the following major governmental funds:

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

Debt Service Fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on long-term obligations paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Road Capital Projects Fund accounts for the proceeds of certificates of obligation used for the acquisition or construction of major capital improvements as established in bond documents.

Proprietary Funds

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the Statement of Net Position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, personnel and contractual services, supplies, franchise fees, utilities, and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major proprietary funds:

Water Fund accounts for the provision of regional water services to residential, commercial, industrial, and irrigation customers. All costs are financed through charges and rates based on the amount of service used, which is billed to customers and collected on a monthly basis. Rates are reviewed regularly and adjusted as necessary to ensure the integrity of the system.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note A. Summary of Significant Accounting Policies (Continued)

Wastewater Fund accounts for the provision of regional wastewater services to residential, commercial, industrial, and irrigation customers. All costs are financed through charges and rates based on the amount of service used, which is billed to customers and collected on a monthly basis. Rates are reviewed regularly and adjusted as necessary to ensure the integrity of the system.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary funds are reported and accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these activities are included in the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This focus is on the determination of and changes in financial position. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Revenues from taxes are considered available if received within 60 days after the fiscal year-end. Revenue from contributions and other grants are recognized when applicable eligibility requirements, including time requirements, are met and are considered available if received within 60 days after the fiscal year-end. Program revenues such as fines, licenses and permits, and other charges for services are considered to be measurable and available when cash is received. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt and certain estimated liabilities which are recorded only when the obligation has matured and is due and payable shortly after year-end as required by GAAP.

Budgets and Budgetary Accounting

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

1. Prior to the beginning of the fiscal year, the City Manager submits to the City Council proposed operating budgets, which include proposed expenditures and the means of financing them.
2. The City Council adopts the proposed budget, with or without amendment, after public hearings and before the first day of the ensuing fiscal year.
3. Annual budgets are adopted on a basis consistent with GAAP.
4. Unused appropriations of the above annually budgeted funds lapse at the end of each fiscal year.
5. The City Council may authorize additional appropriations during the year.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note A. Summary of Significant Accounting Policies (Continued)

The City adopts a budget annually for the General Fund and the budgetary comparison schedules are presented with required supplementary information. The City does not adopt a budget for the Debt Service Fund or the Roads Capital Projects Fund.

Excess of Expenditures Over Appropriations

For the year ended September 30, 2023, expenditures exceed appropriations in the General Fund. These excess expenditures were covered by available fund balance and the issuance of long-term debt.

Cash Equivalents

For purposes of the accompanying Statement of Cash Flows, the City considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, sidewalks, curbs, and drainage systems), are reported in the applicable governmental activities or business-type activities columns in the government-wide financial statements and in the proprietary funds' financial statements. The City defines capital assets as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation. Right-of-use assets are reported at present value of the future lease payments (lease liability), plus any ancillary cost to place the asset in service, plus any additional payments made at the beginning of the lease term, less any lease incentives received from the lessor prior to the commencement of the lease term.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend an asset's life is not capitalized. Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	5-40 years
Furniture and equipment	5-20 years
Vehicles	5-10 years
Infrastructure	20 years
Water and wastewater systems	25-40 years
Right-of-use asset	5 years

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note A. Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. On certificates of obligation and bonds payable, premiums and discounts are deferred and amortized over the life of the debt. Certificates of obligation and bonds payable are reported net of the applicable premium or discount. Issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued and any applicable premium or discount are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, and the debt repayment are reported as expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has deferred outflows of resources related to the pension plan reported in the Statement of Net Position. See additional information in Note K.

In addition to liabilities, the statement of net position and balance sheet include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and/or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has deferred inflows of resources related to unavailable revenue from property taxes, court fines, and leases reported in the Governmental Funds Balance Sheet and deferred inflows of resources related to leases and the other post-employment benefits (OPEB) plan reported in the Statement of Net Position. See additional information in Note L.

Fund Balance

The City adopted a fund balance policy in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations of other governments. Non-spendable fund balance includes amounts that are not in spendable form, or legally or contractually required to be maintained intact. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City CFO or the City Manager. Unassigned fund balance is the amount in the general fund in excess of what can be classified in one of the other four categories of fund balance. Unassigned amounts are technically available for any purpose.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note A. Summary of Significant Accounting Policies (Continued)

Except when expenditures are specifically budgeted and when multiple categories of fund balance are available for expenditure, the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds but will have the option to spend budgeted funds first.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets – This category consists of all capital assets net of accumulated depreciation/amortization and reduced by outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets.

Restricted net position – This category consists of external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, enabling legislation, and constitutional provisions.

Unrestricted net position – This category represents net position, not restricted for any project or other purpose.

