

OFFICIAL STATEMENT

Dated August 30, 2022

Rating:
S&P: "AA-"
(See "Other Information -
Rating" herein)

NEW ISSUE - Book-Entry-Only

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

THE CERTIFICATES ARE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$4,555,000

CITY OF WHITE SETTLEMENT, TEXAS

(Tarrant County)

**COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2022**



Dated Date: September 1, 2022
Interest Accrues from Delivery Date

Due: February 15, as shown on page 2

PAYMENT TERMS . . . Interest on the \$4,555,000 City of White Settlement, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2022 (the "Certificates") will accrue from the Delivery Date (defined below), and will be payable February 15 and August 15 of each year, commencing February 15, 2023, 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. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "The Certificates - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of the City of White Settlement, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's Water and Wastewater System, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "The Certificates - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys, sidewalks, bridges and related utility relocation, drainage, signalization, landscaping, lighting and signage and including acquiring land and interests in land therefor; (ii) constructing and equipping municipal drainage improvements, including flood control and flood mitigation improvements and acquiring land therefor; (iii) constructing, acquiring, installing and equipping additions, extensions and improvements to the City's water and wastewater system and acquiring land and interests in land therefor; (iv) constructing, acquiring, installing and equipping park and recreational improvements in the City; (v) renovating, improving and equipping existing City buildings and facilities; and (vi) paying legal, fiscal, engineering and other architectural fees in connection with such projects (see "Plan of Financing - Purpose of the Certificates").

MATURITY SCHEDULE

See page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on or about September 28, 2022 (the "Delivery Date").

MATURITY SCHEDULE

CUSIP Prefix: 964542⁽¹⁾

<u>Principal Amount</u>	<u>Maturity (February 15)</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>	<u>Principal Amount</u>	<u>Maturity (February 15)</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix⁽¹⁾</u>
\$ 125,000	2023	3.000%	2.350%	RW6	\$ 225,000	2033	3.500%	3.100% ⁽²⁾	SG0
170,000	2024	3.000%	2.400%	RX4	235,000	2034	3.750%	3.200% ⁽²⁾	SH8
175,000	2025	3.000%	2.450%	RY2	240,000	2035	3.750%	3.250% ⁽²⁾	SJ4
180,000	2026	3.000%	2.470%	RZ9	250,000	2036	3.750%	3.300% ⁽²⁾	SK1
190,000	2027	3.000%	2.500%	SA3	260,000	2037	4.000%	3.350% ⁽²⁾	SL9
195,000	2028	3.000%	2.600%	SB1	270,000	2038	4.000%	3.400% ⁽²⁾	SM7
200,000	2029	3.000%	2.700%	SC9	285,000	2039	4.000%	3.450% ⁽²⁾	SN5
205,000	2030	3.000%	2.800%	SD7	295,000	2040	4.000%	3.550% ⁽²⁾	SP0
210,000	2031	3.000%	2.900%	SE5	305,000	2041	4.000%	3.600% ⁽²⁾	SQ8
220,000	2032	3.000%	3.000%	SF2	320,000	2042	4.000%	3.650% ⁽²⁾	SR6

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(2) Yield shown is yield to first call date of August 15, 2032.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2032, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "The Certificates – Optional Redemption").

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.

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 representation, promise, or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "Other Information - Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

Neither the City nor its Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

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

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with a purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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

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

OFFICIAL STATEMENT SUMMARY

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

- THE CITY**..... The City of White Settlement, Texas (the "City") is a political subdivision and municipal corporation of the State, located in Tarrant County, Texas. The City covers approximately 4.87 square miles (see "Introduction - Description of the City").
- THE CERTIFICATES** The \$4,555,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2022 are to mature on February 15 in the years 2023 through 2042, inclusive (see "The Certificates - Description of the Certificates").
- PAYMENT OF INTEREST** Interest on the Certificates accrues from the Delivery Date, and is payable February 15, 2023, and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Certificates - Description of the Certificates").
- 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 adopted by the City Council of the City on August 30, 2022 (see "The Certificates - Authority for Issuance").
- SECURITY FOR THE CERTIFICATES** The Certificates constitute direct obligations of the City, payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's Water and Wastewater System (the "System") as provided in the Ordinance (see "The Certificates - Security and Source of Payment").
- OPTIONAL REDEMPTION** The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2032, or any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption (see "The Certificates – Optional Redemption.”).
- TAX MATTERS** In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes, subject to the matters described under the caption "Tax Matters" herein, statutes, regulations, published rulings and court decisions on the date thereof, including the alternative minimum tax on certain corporations.
- USE OF PROCEEDS** Proceeds from the sale of the Certificates will be used for Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys, sidewalks, bridges and related utility relocation, drainage, signalization, landscaping, lighting and signage and including acquiring land and interests in land therefor; (ii) constructing and equipping municipal drainage improvements, including flood control and flood mitigation improvements and acquiring land therefor; (iii) constructing, acquiring, installing and equipping additions, extensions and improvements to the City's water and wastewater system and acquiring land and interests in land therefor; (iv) and constructing, acquiring, installing and equipping park and recreational improvements in the City; (v) renovating, improving and equipping existing City buildings and facilities; and (vi) paying legal, fiscal, engineering and other architectural fees in connection with such projects (see "Plan of Financing – Purpose of the Certificates")
- RATING** The Certificates are rated "AA-" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") without regard to credit enhancement.
- QUALIFIED TAX-EXEMPT OBLIGATIONS** The City has designated the Certificates as "qualified tax-exempt obligations" for financial institutions (see "TAX MATERS – Qualified Tax-Exempt Obligations for Financial Institutions”).

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

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

PAYMENT RECORD The City has never defaulted in payment of its general obligation tax debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population	Taxable Assessed Valuation ⁽³⁾	Taxable Assessed Valuation Per Capita	Net	Per Capita Net Funded Tax Debt	Ratio Net	% of Total Tax Collections
				Tax Debt Outstanding at End of Fiscal Year		Tax Debt to Taxable Assessed Valuation	
2018	17,380 ⁽¹⁾	\$ 702,737,371	\$ 40,434	\$ 16,755,000	\$ 964	2.38%	99.47%
2019	17,600 ⁽¹⁾	748,031,339	42,502	15,965,000	907	2.13%	99.11%
2020	17,740 ⁽¹⁾	985,895,037	55,575	15,170,000	855	1.54%	97.47%
2021	17,740 ⁽²⁾	934,556,830	52,681	14,355,000	809	1.54%	98.95%
2022	17,824 ⁽²⁾	1,100,888,069	61,764	18,910,000 ⁽⁴⁾	1,061	1.72%	97.56% ⁽⁵⁾

- (1) Source: North Central Texas Council of Governments.
- (2) Estimated, provide by City Staff.
- (3) As reported by Tarrant Appraisal District.
- (4) Projected, excludes self-supporting debt and includes the Certificates.
- (5) Collections through partial year only, through May 31, 2022.

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Ronald A. White Mayor	7 Years 6 Months	November, 2023	Retired
Paul Moore Councilmember, Place 1	7 Years 6 Months	November, 2023	Retired
Evelyn Spurlock Mayor Pro Tem, Place 2	5 Years 7 Months	November, 2022	Mortgage Underwriter
Amber Munoz Councilmember, Place 3	1 Year 4 Months	November, 2022	Emergency Dispatcher
William Wright Councilmember, Place 4	1 Month	November, 2024	Facility Lead Planner
Gregg Geesa Councilmember, Place 5	4 Years 7 Months	November, 2024	Business Owner

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service With the City</u>	<u>Length of Service in Current Position</u>
Jeff James	City Manager	14 Years	5 Years
Krystal Crump	Finance Director	5 Years	4 Years
Amy Arnold	City Secretary	14 Years	14 Years
Drew Larkin	City Attorney	4 Years	4 Years

CONSULTANTS AND ADVISORS

Auditors Pattillo, Brown & Hill L.L.P
Waco, Texas

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

Financial Advisors Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the City, please contact:

Krystal Crump Finance Director City of White Settlement 214 Meadow Park Drive White Settlement, Texas 76108 (817) 246-4971	or	Laura Alexander Robert Spears Hilltop Securities Inc. 777 Main Street, Suite 1525 Fort Worth, Texas 76102 (817) 332-9710
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OFFICIAL STATEMENT
RELATING TO
\$4,555,000
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2022

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$4,555,000 City of White Settlement, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2022 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined) adopted on the date of sale of the Certificates, except as otherwise indicated herein.