When both restricted and unrestricted net position is available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Pensions

For purposes of measuring the Net Pension Liability (Asset), 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 additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

The total OPEB liability has been determined using the economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the total 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 these amounts.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note A. Summary of Significant Accounting Policies (Continued)

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for liability, property, and workers' compensation insurance. These are self-sustaining risk pools operated on a statewide basis for the benefit of several hundred Texas cities and other public entities. The City pays annual premiums to the TMLIRP, which retains the risk of loss for property, liability insurance, and workers' compensation.

There have been no significant reductions in coverage in the current fiscal year and there have been no settlements exceeding insurance coverage in the current year or the past three fiscal years.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of New Accounting Standard

For the year ended September 30, 2023, the City implemented Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement establishes requirements for accounting for applicable subscription-based information technology arrangements (SBITAs) based on the principle that a subscription asset derives from contracts that convey control of the right to use another entity's information technology software, alone or in combinations with tangible capital assets, for a specified period. In accordance with this statement, a government is required to recognize an intangible right-to-use subscription asset and a corresponding subscription liability. This statement was adopted by the City as of October 1, 2022. There was no effect on beginning net position or fund balances due to the implementation of this standard.

Note B. Deposits and Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the Investment Policy) that primarily emphasizes safety of principal, availability of liquidity to meet the City's obligations, and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the Investment Policy. The Investment Policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition, it includes an "Investment Strategy" that specifically addresses each fund's investment options and describes the priorities of safety, liquidity, yield, and public trust.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note B. Deposits and Investments (Continued)

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Obligations of the United States of America, its agencies and instrumentalities, which have a liquid market with a readily determinable market value.
2. Direct obligations of the State of Texas and agencies thereof.
3. Other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or the United States of America.
4. Obligations of the States, agencies thereof, Counties, Cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or it's equivalent.
5. Certificates of Deposit of state and national banks domiciled in Texas, guaranteed or insured by the Federal Deposit Insurance or it's successor or secured by obligations described in 1 through 4 above, or as further described in the Investment Policy.
6. Fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or it's agencies and instrumentalities pledged with a third party, selected by the Director of Finance, other than an agency for the pledgor.
7. Joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law.

External Investment Pools

As of September 30, 2023, the City's investments consisted of external investment pools, in compliance with the City's Investment Policy. The following investment is 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:

Texas Short Term Asset Reserve Program (TexSTAR) is a public funds investment pool governed by a board of directors. The Pool maintains an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool. Members are appointed and serve at the will of the Board. TexSTAR is rated AAAM by Standard and Poor's.

The external investment pool uses amortized cost to value portfolio assets and follows the criteria established by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The stated objective of the pool is to maintain a stable average of \$1.00 per unit net asset value. There are no limitations or restrictions on withdrawals.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note B. Deposits and Investments (Continued)

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 institutions, 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 credit 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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty of 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 significantly exposed to credit risk. At September 30, 2023, the City's investment in TexSTAR was rated as to credit quality as AAAm.

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 fiscal year-end, the City was not exposed to the concentration of credit risk.

Interest Rate Risk

In accordance with its Investment Policy, the City manages its risk of market price changes by avoiding over-concentration of assets in specific maturity sectors, limitation of average maturity of operating funds investments to one year, and avoidance of over-concentration of assets in specific instruments other than U.S. Treasury Securities and insured or collateralized certificates of deposit. As of September 30, 2023, the City was not invested in any securities which are highly sensitive to interest rate fluctuation.

The City's investments at September 30, 2023 included the following:

	<u>September 30, 2023</u>	<u>Weighted Average Maturity (in days)</u>
Investments measured at amortized cost/NAV:		
TexSTAR	<u>\$ 2,237,008</u>	30

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note C. Restricted Assets

Some of the City's assets have certain constraints that have been placed on how they can be used. By definition, restricted assets are non-current cash or other assets whose use, in whole or in part, is restricted for specific purposes bound by virtue of contractual agreement, legal requirements, or enabling legislation. The following cash and cash equivalents and certificates of deposit in the governmental and enterprise funds are restricted for the following purposes:

Texas Water Development Board Escrow	\$	685,550
Texas Water Development Board Interest & Sinking		666,699
Unspent bond proceeds		130,732
Grants		48
Debt service		249,319
Water impact fees		396,649
Wastewater impact fees		205,993
Customer deposits		108,511
First responder donations		136,217
Truancy prevention		26,476
Police donations		544
Total restricted cash and cash equivalents	\$	2,606,738

Note D. Restricted Fund Balance

Details of the City's restricted fund balance in the governmental funds financial statements are as follows:

Roads capital projects	\$	1,447,817
Debt service		249,319
Court security		58,158
Court technology		62,750
Police seizure funds		4,848
Tourism		466,784
Police and first responder contributions		134,869
Local truancy prevention		26,476
Other capital projects		63,743
Public access channel capital projects		138,353
Total Restricted Fund Balance	\$	2,653,117

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note E. Property Tax

Ad valorem taxes are levied each October 1 from valuations assessed as of the prior January 1 and are recognized as revenue when they become available beginning on the date of levy, October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. In the governmental fund financial statements, taxes not expected to be collected within sixty days of the fiscal year end are recorded as unearned revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred inflows of resources and recognized as revenue of the period to which they apply.

Note F. Interfund Balances and Activity

Balances due to and due from other funds at September 30, 2023 consisted \$708,622 due to the Roads Capital Projects Fund from the General Fund as a reimbursement for capital expenditures paid out of the General Fund. This is scheduled to be repaid within one year.

Transfers to and from other funds for the year ended September 30, 2023 consisted of \$414,655 transferred from the Water Fund to the Waste Water Fund for operating expenses.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note G. Capital Assets

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

	Balance 10/1/2022	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2023
Governmental activities				
Capital assets not being depreciated / amortized				
Land	\$ 126,027	\$ 832,966	\$ -	\$ 958,993
Construction in progress	502,321	5,812,051	-	6,314,372
Total capital assets not being depreciated / amortized	628,348	6,645,017	-	7,273,365
Other capital assets				
Buildings and improvements	6,903,332	7,366,251	-	14,269,583
Furniture and equipment	1,301,301	7,599	582,631	726,269
Vehicles	3,144,264	39,308	2,555,207	628,365
Infrastructure	10,690,577	195,473	-	10,886,050
Right-of-use assets - vehicles	339,345	176,562	-	515,907
Total other capital assets	22,378,819	7,785,193	3,137,838	27,026,174
Less accumulated depreciation / amortization for:				
Buildings and improvements	868,643	338,237	-	1,206,880
Furniture and equipment	887,886	89,452	551,541	425,797
Vehicles	1,918,629	108,778	1,436,778	590,629
Infrastructure	4,172,099	521,857	-	4,693,956
Right-of-use assets - vehicles	198,135	23,597	-	221,732
Total accumulated depreciation / amortization	8,045,392	1,081,921	1,988,319	7,138,994
Other capital assets, net	14,333,427	6,703,272	1,149,519	19,887,180
Governmental activities capital assets, net	<u>\$ 14,961,775</u>	<u>\$ 13,348,289</u>	<u>\$ 1,149,519</u>	<u>\$ 27,160,545</u>

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note G. Capital Assets (Continued)

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

	Balance 10/1/2022	Transfers/ Additions	Transfers/ Deletions	Balance 9/30/2023
Business-type activities				
Capital assets not being depreciated / amortized				
Land	\$ 394,576	\$ -	\$ -	\$ 394,576
Construction in progress	10,774,452	2,146,995	11,038,120	1,883,327
Total capital assets not being depreciated / amortized	11,169,028	2,146,995	11,038,120	2,277,903
Other capital assets				
Buildings and improvements	79,050	-	-	79,050
Furniture and equipment	864,422	180,303	-	1,044,725
Vehicles	394,738	-	-	394,738
Water system	12,229,875	10,236,730	-	22,466,605
Wastewater system	5,600,271	801,390	-	6,401,661
Right-of-use assets - vehicles	193,915	36,171	-	230,086
Total other capital assets	19,362,271	11,254,594	-	30,616,865
Less accumulated depreciation / amortization for:				
Buildings and improvements	35,433	1,976	-	37,409
Furniture and equipment	564,712	66,304	-	631,016
Vehicles	277,016	24,969	-	301,985
Water system	5,176,986	312,638	-	5,489,624
Wastewater system	1,606,019	180,147	-	1,786,166
Right-of-use assets - vehicles	100,347	20,454	-	120,801
Total accumulated depreciation / amortization	7,760,513	606,488	-	8,367,001
Other capital assets, net	11,601,758	10,648,106	-	22,249,864
Business-type activities capital assets, net	<u>\$ 22,770,786</u>	<u>\$ 12,795,101</u>	<u>\$ 11,038,120</u>	<u>\$ 24,527,767</u>

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note G. Capital Assets (Continued)

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

Governmental activities:	
Administration	\$ 579,747
Development services	253
Fire and rescue	157,351
Police	152,238
Public works, parks, and roads	192,332
Total governmental activities	\$ 1,081,921
 Business-type activities:	
Water	\$ 425,474
Wastewater	181,014
Total business-type activities	\$ 606,488

Note H. Long-Term Liabilities

Long-term liabilities at September 30, 2023 consists of the following:

Governmental Activities

General Obligation Bonds

General Obligation Refunding Bonds, Series 2012

- To refund the Certificates of Obligation, Series 2003.
- Original balance of \$4,190,000.
- Payable in annual installments of \$275,000 to \$520,000, maturing February 15, 2023.
- Interest payable February 15 and August 15 at 2.0% to 3.0%.
- Fully repaid at September 30, 2023.