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

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "OTHER INFORMATION – Forward-Looking Statements Disclaimer").

DESCRIPTION OF THE CITY . . . The City is a political subdivision and a municipal corporation of the State, duly organized and existing under the laws of the State of Texas, including the City's Home Rule Charter. The City was incorporated in 1941, and first adopted its Home Rule Charter in 1954, which was last amended November 3, 2015. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers who are elected for staggered three-year terms. The Council formulates the policies while the City Manager is the chief administrative officer for the City. Some of the services that the City provides are public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2020 U.S. Census population for the City was 18,269, while the estimated 2021 population is 17,842. The City covers approximately 4.87 square miles.

INFECTIOUS DISEASE OUTBREAK (COVID-19) . . . In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities. Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment.

The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and City revenues and expenses. The City cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19 or a similar virus on the City's operations or financial condition.

CARES ACT GRANT

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) established the Coronavirus Relief Fund (the “Fund”) which is to be used to cover costs that are necessary expenditures incurred by states and certain local governments due to the public health emergency with respect to COVID-19. Such funds are required to be used to pay for expenditures made to respond to the public health emergency, including direct medical or public health needs, providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures and payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to COVID-19. Funds may not be used to cover shortfalls in government revenue when that revenue would have been used to cover expenditures that would not otherwise qualify under the CARES Act. The City received \$968,000 of such funding and has spent all such funds as of December 2021.

AMERICAN RESCUE PLAN ACT (ARPA)

The American Rescue Plan Act (ARPA) which establishes the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund (together the “Fiscal Recovery Funds”) provides State, local, and Tribal governments with significant resources to respond to the COVID–19 public health emergency and its economic impacts through four categories of eligible uses: (a) to respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; (b) to respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers; (c) for the provision of government services to the extent of the reduction in revenue due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and (d) to make necessary investments in water, sewer, or broadband infrastructure.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for Proceeds from the sale of the Certificates will be used for (i) constructing and improving streets, roads, alleys, sidewalks, bridges and related utility relocation, drainage, signalization, landscaping, lighting and signage and including acquiring land and interests in land therefor; (ii) constructing and equipping municipal drainage improvements, including flood control and flood mitigation improvements and acquiring land therefor; (iii) constructing, acquiring, installing and equipping additions, extensions and improvements to the City’s water and wastewater system and acquiring land and interests in land therefor; (iv) constructing, acquiring, installing and equipping park and recreational improvements in the City; (v) renovating, improving and equipping existing City buildings and facilities; and (vi) paying legal, fiscal, engineering and other architectural fees in connection with such projects.

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

<u>Sources of Funds</u>	
Par Amount	\$ 4,555,000.00
Net Premium Bid	87,841.82
Total Sources of Funds	<u>\$ 4,642,841.82</u>
<u>Uses of Funds</u>	
Deposit to Project Fund	\$ 4,570,841.82
Costs of Issuance	72,000.00
Total Uses of Funds	<u>\$ 4,642,841.82</u>

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated September 1, 2022, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the Delivery Date and 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, 2023 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 owners thereof.** Principal of 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 “Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the ordinance to be adopted by the City Council authorizing the issuance of the Certificates (the “Ordinance”).

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the ordinance to be adopted by the City Council authorizing the issuance of the Certificates (the “Ordinance”).

SECURITY AND SOURCE OF PAYMENT . . . The principal of and interest on the Certificates are payable from a direct and continuing ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City. Additionally, the Certificates are payable from a limited pledge (not to exceed \$1,000) of surplus net revenues of the City's water and wastewater system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue obligations (now or hereafter outstanding) that are payable from all or part of said revenues, all as provided in the Ordinance.

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

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2032, or any date thereafter, at a price equal to the principal amount called for redemption plus accrued interest to the date fixed for redemption. If less than all of the Certificates are to be redeemed, the City shall determine the maturity or maturities fixed and amounts thereof to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the City shall direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to call by lot the Certificates, or portions thereof, within such maturity or maturities and in such principal amounts for redemption. If any Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If notice of conditional 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.

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 ALL OTHER CONDITIONS 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.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, to mature as to principal and interest in such amounts and at such times to 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 Defeasance Securities. The Ordinance provides that “Defeasance Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on

deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all rights of the City to initiate proceedings to take any action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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, Financial Advisor and the Initial Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The City and the Initial Purchaser 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) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Certificates in the aggregate principal amount thereof and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. 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.

PAYMENT . . . Interest on the Certificates shall 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 (defined below), and such interest shall 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 their stated maturity upon presentation 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 shall be 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 shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the definitive Certificates will be registered and delivered only to Cede & Co., the nominee of 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.

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 (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate called for redemption, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

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

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

AMENDMENTS . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make sure other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interest of the holders. The Ordinance further provides that the holders of the Certificates, as applicable, aggregating in principal amount 51% of the outstanding Certificates, as the case may be, shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

CERTIFICATEHOLDERS' REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner of a Certificate is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The

issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the owners of the Certificate 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 Interest, Ltds. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) 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. 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, owners of Certificates may not be able to bring such a suit against the City for breach of the Certificates or the Ordinance covenants in the absence of City action. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the Registered Owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to governmental immunity and to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

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

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TAX INFORMATION

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

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Collin Central Appraisal District and Denton Central Appraisal District (collectively, 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 city in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the 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 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.

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

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

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

TAX INCREMENT 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. See "Tax Information – Tax Abatement Policy" for descriptions of the City's tax abatement program.

For a discussion of how the various exemptions described above are applied by the City, see "Tax Information – City Application of Property Tax Code" herein.

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.

Beginning in the 2020 tax year, 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 is set at \$50 million for the 2020 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.

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.

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

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

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

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

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

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

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

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

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

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

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

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

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

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.

DEBT TAX RATE LIMITATIONS . . . 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 supported debt, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

THE 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.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of February 15. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 15 of each year and the final installment due on August 15.

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 \$37,000; the disabled are also granted an exemption of \$10,000.

The City has granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of \$5,000.

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

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt. The City does not tax nonbusiness personal property; and Tarrant County collects taxes for the City.

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

The City does not tax freeport property.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does collect the additional one-half cent sales tax for economic development.

The City does collect the additional one-half cent sales tax for a crime district program.

The City does not tax goods in transit.