General Obligation Bonds, Series 2016

- For the construction of public safety facilities for police and fire, and to finance various infrastructure improvement projects.
- Original balance of \$6,330,000.
- Payable in annual installments of \$165,000 to \$445,000, maturing February 15, 2046.
- Interest payable February 15 and August 15 at 4.0%.
- Outstanding balance of \$6,330,000 at September 30, 2023.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note H. Long-Term Liabilities (Continued)

Certificates of Obligation

Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2015

- To finance the purchase of equipment, machinery, vehicles, materials, and supplies for the public safety and public works departments.
- Original balance of \$866,438.
- Payable in annual installments of \$29,614 to \$86,417, maturing February 15, 2031.
- Interest payable February 15 and August 15 at 2.14%.
- Outstanding balance of \$277,126 at September 30, 2023.

Combination Tax and Revenue Certificates of Obligation, Series 2022

- To finance various infrastructure projects and to finance the improvements to the City's parks facilities.
- Original balance of \$5,045,000.
- Payable in annual installments of \$45,000 to \$535,000, maturing February 15, 2036.
- Interest payable February 15 and August 15 at 3.0% to 4.0%.
- Outstanding balance of \$5,045,000 at September 30, 2023.

Combination Tax and Revenue Certificates of Obligation, Series 2022A

- To finance the improvement of the municipal drainage utility system.
- Original balance of \$3,980,000.
- Payable in annual installments of \$190,000 to \$360,000, maturing February 15, 2037.
- Interest payable February 15 and August 15 at 4.0% to 5.0%.
- Outstanding balance of \$3,780,000 at September 30, 2023.

Combination Tax and Revenue Certificates of Obligation, Series 2023

- To finance the purchase of new city hall facilities.
- Original balance of \$4,310,000.
- Payable in annual installments of \$70,000 to \$275,000, maturing February 15, 2053.
- Interest payable February 15 and August 15 at 4.0% to 6.5%.
- Outstanding balance of \$4,310,000 at September 30, 2023.

Combination Tax and Revenue Certificates of Obligation, Series 2023A

- To finance the purchase of new city hall facilities.
- Original balance of \$4,190,000.
- Payable in annual installments of \$70,000 to \$300,000, maturing February 15, 2053.
- Interest payable February 15 and August 15 at 4.85% to 5.9%.
- Outstanding balance of \$4,190,000 at September 30, 2023.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note H. Long-Term Liabilities (Continued)

Tax Notes

Tax Notes, Series 2018

- To finance the acquisition, construction, improvement and maintenance of the City's streets, thoroughfares, bridges, alleyways, and sidewalks.
- Original balance of \$875,000.
- Payable in annual installments of \$105,000 to \$150,000, maturing February 15, 2025.
- Interest payable February 15 and August 15 at 2.81%.
- Outstanding balance of \$280,000 at September 30, 2023.

Tax Notes, Series 2018A

- To finance the construction and improvements to the City's public safety facilities.
- Original balance of \$640,000.
- Payable in annual installments of \$15,000 to \$150,000, maturing February 15, 2025.
- Interest payable February 15 and August 15 at 2.76%.
- Outstanding balance of \$290,000 at September 30, 2023.

Tax Notes, Series 2019

- To finance various infrastructure projects, including constructing draining improvements, and to finance the purchase of playground equipment for the City's parks.
- Original balance of \$2,365,000.
- Payable in annual installments of \$105,000 to \$810,000, maturing February 15, 2026.
- Interest payable February 15 and August 15 at 2.15%.
- Outstanding balance of \$1,730,000 at September 30, 2023.

Notes from Direct Borrowings

Brush Truck

- To fund the purchase of one brush truck for the fire department.
- Original balance of \$77,347.
- Payable in annual installments of \$9,106 including principal and interest, maturing February 28, 2024.
- Interest payable annually on February 28 at 3.626%.
- Outstanding balance of \$8,786 at September 30, 2023.

Fire Truck

- To fund the purchase of one fire truck.
- Original balance of \$406,651.
- Payable in annual installments of \$48,292 including principal and interest, maturing April 21, 2027.
- Interest payable annually on April 21 at 3.28%.
- Full repaid at September 30, 2023. See Note N.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note H. Long-Term Liabilities (Continued)

Radios & Equipment

- To fund the purchase of radios and equipment for the fire and police departments.
- Original balance of \$373,072.
- Payable in annual installments of \$47,013 including principal and interest, maturing October 30, 2028.
- Interest payable annually on October 30 at 4.38%
- Outstanding balance of \$210,066 at September 30, 2023.