The City has adopted a tax abatement policy.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. Generally, projects are eligible for a tax abatement of up to 100% in real and personal property tax reductions of investment by the business in eligible property for a period of 10 years. Currently the city does not have any tax abatements outstanding.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2021/22 Market Valuation Established by Tarrant Appraisal District		\$ 1,440,268,159
Less Exemptions/Reductions at 100% Market Value:		
Residential Homestead, Over 65 and Disabled	\$ 118,413,986	
Disabled Veterans	5,097,076	
Cap Loss	81,888,342	
Nominal Value	276,043	
Solar & Wind	1	
Pollution Control	634,481	
Disaster	35,082	
Absolute	130,301,510	
Misc. Personal Property	<u>2,733,569</u>	<u>339,380,090</u>
2021/22 Taxable Assessed Valuation		<u>\$ 1,100,888,069</u>
2022/23 Taxable Assessed Valuation (as certified July 21, 2022)		<u>\$ 1,281,013,631</u>
General Obligation Debt Payable from Ad Valorem Taxes (as of 6-1-22)		
General Obligation Debt	\$ 26,475,000	
The Certificates	<u>4,555,000</u>	
Funded Debt Payable from Ad Valorem Taxes		\$ 31,030,000
Less: Self Supporting Debt		
Water and Wastewater Certificates of Obligation ⁽¹⁾		<u>12,120,000</u>
Net General Obligation Debt Payable from Ad Valorem Taxes		\$ 18,910,000
Interest and Sinking Fund (as of 6-1-22)		\$ 659,553
Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation		1.72%
2022 Estimated Population - 17,824 Per Capita Taxable Assessed Valuation - \$61,764 Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$1,061		

(1) General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table9. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2022		2021		2020	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 748,242,320	51.95%	\$ 637,356,496	51.30%	\$ 639,918,854	48.87%
Real, Residential, Multi-Family	175,466,393	12.18%	133,387,072	10.74%	166,677,170	12.73%
Real, Vacant Lots/Tracts	31,552,380	2.19%	30,160,519	2.43%	31,393,684	2.40%
Real, Acreage (Land Only)	-	0.00%	53,550	0.00%	-	0.00%
Real, Commercial	343,850,256	23.87%	327,898,674	26.39%	15,476,243	1.18%
Real, Industrial	6,633,951	0.46%	20,727,194	1.67%	4,336,180	0.33%
Real Property, Oil, Gas and Other Minerals	2,233,560	0.16%	2,818,470	0.23%	19,405,503	1.48%
Real and Tangible Personal, Utilities	20,670,151	1.44%	12,682,541	1.02%	39,413,013	3.01%
Tangible Personal, Commercial	56,987,477	3.96%	30,379,215	2.45%	77,484,528	5.92%
Tangible Personal, Industrial	43,283,838	3.01%	36,941,702	2.97%	-	0.00%
Tangible Personal, Mobile Homes	993,353	0.07%	1,044,887	0.08%	1,088,357	0.08%
Residential Inventory	-	0.00%	141,356	0.01%	742,505	0.06%
Tangible Personal, Other	9,793,738	0.68%	8,173,064	0.66%	8,260,761	0.63%
Vacant Right of Way	560,742	0.04%	560,742	0.05%	-	0.00%
Total Appraised Value Before Exemptions	\$ 1,440,268,159	100.00%	\$ 1,242,325,482	100.00%	\$ 1,309,421,257	100.00%
Less: Total Exemptions/Reductions	(339,380,090)		(307,768,652)		(323,526,220)	
Taxable Assessed Value	<u>\$ 1,100,888,069</u>		<u>\$ 934,556,830</u>		<u>\$ 985,895,037</u>	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2019		2018	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 449,746,207	53.20%	\$ 392,125,875	49.70%
Real, Residential, Multi-Family	124,141,056	14.69%	91,833,007	11.64%
Real, Vacant Lots/Tracts	11,535,366	1.36%	10,632,399	1.35%
Real, Acreage (Land Only)	219	0.00%	968	0.00%
Real, Farm and Ranch Improvements	-	0.00%	-	0.00%
Real, Commercial	188,001,593	22.24%	165,228,818	20.94%
Real, Industrial	14,601,088	1.73%	13,649,429	1.73%
Real Property, Oil, Gas and Other Minerals	1,493,650	0.18%	332,480	0.04%
Real and Tangible Personal, Utilities	20,460,410	2.42%	17,686,707	2.24%
Tangible Personal, Commercial	26,411,993	3.12%	42,191,673	5.35%
Tangible Personal, Industrial	1,361,621	0.16%	47,430,766	6.01%
Tangible Personal, Mobile Homes	1,069,159	0.13%	1,156,834	0.15%
Residential Inventory	565,820	0.07%	-	0.00%
Tangible Personal, Other	5,935,156	0.70%	6,794,592	0.86%
Total Appraised Value Before Exemptions	\$ 845,323,338	100.00%	\$ 789,063,548	100.00%
Less: Total Exemptions/Reductions	(97,291,999)		(86,326,177)	
Taxable Assessed Value	<u>\$ 748,031,339</u>		<u>\$ 702,737,371</u>	

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

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9-30	Estimated Population	Taxable Assessed Valuation ⁽³⁾	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2018	17,380 ⁽¹⁾	\$ 702,737,371	\$ 40,434	\$ 16,755,000	2.38%	\$ 964
2019	17,600 ⁽¹⁾	748,031,339	42,502	15,965,000	2.13%	907
2020	17,740 ⁽¹⁾	985,895,037	55,575	15,170,000	1.54%	855
2021	17,740 ⁽¹⁾	934,556,830	52,681	14,355,000	1.54%	809
2022	17,824 ⁽²⁾	1,100,888,069	61,764	18,910,000 ⁽⁴⁾	1.72%	1,061

- (1) Source: North Texas Council of Governments.
- (2) Estimated, provided by City staff.
- (3) As reported by Tarrant Appraisal District.
- (4) Projected; excludes self-supporting debt and includes the Certificates.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9-30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2018	\$ 0.762127	\$ 0.611219	\$ 0.150908	\$ 5,559,769	98.90%	99.47%
2019	0.762186	0.612374	0.149812	6,506,890	97.63%	99.11%
2020	0.732245	0.577480	0.154765	7,441,095	97.47%	97.47%
2021	0.746200	0.611145	0.135055	7,504,848	100.56%	102.56%
2022	0.741795	0.616469	0.125326	7,634,439	96.61% ⁽¹⁾	97.56% ⁽¹⁾

- (1) Collections for part year only, through May 31, 2022.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2021/22 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
DCP Gold Creek LLC	Apartments	\$ 65,605,000	5.96%
SPM Flow Control Inc.	Oil & Gas Drilling Services/Equipment	42,664,285	3.88%
AV Brickell Pointe Ltd.	Apartments	23,770,000	2.16%
AEP Charter High Point Ft W LLC	Commercial Building	19,206,139	1.74%
WG NLA LLC	Industrial Manufacturing	16,688,764	1.52%
TVC Communications LLC	Telephone Utility	14,100,944	1.28%
Lowe's Home Center Inc.	Retail Store	13,353,255	1.21%
Manitoba Management Inc.	Apartments	11,600,000	1.05%
Deepdale Investments Ltd.	Apartments	11,300,000	1.03%
Oncor Electric Delivery Co. LLC	Electric Utility/Power Plant	9,187,445	0.83%
		<u>\$ 227,475,832</u>	<u>20.66%</u>

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

TABLE 6 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2021/22	2021/22	Total	Estimated	City's	Authorized
	Taxable				Tax	Funded
	Assessed	Rate	Debt	%	Funded Debt	Debt as of
	Value			Applicable	As of 6-1-22	6/1/2022
City of White Settlement	\$ 1,100,888,069	\$ 0.741795	\$ 18,910,000 ⁽¹⁾	100.00%	\$ 18,910,000 ⁽¹⁾	\$ -
Fort Worth Independent School District	47,302,001,443	1.343200	1,179,925,000	0.05%	589,963	1,211,000,000
Tarrant County	232,087,545,175	0.229000	433,175,000	0.45%	1,949,288	205,600,000
Tarrant County College District	234,225,984,717	0.130200	255,995,000	0.45%	1,151,978	525,000,000
Tarrant County Hospital District	232,505,993,849	0.224500	12,825,000	0.45%	57,713	-
White Settlement Independent School District	2,715,982,636	1.460300	144,245,167	39.87%	57,510,548	115,000,000
Total Direct and Overlapping G.O. Debt					\$ 80,169,488	
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation						7.28%
Per Capita Overlapping G.O. Debt					\$ 4,498	

(1) Excludes self-supporting debt and includes the Certificates.

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DEBT INFORMATION

TABLE 7 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service ⁽¹⁾			The Certificates ⁽²⁾			Total Tax Supported Debt Service	Less: Self- Supporting Debt Service	Net Tax Supported Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
	2022	\$ 1,435,000	\$ 894,132	\$ 2,329,132	-	-	-	2,329,132	931,742	1,397,390
2023	1,495,000	833,524	2,328,524	\$ 125,000	\$ 139,509	\$ 264,509	2,593,034	927,023	1,666,011	
2024	1,540,000	787,439	2,327,439	170,000	154,263	324,263	2,651,701	929,551	1,722,150	
2025	1,585,000	739,876	2,324,876	175,000	149,088	324,088	2,648,964	926,529	1,722,435	
2026	1,645,000	686,402	2,331,402	180,000	143,763	323,763	2,655,165	930,747	1,724,418	26.91%
2027	1,700,000	625,984	2,325,984	190,000	138,213	328,213	2,654,197	926,841	1,727,356	
2028	1,760,000	563,528	2,323,528	195,000	132,438	327,438	2,650,966	926,662	1,724,304	
2029	1,830,000	499,431	2,329,431	200,000	126,513	326,513	2,655,944	930,313	1,725,631	
2030	1,495,000	437,428	1,932,428	205,000	120,438	325,438	2,257,866	724,097	1,533,769	
2031	1,555,000	378,562	1,933,562	210,000	114,213	324,213	2,257,774	724,218	1,533,556	32.19%
2032	1,610,000	317,861	1,927,861	220,000	107,763	327,763	2,255,623	719,733	1,535,891	
2033	1,670,000	254,256	1,924,256	225,000	100,525	325,525	2,249,781	719,618	1,530,163	
2034	1,745,000	187,449	1,932,449	235,000	92,181	327,181	2,259,631	723,837	1,535,794	
2035	1,805,000	117,452	1,922,452	240,000	83,275	323,275	2,245,727	717,527	1,528,200	
2036	675,000	73,425	748,425	250,000	74,088	324,088	1,072,512	529,575	542,938	33.27%
2037	685,000	56,608	741,608	260,000	64,200	324,200	1,065,808	525,098	540,709	
2038	705,000	39,356	744,356	270,000	53,600	323,600	1,067,956	525,460	542,497	
2039	500,000	25,630	525,630	285,000	42,500	327,500	853,130	525,630	327,500	
2040	515,000	15,554	530,554	295,000	30,900	325,900	856,454	530,554	325,900	
2041	525,000	5,220	530,220	305,000	18,900	323,900	854,120	530,220	323,900	98.97%
2042	-	-	-	320,000	6,400	326,400	326,400	-	326,400	100.00%
	<u>\$ 26,475,000</u>	<u>\$ 7,539,118</u>	<u>\$ 34,014,118</u>	<u>\$ 4,555,000</u>	<u>\$ 1,892,765</u>	<u>\$ 6,447,765</u>	<u>\$ 40,461,884</u>	<u>\$ 14,924,972</u>	<u>\$ 25,536,911</u>	

(1) "Outstanding Debt" includes self-supporting debt.

(2) Average life of the issue - 11.114 years. Interest on the Certificates has been calculated at the rates shown on page 2 hereof.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ended, 9/30/22		\$ 1,397,390
Budgeted Interest and Sinking Fund Balance, 9/30/21	\$ 368,291	
2021/22 Budgeted Interest and Sinking Fund Tax Levy	1,394,544 ⁽¹⁾	
Budgeted Transfers	219,190 ⁽¹⁾	
Investment Earnings	<u>3,840 ⁽¹⁾</u>	<u>1,985,865</u>
Estimated Balance, 9/30/22		<u>\$ 588,475</u>

(1) Source: Fiscal Year 2021-22 City Budget.

TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT

Net Revenue Available for Debt Service from Water and Wastewater System, Fiscal Year Ended 9-30-22.	\$ 3,649,602
Less: Revenue Bond Requirements, 2022 Fiscal Year	<u>-</u>
Balance Available for Other Purposes	\$ 3,649,602
System General Obligation Bond Requirements, 2022 Fiscal Year	<u>931,742</u>
Balance	<u>\$ 2,717,860</u>
Percentage of Water and Wastewater System General Obligation Bonds Self-Supporting	100.00%

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City currently does not have any authorized but unissued general obligation debt.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing additional tax-supported debt in calendar year 2022.

TABLE 11 – OTHER OBLIGATIONS

Capital leases payable is comprised of the following issue as of September 30, 2021:

\$706,626 Capital Lease for the purchase of thirty one vehicles. Eleven of the vehicles are strictly for Crime District purposes. Payments are made monthly at \$144,494 through 2025, interest at 5.21% - 6.21% \$ 503,712

\$194,049 Capital Lease for the purchase of six vehicles. Payments are made monthly at \$36,986 through 2025, interest at 5.34% 227,051

Total \$ 730,763

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Assets	
Machinery and Equipment	\$ 503,712
Less: accumulated depreciation	<u>(153,637)</u>
Total	<u>\$ 350,075</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

Fiscal Year Payable	Amount
2022	\$ 227,488
2023	227,488
2024	211,743
2025	86,489
2026	102,710
Total Minimum Lease Payments	<u>\$ 855,918</u>
Less Amount Representing Interest	<u>(125,155)</u>
Present Value of Minimum Lease Payments	<u>\$ 730,763</u>

PENSION FUND . . . The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. The plan provisions for the City were as follows:

Employee deposit rate	7.0%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Retirement eligibility (age/service)	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI

As of the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	104
Inactive Employees Entitled to But Not Yet Receiving Benefits	151
Active Employees	<u>120</u>
	375

Contributions . . . The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earning, 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 actuarially determined rate is estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.23% and 17.27% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$1,241,928, and were equal to the required contributions.

Net Pension Liability . . . The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 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 is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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 alternate asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected</u>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

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

	Increase (Decrease)		
	Total	Plan Fiduciary	Net Pension
	Pension Liability	Net Position	Liability
	(a)	(b)	(a) - (b)
Balance as of 12/31/2019	\$ 36,105,115	\$ 29,557,374	\$ 6,547,741
Changes for the year:			
Service cost	1,163,727	-	\$ 1,163,727
Interest	2,417,372	-	2,417,372
Difference between expected and actual experience	117,691	-	117,691
Change of assumptions	-	-	-
Contributions - employer	-	1,183,370	(1,183,370)
Contributions - employee	-	486,145	(486,145)
Net investment income	-	2,242,778	(2,242,778)
Benefit payments, including refunds of employee contributions	(1,748,124)	(1,748,124)	-
Administrative expense	-	(14,518)	14,518
Other changes	-	(565)	565
Net changes	<u>1,950,666</u>	<u>2,149,086</u>	<u>(198,420)</u>
Balance as of 12/31/2020	\$ 38,055,781	\$ 31,706,460	\$ 6,349,321

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 12,049,616	\$ 6,349,321	\$ 1,723,678

For additional information regarding the City's Pension Fund, See Note XII in the City's 2021 Annual Financial Report - located in Appendix B of this Official Statement.

FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET ASSETS

Revenues:	Fiscal Year Ended September 30,				
<u>Program Revenues</u>	2021	2020	2019	2018	2017
Charges for Services	\$ 843,059	\$ 780,553	\$ 996,886	\$ 1,088,010	\$ 1,338,959
Operating Grants and Contributions	63,177	101,837	89,809	97,170	100,866
Capital Grants and Contributions	693,271	274,729	5,924	14,000	397,251
 <u>General Revenues</u>					
Property Taxes	7,960,951	7,317,421	6,530,351	5,581,370	5,108,248
Sales Taxes	5,258,716	4,438,911	4,570,870	5,322,594	4,017,558
Franchise Taxes	1,122,178	1,311,146	1,347,717	1,364,626	1,253,174
Hotel Occupancy Taxes	339,259	278,943	366,994	350,720	357,912
Oil and Gas Royalties	36,571	13,006	48,871	50,009	35,314
Interest Earnings	207,515	480,682	721,055	341,024	207,537
Gain on Sale of Assets	27,145	89,627	220,500	359,484	385,427
Other Revenue	144,966	149,073	106,322	104,246	208,641
Total Revenues	\$ 16,696,808	\$ 15,235,928	\$ 15,005,299	\$ 14,673,253	\$ 13,410,887
 Expenses:					
General Government	\$ 2,618,585	\$ 2,196,208	\$ 2,320,094	\$ 1,830,107	\$ 3,004,317
Public Safety	6,949,654	7,266,214	6,962,807	6,416,920	8,351,956
Public Works	1,455,448	1,764,120	2,300,499	1,302,154	1,510,737
Public Health	-	-	-	197,429	261,628
Economic Development	13,714	30,329	-	142,472	351,446
Culture and Recreation	1,538,126	1,490,664	1,750,861	2,504,485	4,816,249
Non-Departmental	-	-	-	115,936	-
Interest on Long-Term Debt	1,144,536	1,187,542	1,204,227	1,144,944	1,161,107
Bond Issuance Costs	-	-	60,284	9,390	62,870
Total Expenses	\$ 13,720,063	\$ 13,935,077	\$ 14,598,772	\$ 13,663,837	\$ 19,520,310
 Increase in Net Position					
before Transfers	\$ 2,976,745	\$ 1,300,851	\$ 406,527	\$ 1,009,416	\$ (6,109,423)
Extraordinary Items	-	1,175,000	-	-	-
Transfers	(135,803)	(14,447,709) ⁽¹⁾	1,376,687	(227,799)	(788,362)
Increase (Decrease) in Net Position	\$ 2,840,942	\$(11,971,858)	\$ 1,783,214	\$ 781,617	\$ (6,897,785)
Net Position October 1	18,651,639	30,623,497	28,840,283	28,313,882	35,211,667
Prior Period Adjustment	-	-	-	(255,216)	-
Net Position September 30	\$ 21,492,581	\$ 18,651,639	\$ 30,623,497	\$ 28,840,283	\$ 28,313,882

(1) Transfer out of governmental fund to enterprise funds.

TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

<u>Revenues</u>	Fiscal Year Ended September 30,				
	2021	2020	2019	2018	2017
<u>Taxes:</u>					
Ad Valorem	\$ 6,404,351	\$ 5,901,810	\$ 5,187,925	\$ 4,476,893	\$ 4,063,967
Sales	2,661,159	2,245,501	2,327,301	2,704,160	2,051,058
Franchise	870,621	896,767	956,520	979,164	939,417
Fines and Forefeitures	278,600	291,800	302,695	409,556	527,474
Licenses and Permits	344,706	324,089	412,687	360,522	467,211
Intergovernmental Revenue	41,580	51,030	28,350	36,000	36,000
Charges for Services	216,909	166,034	268,969	312,492	170,115
Oil and Gas Royalties	-	13,006	48,871	50,009	35,314
Investment Earnings	121,663	225,812	312,506	158,489	105,316
Other Revenue	77,604	61,607	41,940	19,567	125,084
Total Revenues	<u>\$ 11,017,193</u>	<u>\$ 10,177,456</u>	<u>\$ 9,887,764</u>	<u>\$ 9,506,852</u>	<u>\$ 8,520,956</u>
<u>Expenditures</u>					
<u>Current:</u>					
General Government	\$ 2,156,133	\$ 2,028,111	\$ 2,156,367	\$ 1,827,502	\$ 2,182,511
Public Safety	6,320,729	6,806,671	6,254,453	5,895,481	5,308,011
Public Works	596,284	634,357	679,576	494,650	467,785
Public Health	-	-	-	203,009	181,188
Culture and Recreation	1,058,417	1,377,201	1,514,394	1,586,837	1,133,726
Non-Departmental	658,667	-	-	115,936	-
Total Expenditures	<u>\$ 10,790,230</u>	<u>\$ 10,846,340</u>	<u>\$ 10,604,790</u>	<u>\$ 10,123,415</u>	<u>\$ 9,273,221</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 226,963	\$ (668,884)	\$ (717,026)	\$ (616,563)	\$ (752,265)
<u>Other Financing Sources (Uses):</u>					
Proceeds from Insurance Recoveries	\$ 24,413	\$ 1,000	\$ -	\$ 31,601	\$ 41,333
Proceeds from Sale of General Capital Assets	15,990	58,991	270,500	297,000	363,842
Proceeds from Capital Lease	-	-	65,733	-	-
Transfers In	1,581,159	1,544,492	1,583,300	2,038,170	1,742,654
Transfers Out	(107,255)	(275,101)	(350,328)	(565,373)	(1,082,075)
Total Other Financing Sources (Uses)	<u>\$ 1,514,307</u>	<u>\$ 1,329,382</u>	<u>\$ 1,569,205</u>	<u>\$ 1,801,398</u>	<u>\$ 1,065,754</u>
Extraordinary Item	\$ 300,000	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ 2,041,270	\$ 660,498	\$ 852,179	\$ 1,184,835	\$ 313,489
Fund Balance - October 1	13,401,074	12,740,576	11,888,397	10,703,562	10,390,073
Prior Period Adjustments	-	-	-	-	-
Fund Balance - September 30	<u>\$ 15,442,344</u> ⁽¹⁾	<u>\$ 13,401,074</u>	<u>\$ 12,740,576</u>	<u>\$ 11,888,397</u>	<u>\$ 10,703,562</u>

(1) \$13,268,070 of the fund balance is unassigned.

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the 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 City has entered into various agreements to pay sales tax grants to certain developers based on sales tax collections.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2018	\$ 2,670,942	62.54%	\$ 0.3801	\$ 154
2019	2,286,432	48.30%	0.3254	130
2020	2,208,492	44.05%	0.3143	124
2021	2,620,807	47.14%	0.3729	148
2022 ⁽¹⁾	1,406,667	18.43%	0.1008	79

On July 1, 1994, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for economic development ("4B Sales Tax"). The sales tax is collected solely for the benefit of White Settlement Economic Development Corporation (the "Corporation"), and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation. The voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for crime control. Collection for the additional tax went into effect on July 1, 1996. The sales tax is collected solely for the benefit of the White Settlement Crime Control District.

Fiscal Year Ended 9/30	Crime Control District Collected	4B Sales Tax Collected
2018	\$ 1,282,963	\$ 1,335,471
2019	1,100,353	1,143,216
2020	1,089,164	1,104,246
2021	1,293,300	1,304,257
2022 ⁽¹⁾	704,283	709,480

(1) Collections through May 31, 2022.

The sales tax breakdown for the City is as follows:

Crime Control District	0.50¢
Economic Development	0.50¢
City Sales & Use Tax	1.00¢
State Sales & Use Tax	<u>6.25¢</u>
Total	<u>8.25¢</u>

FINANCIAL POLICIES

Basis of Accounting . . . All governmental funds, the expendable trust fund and the agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become measurable and available as net current assets, that is, when they become susceptible to accrual. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due.

All proprietary fund and pension trust fund revenues and expenses are recognized on the accrual basis of accounting, whereby revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period on which they are incurred.

General Fund Balance . . . According to City Policy, the minimum unassigned fund balance acceptable in the General Fund is the equivalent of one-hundred forty-four (144) days of expenditures. The General Fund has an unassigned fund balance of \$13,268,070, which is \$9,002,103 above the minimum required balance, as of September 30, 2021.

Use of Bond Proceeds, Grants, etc. . . . The City's policy is to use bond proceeds or other non-recurring revenues for capital expenditures only. Such revenues are never to be used to fund City operations.