Ladder Truck

- To fund the purchase of a Chassis ladder truck.
- Original balance of \$1,499,005.
- Payable in annual installments of \$195,651 including principal and interest, maturing January 16, 2030.
- Interest payable annually on January 16 at 4.29%
- Full repaid at September 30, 2023. See Note N.

The annual requirements to amortize long-term debt as of September 30, 2023 are as follows:

Year Ending	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2024	\$ 325,000	\$ 225,300	\$ 228,538	\$ 718,646
2025	340,000	212,000	238,532	676,252
2026	355,000	198,100	248,525	665,178
2027	380,000	183,400	394,614	649,427
2028	395,000	167,900	417,306	631,078
2029-2033	1,625,000	608,100	3,164,611	2,806,363
2034-2038	980,000	381,050	4,735,000	1,869,115
2039-2043	1,150,000	205,350	3,585,000	1,110,813
2044-2048	780,000	35,700	2,000,000	659,182
2049-2053	-	-	2,590,000	230,117
Total	\$ 6,330,000	\$ 2,216,900	\$ 17,602,126	\$ 10,016,171

Year Ending	Tax Notes		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 720,000	\$ 44,439	\$ 45,138	\$ 10,981
2025	770,000	26,613	37,943	9,070
2026	810,000	8,708	39,605	7,408
2027	-	-	41,340	5,673
2028	-	-	43,150	3,863
2029-2033	-	-	11,676	1,973
Total	\$ 2,300,000	\$ 79,760	\$ 218,852	\$ 38,968

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note H. Long-Term Liabilities (Continued)

Business-type activities

General Obligation Bonds

General Obligation Refunding Bonds, Series 2012

- To refund the Certificates of Obligation, Series 2003.
- Original balance of \$945,000.
- Payable in annual installments of \$10,000 to \$105,000, maturing February 15, 2023.
- Interest payable February 15 and August 15 at 2.0% to 3.0%.
- Fully repaid at September 30, 2023.

Certificates of Obligation

Combination Tax and Water and Sewer System Surplus Revenue Certificates of Obligation, Series 2014 (Texas Water Development Board Drinking Water State Revolving Fund (TWDB DWSRF))

- To finance the improvement of the municipal water system.
- Original balance of \$685,000.
- Payable in annual installments of \$30,000 to \$40,000, maturing February 15, 2035.
- Interest payable February 15 and August 15 at 0.43% to 2.59%.
- Outstanding balance of \$445,000 at September 30, 2023.

Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2015

- To finance the purchase of equipment, machinery, vehicles, materials, and supplies for the public safety and public works departments.
- Original balance of \$513,562.
- Payable in annual installments of \$18,084 to \$43,583, maturing February 15, 2031.
- Interest payable February 15 and August 15 at 2.14%.
- Outstanding balance of \$217,874 at September 30, 2023.

Combination Tax and Water and Sewer System Surplus Revenue Certificates of Obligation, Series 2016 (TWDB DWSRF)

- To finance the improvement of the water system properties or facilities.
- Original balance of \$995,000.
- Payable in annual installments of \$45,000 to \$55,000, maturing February 15, 2037.
- Interest payable February 15 and August 15 at 0.04% to 1.62%.
- Outstanding balance of \$720,000 at September 30, 2023.

Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2017

- To finance the improvement of the sewer properties or facilities, including Force Mains and a Wastewater Treatment Plant.
- Original balance of \$2,725,000.
- Payable in annual installments of \$195,000 to \$265,000, maturing February 15, 2032.
- Interest payable February 15 and August 15 at 2.74%.
- Outstanding balance of \$2,125,000 at September 30, 2023.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note H. Long-Term Liabilities (Continued)

Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2019 (TWDB DWSRF)

- To finance the improvement of the water system properties or facilities.
- Original balance of \$13,770,000.
- Payable in annual installments of \$435,000 to \$510,000, maturing February 15, 2050.
- Interest payable February 15 and August 15 at 0.04% to 0.91%.
- Outstanding balance of \$12,465,000 at September 30, 2023.

Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2021

- To finance the improvement of the water system properties or facilities.
- Original balance of \$6,270,000.
- Payable in annual installments of \$155,000 to \$335,000, maturing February 15, 2050.
- Interest payable February 15 and August 15 at 3.00%.
- Outstanding balance of \$6,270,000 at September 30, 2023.

Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2021 (TWDB DWSRF)

- To finance the improvement of the water system properties or facilities.
- Original balance of \$14,130,000.
- Payable in annual installments of \$410,000 to \$590,000, maturing February 15, 2052.
- Interest payable February 15 and August 15 at 0.60% to 2.11%.
- Outstanding balance of \$13,720,000 at September 30, 2023.

Notes from Direct Borrowings

Freightliner

- To fund the purchase of one freightliner for the public works department.
- Original balance of \$156,458.
- Payable in annual installments of \$18,419 including principal and interest, maturing February 29, 2024.
- Interest payable annually on February 28 at 3.20%.
- Outstanding balance of \$17,775 at September 30, 2023.

Water Meters

- To fund the purchase of water meters.
- Original balance of \$382,799.
- Payable in annual installments of \$82,373 including principal and interest, maturing March 4, 2026.
- Interest payable annually on March 4 at 2.49%.
- Outstanding balance of \$235,303 at September 30, 2023.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note H. Long-Term Liabilities (Continued)

The annual requirements to amortize long-term debt as of September 30, 2023 are as follows:

Year Ending	Certificates of Obligation		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2024	\$ 1,321,462	\$ 520,111	\$ 94,287	\$ 6,504
2025	1,336,468	504,453	78,419	3,954
2026	1,346,475	489,516	80,372	2,001
2027	1,360,386	474,269	-	-
2028	1,372,693	457,906	-	-
2029-2033	6,845,390	2,019,542	-	-
2034-2038	5,900,000	1,629,602	-	-
2039-2043	5,995,000	1,208,834	-	-
2044-2048	6,530,000	681,177	-	-
2049-2053	3,955,000	126,380	-	-
Total	\$ 35,962,874	\$ 8,111,790	\$ 253,078	\$ 12,459

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note H. Long-Term Liabilities (Continued)

The following is a summary of the changes by type of long-term liabilities for the year ended September 30, 2023:

	Balance 10/1/2022	Additions	Retirements	Balance 9/30/2023	Due Within One Year
<u>Governmental activities</u>					
General obligation bonds	\$ 6,850,000	\$ -	\$ 520,000	\$ 6,330,000	\$ 325,000
Certificates of obligation	9,388,543	8,500,000	286,417	17,602,126	228,538
Tax notes	2,715,000	-	415,000	2,300,000	720,000
Notes from direct borrowings	1,783,201	-	1,564,349	218,852	45,138
Unamortized debt premium	1,632,317	225,044	108,432	1,748,929	130,321
Lease liability	151,539	176,562	90,567	237,534	78,147
Net pension liability (asset)	(49,941)	419,029	163,940	205,148	-
Compensated absences	261,814	68,043	199,662	130,195	130,195
Total OPEB liability	88,391	9,410	41,054	56,747	-
Total governmental activities	22,820,864	9,398,088	3,389,421	28,829,531	1,657,339
<u>Business-type activities</u>					
General obligation bonds	105,000	-	105,000	-	-
Certificates of obligation	37,136,454	-	1,173,580	35,962,874	1,321,462
Notes from direct borrowings	344,885	-	91,807	253,078	94,287
Unamortized debt premium	170,276	-	6,081	164,195	6,082
Lease liability	75,608	36,171	45,116	66,663	33,180
Net pension liability (asset)	(18,471)	154,983	60,635	75,877	-
Compensated absences	37,871	24,508	24,509	37,870	37,870
Total OPEB liability	32,693	3,480	15,184	20,989	-
Total business-type activities	37,884,316	219,142	1,521,912	36,581,546	1,492,881
Total	\$ 60,705,180	\$ 9,617,230	\$ 4,911,333	\$ 65,411,077	\$ 3,150,220

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note I. Leases

Lessee

The City leases thirteen vehicles for use by the police department, fire marshal department, and public works, parks, and roads department. Each vehicle's original lease term is 60 months with monthly payments ranging from \$327 to \$1,001. Interest rates range from 3.69% to 7.97%.

The City leases several vehicles for use by the water department and wastewater department. Each vehicle's original lease term is 60 months with monthly payments ranging from \$419 to \$741. Interest rates range from 3.80% to 7.97%.

There were no variable payments or residual value guarantees or penalties not included in the measurement of the leases. The City did not have any commitments under leases not yet commenced at year-end, components of losses associated with asset impairments, or sublease transactions for fiscal year 2023.