Budgetary Procedures . . . The City adheres to the following procedures in establishing the operating budgets reflected in the general purpose financial statements:

- (1) Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning October 1.
- (2) Public hearings are conducted at which all interested persons may comment concerning the proposed budget.
- (3) Council adopts the budget on or before the last day of the month of the fiscal year currently ending through passage of an appropriation ordinance and tax levying ordinance. If the City Council fails to adopt the budget at that time, the budget of the previous year is deemed to be adopted.

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, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 14 - CURRENT INVESTMENTS

As of May 31, 2022, the City's investable funds were invested as shown below.

<u>Description</u>	<u>Percent</u>	<u>Book Value</u>	<u>Market Value</u>
Demand Accounts	2.62%	\$ 1,110,692	\$ 1,504,090
Money Market Accounts	60.67%	34,819,909	34,819,909
Governmental Treasuries	15.67%	8,992,657	8,992,657
CD's	21.04%	12,076,003	12,076,003
TexPool	0.00%	1,682	1,682
	100.00%	\$ 57,000,944	\$ 57,394,342

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

TAX MATTERS

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

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

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

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the facilities financed with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Certificates may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The City has designated the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations".**

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CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the [EMMA](#) System. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14. The City will update and provide this information within six months after the end of each fiscal year ending in and after 2022. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2022. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated quantitative financial information and operating data by March 31 in each year, unless the City changes its fiscal year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described in the preceding paragraph. If the City changes its fiscal year, it will notify the MSRB of the change.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's EMMA Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

NOTICE OF CERTAIN EVENTS . . . The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Obligations: (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) Bond 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; (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into 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 change in the name of the trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports."

As used above in event notice (12), the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the existing City Council and officials or officers of the City in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any qualified person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATING

The Certificates are rated "AA-" 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 of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price and marketability of the Certificates.

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending or, to its knowledge, threatened litigation or other proceeding against the City that would have a material adverse financial impact upon the City, its operations or its financial statements.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments, 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 of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "Other Information - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of 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 AND NO-LITIGATION CERTIFICATE

The City will furnish complete transcripts of proceedings had 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 transcripts 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. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished.

Though it may represent the Financial Advisor and the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal 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.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

Hilltop Securities Inc. ("HilltopSecurities") is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. HilltopSecurities, in its capacity as Financial Advisor, 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.

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.

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the City accepted the bid of FHN Financial Capital Markets (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of \$4,642,841.82, which provides compensation to the Initial Purchaser in the amount of \$43,463.23. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yields at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION

At the time of payment for and delivery of the Certificates, the City will furnish a certificate, executed by an authorized representative of the City, acting in such officer's representative capacity, to the effect that to the best of such person's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Certificates, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Certificates or which would affect the provisions made for their payment or security or in any manner question the validity of the Certificates.

MISCELLANEOUS

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

/s/ RONALD A. WHITE
Mayor
City of White Settlement, Texas

ATTEST:

/s/ AMY ARNOLD
City Secretary

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION . . . The City is located in northwest Tarrant County and abuts the City of Fort Worth ("Fort Worth"). The City is conveniently located within a network of freeways which makes it accessible to all parts of Texas and the nation. The City is bound on the south by Interstate Highway 30; on the west by the Jim Wright Freeway (more commonly known as Loop 820, a multi-lane highway which loops Fort Worth) and on the north by the Lockheed Aircraft assembly plant, Lake Worth and the City of Westworth Village. The City has no extra-territorial jurisdiction.

The City is a political subdivision of the State of Texas and was incorporated in 1941. The current charter was approved by the voters in 1954 and last amended in 2005. The City is a home rule city and operates under the Council/Manager form of government. The Council is composed of a mayor and five councilmembers. All City residents vote for all six places. Councilmembers are elected for three year staggered terms and elections are held annually in May.

Policy-making and oversight functions are the responsibility of, and are vested in, the City Council. The City Council is required by the charter to appoint a City Manager to serve as the chief administrative and executive officer of the City. The duties of the City Manager include the appointment of City department heads and the daily conduct of City affairs.

The City has approximately 135 full-time and 130 part-time employees. This includes 34 sworn officers. The City provides the following services: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. The City covers approximately 4.87 square miles.

POPULATION . . . The City was initially settled in the early 1840's as a trading post and supply point for a series of forts established in north and west Texas. After approximately 110 years of existence, the City was incorporated in 1941 with an estimated population of 10,800. Since that time, the City has grown to a currently estimated population of over 18,000.

<u>Year</u>	<u>Population ⁽¹⁾</u>
2011	16,240
2012	16,260
2013	16,390
2014	16,680
2015	16,740
2016	16,830
2017	16,830
2018	17,380
2019	17,600
2020	17,740
2021	17,842

(1) Source: City Staff.

MAJOR BUSINESSES AND INDUSTRIES LOCATED IN WHITE SETTLEMENT (ESTIMATED)

<u>Name</u>	<u>Product</u>	<u>Number of Employees ⁽¹⁾</u>
White Settlement I.S.D.	Education	850
Weir SPM	Oil field equipment	500
Education Service Center Region XI	Resource Provider for School Districts	204
West Side Campus of Care	Rehabilitation/nursing	190
Lowe's Home Center #1619	Building materials/hardware retail	158
City of White Settlement	Municipal government	138
C.I.A.D Co-Operative Industries	Electrical wiring harnesses mfg.	118
Trinity Health Care Courtyards	Rehabilitation/nursing	96
Premier Produce	Retail	96
W.S. Nursing Home	Rehabilitation/nursing	55
Academy Sports & Outdoors #97	Retail	35
ABC Roofing	Building materials/hardware retail	32
Health Care Formerly PDX Inc.	Software Development	10
Southside Bank	Financial Institution	7

(1) Source: City Staff.

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APPENDIX B

EXCERPTS FROM THE
CITY OF WHITE SETTLEMENT, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2021

The information contained in this Appendix consists of excerpts from the City of White Settlement, Texas Annual Financial Report for the Year Ended September 30, 2021, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of City Council
City of White Settlement, Texas

Report on the Financial Statements

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 White Settlement, Texas ("City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all materials 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, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2022, on our consideration of the City’s, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 24, 2022,

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

Management's Discussion and Analysis

As management of The City of White Settlement, Texas, we offer readers of The City of White Settlement's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of White Settlement exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$72,645,850 (*net position*) compared to \$67,749,391 for the prior year. Of this amount, \$29,028,491 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,896,459. The City's operations increased the governmental activities by \$2,840,942 and increased the business-type activities by \$2,055,517.
- As of the close of the current fiscal year, the City of White Settlement's governmental funds reported combined ending fund balances of \$24,993,468 compared to \$25,633,050 for the prior year. \$13,268,070 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,268,070, or 123% of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of White Settlement's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City's 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City include general government, public safety, public works, public health, culture and recreation and economic development. The business-type activities of the City include water and wastewater, sanitation, storm water utility, and Splash Dayz.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Economic Development Corporation and a legally separate Crime Control and Prevention District for which the City is financially accountable. Although legally separate, they function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government. The government-wide financial statements can be found immediately following this management's discussion and analysis.

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. 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 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 on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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, Other Special Revenue Fund, and Capital Projects Fund, and Debt Service Fund, which are considered major funds. Data from the other 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 elsewhere in this report.

The basic governmental fund financial statements can be found on page 17-22 of this report.

Proprietary funds. The City maintains two types of proprietary funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and wastewater operations, sanitation operations, storm water utility district and Splash Dayz. An internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for fleet management services provided to other departments on a cost-reimbursement basis.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater Fund, the Stormwater Utility Fund, and the Splash Dayz Fund, which are considered major funds.

The basic proprietary fund financial statements can be found on pages 23-27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-49 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 50-56 of this report.

The combining and individual nonmajor governmental funds are presented immediately following the required supplementary information. These statements can be found on pages 57-60 of this report.

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 exceed liabilities and deferred inflows of resources by \$72,645,850 as of September 30, 2021.