The annual requirements to amortize lease activity as of September 30, 2023 are as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 78,147	\$ 13,041	\$ 33,180	\$ 3,141
2025	63,261	9,066	13,272	2,017
2026	43,489	5,589	11,113	1,119
2027	39,965	2,606	8,370	424
2028	12,672	275	728	5
	<u>\$ 237,534</u>	<u>\$ 30,577</u>	<u>\$ 66,663</u>	<u>\$ 6,706</u>

Lessor

Upon purchasing the new city hall building in May 2023, the City assumed two leases, as the lessor, for tenants in building. The terms of the agreements are as follows:

Original Term	Ending Date	Monthly Rent
42 months	June 30, 2026	\$4,500 - \$4,595
36 months	December 31, 2026	\$9,570 - \$10,591

Rent is payable on the first day of each month. Lease revenue of \$39,612 and interest income of \$7,775 were recognized for the year ended September 30, 2023.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note I. Leases (Continued)

Future payments due to the City under the leases are as follows:

Fiscal Year		
<u>Ending</u>	<u>Principal</u>	<u>Interest</u>
2024	\$147,778	\$25,799
2025	161,320	16,655
2026	160,887	679
2027	<u>31,461</u>	<u>311</u>
	<u>\$501,446</u>	<u>\$43,444</u>

Note J. Compensated Absences and Sick Leave

It is the City’s policy to permit employees to accumulate earned but unused compensatory time, vacation leave, sick leave, and holiday time benefits. Nonexempt employees may earn compensatory time in lieu of being paid overtime. Employees may carry over 120 hours of compensatory time and upon separation from employment will be paid for the time at their hourly rate at the time of termination. Employees may carry over a maximum of 240 hours of vacation leave and upon termination will be paid for vacation time up to 240 hours at their hourly rate at the time of termination. Employees may carry over a maximum of 480 hours of sick leave, however, upon termination, resignation or other separation from employment, no payment will be made for unused sick leave. Police employees may accrue holiday time when they work on a holiday up to a maximum of 104 hours each year. Upon termination, resignation or other separation from employment, no payment will be made for unused holiday time. A liability for the accrued compensatory time and vacation leave amounts are reported in the government-wide and proprietary fund financial statements but in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Compensated absences of the governmental activities and business-type activities are paid by the general fund and water and wastewater funds, respectively.

Note K. Defined Benefit Pension Plan

Plan Description

The City participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at *tmrs.com*.

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

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note K. Defined Benefit Pension Plan (Continued)

Benefits Provided

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

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

Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	0%
Annuity increase (to retirees)	0% of CPI

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	30
Active employees	<u>48</u>
Total	<u><u>98</u></u>

Contributions

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

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 6.91% and 6.99% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$227,424 and were equal to the required contributions.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note K. Defined Benefit Pension Plan (Continued)

Net Pension Liability

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

Actuarial assumptions:

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

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 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 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note K. Defined Benefit Pension Plan (Continued)

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equities	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
Total	<u>100.00%</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 member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note K. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability (Asset)

Changes in the NPL / NPA	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2021	\$ 3,366,175	\$ 3,434,587	\$ (68,412)
Changes for the year:			
Service cost	428,417	-	428,417
Interest	238,161	-	238,161
Difference between expected and actual experience	(118,575)	-	(118,575)
Contributions - employer	-	224,571	(224,571)
Contributions - employee	-	224,892	(224,892)
Net investment income	-	(251,317)	251,317
Benefit payments, including refunds of employee contributions	(104,151)	(104,151)	-
Administrative expense	-	(2,170)	2,170
Other changes	-	2,590	(2,590)
Net changes	<u>443,852</u>	<u>94,415</u>	<u>349,437</u>
Balance at 12/31/2022	<u>\$ 3,810,027</u>	<u>\$ 3,529,002</u>	<u>\$ 281,025</u>

Sensitivity of the Net Pension Liability (Asset) to changes in the discount rate:

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net pension liability (asset)	\$ 939,511	\$ 281,025	\$ (249,763)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$239,012.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note K. Defined Benefit Pension Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 130,007
Changes of assumptions	1,068	-
Net difference between projected and actual earnings	241,235	-
Contributions made subsequent to measurement date	165,146	-
Total	\$ 407,449	\$ 130,007

\$165,146 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the Net Pension Liability (Asset) for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement year ended December 31:	
2023	\$ (5,003)
2024	24,258
2025	31,092
2026	72,725
2027	(10,776)
Total	\$ 112,296

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note L. Other Postemployment Benefits

Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The City has elected, by ordinance, to participate in this program and provide group-term life insurance coverage for both active and retired employees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be a single-employer unfunded other postemployment benefit (OPEB) plan. Since only the retiree participants qualifies as an OPEB, the SDBF is administered through a non-qualifying trust per paragraph 4, item (b), of the Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions."

Benefits Provided

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

Employees covered by benefit terms.

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

Inactive employees currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	11
Active employees	48
Total	72

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. As such, contributions fund the covered active member and retiree deaths on a pay-as-you-go basis.

The City's contributions to the TMRS SDBF for the year ended September 30, 2023 were \$1,223, which equaled the required contributions.

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note L. Other Postemployment Benefits (Continued)

Actuarial assumptions:

The TOL in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	4.05%
Retirees' share of benefit-related costs	\$0

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022. All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68. Mortality rates for service retirees are based on 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Mortality rates for disabled retirees are based on 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 through December 31, 2018.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2021	\$ 121,084
Changes for the year:	
Service cost	10,574
Interest	2,316
Difference between expected and actual experience	(2,380)
Changes of assumptions	(52,897)
Benefit payments	(961)
Net changes	<u>(43,348)</u>
Balance at 12/31/2022	<u>\$ 77,736</u>

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note L. Other Postemployment Benefits (Continued)

Sensitivity of the Total OPEB Liability to changes in the discount rate:

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

	1% Decrease in Discount Rate (3.05%)	Current Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB liability	\$ 97,319	\$ 77,736	\$ 63,092

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

For the fiscal year ended September 30, 2023, the City recognized OPEB expense of \$10,809.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,030
Changes of assumptions	-	24,156
Contributions made subsequent to measurement date	956	-
Total	\$ 956	\$ 27,186

The City reported \$956 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability for the year fiscal ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement year ended December 31:	
2023	\$ (2,081)
2024	(2,081)
2025	(2,697)
2026	(2,855)
2027	(6,272)
Thereafter	(11,200)
Total	\$ (27,186)

City of Willow Park, Texas
Notes to Financial Statements
September 30, 2023

Note M. Interlocal Agreement

In 2019, the City entered into an interlocal agreement with the City of Hudson Oaks to design, construct, and maintain a water transmission line to bring water service from Fort Worth's existing water supply line to the cities, including necessary storage facilities, pumping stations, and other appurtenances. The agreement established that the City would issue the debt for the entire cost of the project: the Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligations, Series 2019, and the Combination Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2021, as further detailed in Note H. Per the agreement, the cities agreed to take on a pro-rata share of the capital assets and debt liabilities associated with the project. The City's share of the project is 52% and the City of Hudson Oaks' share is 48%.

The outstanding amounts associated with the City of Hudson Oaks' share are reported in the Proprietary Funds Statement of Net Position. Due from other governments represents the City of Hudson Oaks' 48% share of the outstanding debt balance and due to other governments represents the City of Hudson Oaks' 48% share of the debt proceeds, less the amount that has been spent on project costs, plus interest earned. Balances at September 30, 2023 are:

Due from other governments	\$ 8,422,287
Due to other governments	\$ 312,735

Note N. Transfer of Fire Department Services

Effective March 24, 2023, the City entered into an intergovernmental agreement with Parker County Emergency Services District No. 1 (the ESD) to transfer its fire protection services to the ESD for the purpose of enhancing the provision of those service to the City's citizens. In connection with the agreement, the City transferred most of the fire department personnel to the ESD along with a payment equal to the remaining fire department budget as of the date of transfer to fund operations for the remaining portion of the fiscal year. Additionally, the ESD purchased certain assets from the City that were used in fire department operations. As a result of the transfer, the City recognized a loss on the disposal of \$610,704 on its government statement of revenues, expenditures and changes and fund balance and a loss of \$420,087 on its governmental activities statement of activities as special items. The difference between these losses is due to \$1,340,136 in debt principal payments recognized as expense on the fund financial statements but as a reduction of long-term liabilities on the government-wide financial statements and (\$1,149,518) to adjust from the total proceeds from the sale of capital assets shown on the fund level financial statements to the gain on disposal as reported in the government-wide financial statements.

Note O. Commitments

The City has several construction contracts for improvements to the drainage system and the new wastewater treatment plant outstanding at year end. As of September 30, 2023, outstanding construction contracts totaled \$2,896,032 and \$550,000 in the governmental funds and the wastewater fund, respectively.

Note P. Subsequent Events

The City evaluated subsequent events through March 7, 2024, the date the financial statements were available to be issued. On January 9, 2024, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2024, in the amount of \$3,960,000 to be used for wastewater system improvements.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[CLOSING DATE]

Norton Rose Fulbright US LLP
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United States

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IN REGARD to the authorization and issuance of the “City of Willow Park, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024A,” dated December 1, 2024, in the principal amount of \$_____ (the “Certificates”), we have examined into their issuance by the City of Willow Park, Texas (the “City”), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Certificates mature on February 15 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the “Ordinance”), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Certificates, including the Ordinance and an examination of the initial Certificate executed and delivered by the City (which we found to be in due form and properly executed); (ii) certifications of officers of the City relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the City and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Certificates, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a pledge of the surplus Net Revenues (as defined in the Ordinance) of the City’s Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with the general principles of equity.

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "City of Willow Park, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2024A"

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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