The largest portion of the City's net position (52%) reflects its investment in capital assets (e.g. land, land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$29,028,491 may be used to meet the government'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 three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Below are summaries of the City's Statement of Net Position and Changes in Net Position.

	City of White Settlement's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 28,152,115	\$ 28,850,739	\$ 26,589,748	\$ 19,604,748	\$ 54,741,863	\$ 48,455,487
Capital assets	<u>30,366,074</u>	<u>28,358,536</u>	<u>36,714,934</u>	<u>36,335,182</u>	<u>67,081,008</u>	<u>64,693,718</u>
Total assets	<u>58,518,189</u>	<u>57,209,275</u>	<u>63,304,682</u>	<u>55,939,930</u>	<u>121,822,871</u>	<u>113,149,205</u>
Deferred outflows of resources	<u>1,049,903</u>	<u>992,764</u>	<u>485,351</u>	<u>466,047</u>	<u>1,535,254</u>	<u>1,458,811</u>
Long-term liabilities	34,156,636	36,038,979	11,224,339	5,600,136	45,380,975	41,639,115
Other liabilities	<u>3,188,270</u>	<u>2,617,781</u>	<u>1,233,863</u>	<u>1,514,792</u>	<u>4,422,133</u>	<u>4,132,573</u>
Total liabilities	<u>37,344,906</u>	<u>38,656,760</u>	<u>12,458,202</u>	<u>7,114,928</u>	<u>49,803,108</u>	<u>45,771,688</u>
Deferred inflows of resources	<u>730,605</u>	<u>893,640</u>	<u>178,562</u>	<u>193,297</u>	<u>909,167</u>	<u>1,086,937</u>
Net position:						
Net investment in capital assets	4,507,546	4,539,917	32,920,642	32,102,128	37,428,188	36,642,045
Restricted	6,189,171	5,503,815	-	-	6,189,171	5,503,815
Unrestricted	<u>10,795,864</u>	<u>8,607,907</u>	<u>18,232,627</u>	<u>16,995,624</u>	<u>29,028,491</u>	<u>25,603,531</u>
Total net position	<u>\$ 21,492,581</u>	<u>\$ 18,651,639</u>	<u>\$ 51,153,269</u>	<u>\$ 49,097,752</u>	<u>\$ 72,645,850</u>	<u>\$ 67,749,391</u>

City of White Settlement's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 843,059	\$ 780,553	\$ 11,069,488	\$ 10,417,089	\$ 11,912,547	\$ 11,197,642
Operating grants and contributions	63,177	101,837	-	-	63,177	101,837
Capital grants and contributions	693,271	274,729	258,561	781,990	951,832	1,056,719
General revenues:						
Property taxes	7,960,951	7,317,421	-	-	7,960,951	7,317,421
Sales taxes	5,258,716	4,438,911	-	-	5,258,716	4,438,911
Franchise taxes	1,122,178	1,311,146	-	-	1,122,178	1,311,146
Hotel occupancy taxes	339,259	278,943	-	-	339,259	278,943
Oil and gas revenues	36,571	13,006	-	-	36,571	13,006
Investment earnings	207,515	480,682	157,734	278,716	365,249	759,398
Gain (loss) on sale of capital assets	27,145	149,073	89,368	160,836	116,513	309,909
Other revenue	144,966	89,627	-	-	144,966	89,627
Total revenues	<u>16,696,808</u>	<u>15,235,928</u>	<u>11,575,151</u>	<u>11,638,631</u>	<u>28,271,959</u>	<u>26,874,559</u>
Expenses:						
General government	2,618,585	2,196,208	-	-	2,618,585	2,196,208
Public safety	6,949,654	7,266,214	-	-	6,949,654	7,266,214
Public works	1,455,448	1,764,120	-	-	1,455,448	1,764,120
Economic development	13,714	30,329	-	-	13,714	30,329
Culture and recreational	1,538,126	1,490,664	-	-	1,538,126	1,490,664
Interest and fiscal charges	1,144,536	1,187,542	-	-	1,144,536	1,187,542
Water and wastewater	-	-	6,372,869	6,335,598	6,372,869	6,335,598
Stormwater utility	-	-	556,595	679,338	556,595	679,338
Sanitation	-	-	756,424	756,998	756,424	756,998
Splash Dayz	-	-	1,969,549	1,239,820	1,969,549	1,239,820
Total expenses	<u>13,720,063</u>	<u>13,935,077</u>	<u>9,655,437</u>	<u>9,011,754</u>	<u>23,375,500</u>	<u>22,946,831</u>
Increase (decrease) in net position before transfers	2,976,745	1,300,851	1,919,714	2,626,877	4,896,459	3,927,728
Transfers	(135,803)	(14,447,709)	135,803	14,447,709	-	-
Increase (decrease) in net position	2,840,942	(13,146,858)	2,055,517	17,074,586	4,896,459	3,927,728
Extraordinary items	-	1,175,000	-	-	-	1,175,000
Net position, beginning	18,651,639	30,623,497	49,097,752	32,023,166	67,749,391	62,646,663
Net position, ending	<u>\$ 21,492,581</u>	<u>\$ 18,651,639</u>	<u>\$ 51,153,269</u>	<u>\$ 49,097,752</u>	<u>\$ 72,645,850</u>	<u>\$ 67,749,391</u>

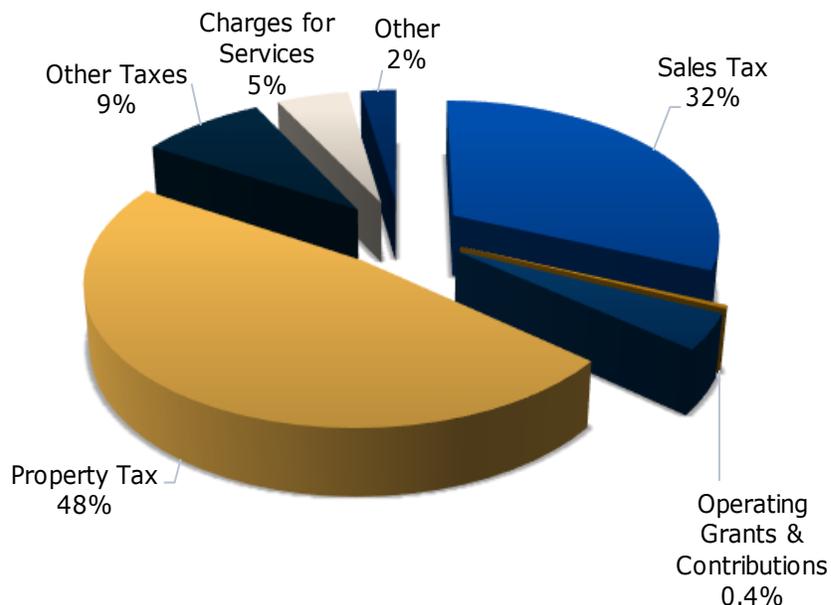
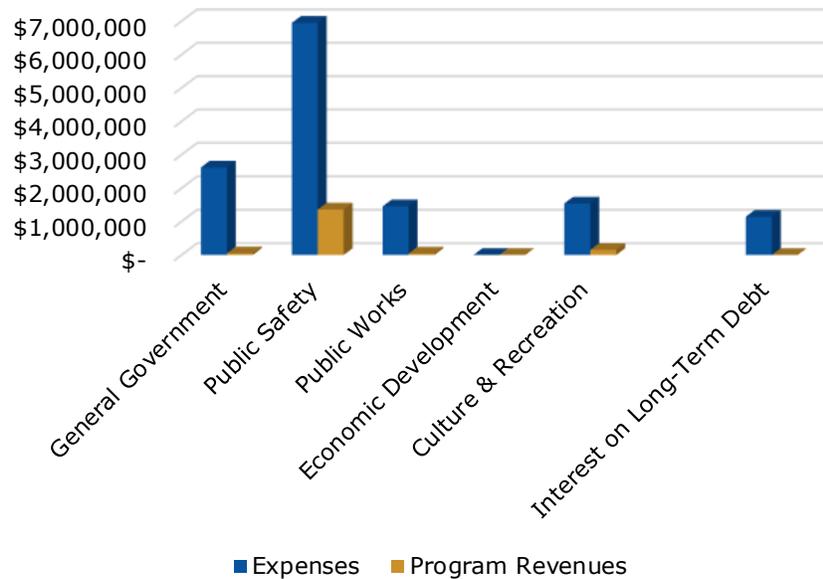
Governmental Activities. Governmental activities increased the City's net position by \$2,840,942 in the current year compared with a decrease of \$13,146,858 in the prior year.

Total governmental activities revenues increased \$1,460,880 (10%) to \$16,696,808. Key elements of this change are as follows:

- Charges for services increased \$62,506 primarily due to increases in park fees and court fines and fees.
- Capital grants and contributions increased \$418,542 due to more capital grants in the current year, mostly related to CARES Act funding.
- Property taxes increased \$643,530 due to an increase in new construction and an increase in appraised property values.
- Sales taxes increased \$819,805 as a result of a significant increase in retail sales as the economy rebounded in the later stages of the pandemic.

Total governmental activities expenses decreased \$215,014 (2%) to \$13,720,063. Key changes are as follows.

- General government expenses increased \$422,377 (19%) primarily due to fewer legal fees and a decrease in employee costs.
- Public safety expenses decreased \$316,560 (4%) primarily due to decreases in police personnel costs.
- Public works expenses decreased \$308,672 (17%) primarily due to a decrease in street projects as projects were being finalized.
- Economic development expenses decreased \$16,615 primarily due to less consulting services for Tax Increment Reinvestment Zone (TIRZ) implementation.
- Culture and recreation expenses increased \$47,462 (3%) primarily due to community service facilities being open more during the later stages of the pandemic which offset employee layoffs that continued from 2020.



Business-type activities. Business-type activities decreased the City’s net position by \$2,055,517 in the current year compared to a decrease in net position of \$17,074,586 in the prior year.

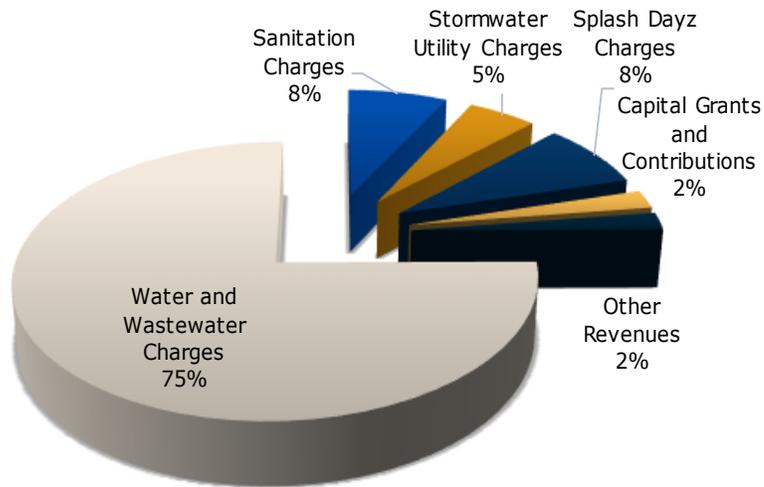
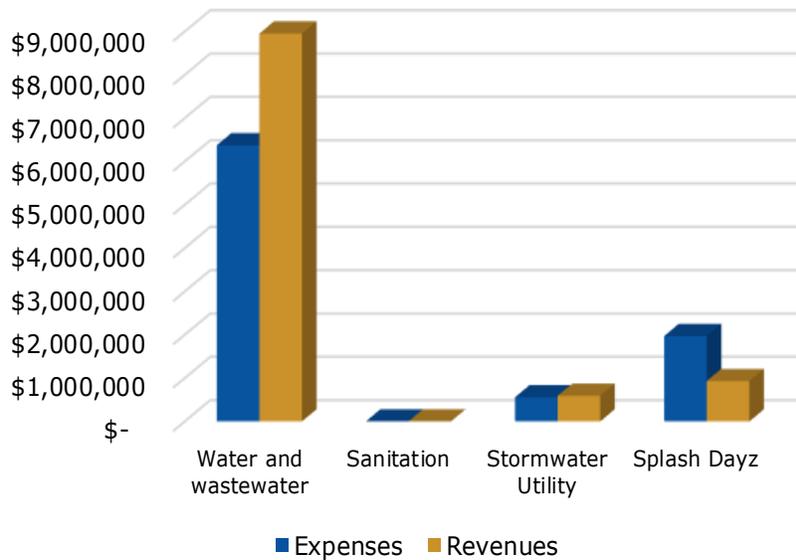
Total revenues increased \$63,480 (1%) to \$11,575,151. Key elements of these changes are as follows.

- Charges for services increased \$652,399 (6%) primarily due to increases in consumption and reinstatement of cutoffs and penalties.
- Capital grants and contributions decreased \$523,429 due to it being an off CDBG grant year and no community facility agreements.

Total expenses increased \$643,683 (7%) to \$9,655,437. Key elements of these changes are as follows.

- Water and wastewater expenses decreased \$165,796 primarily due to a reduction in wastewater being treated by the City of Fort Worth.
- Stormwater utility expense decreased \$122,743 primarily due to less capital projects than the prior year.
- Splash Dayz expenses increased \$729,729 primarily due to the water park opening in 2021 and being closed in 2020 due to the COVID-19 pandemic.

Below are two graphs summarizing business-type activities revenue and expense:



Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At year end, the City's governmental funds reported combined ending fund balances of \$24,993,468. \$13,268,070 (53%) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been restricted or committed for projects and debt service.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,268,070. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 123% of the total General Fund expenditures. Fund balance of the General Fund increased \$2,041,270. Key factors in this increase are as follows:

- Revenues increased \$839,737. Property taxes increased \$502,541 due to an increase in appraisal values. Sales tax increased \$415,658 due to increases in sales as the economy rebounded after the 2020 pandemic year.
- Total expenditures decreased \$56,110. General government expenditures increased \$128,022 due to a land purchase. Public safety expenditures decreased \$485,942 primarily due to a decrease in police department personnel costs. Culture and recreation expenditures decreased \$318,784 due to staff reductions and part-time hours of opening after the 2020 pandemic.

The Other Special Revenue fund balance increased in by \$27,446 due to grant funding from the CARES Act.

The Capital Projects fund balance decreased by \$3,577,761 due to projects completing construction during FY 21.

The Debt Service fund balance increased by \$37,169 due to property tax payments slightly exceeding debt service payments.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City's Water and Wastewater Fund, Stormwater Utility Fund and Splash Dayz Fund are enterprise funds that comprise the City's proprietary funds. Unrestricted net position of the Water and Wastewater Fund, Stormwater Utility Fund and Splash Dayz Fund at the end of the year amounted to \$16,080,249, \$2,206,171 and (\$53,793) respectively. The total change in net position for the three funds was \$2,770,823, \$45 and \$715,261, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The budget was amended twice during the year. Expenditures were increased \$512,338.

During the year, actual revenues were \$724,677 greater than budgeted due to conservative revenues used during budget due to pandemic. Actual expenditures were \$719,190 lower than budget due to staffing shortages, and less funds transferred to Splash Dayz than expected.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2021, amounts to \$67,081,008 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and wastewater systems, land improvements, machinery and equipment, vehicles, roads, highways and bridges.

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

Governmental Activities:

- \$3,054,763 for street improvements
- \$452,101 for building improvements
- \$411,944 for machinery, equipment and vehicles

Business-type activities:

- \$1,736,996 for water and wastewater improvements
- \$583,478 for stormwater improvements

City of White Settlement's Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 2,697,368	\$ 2,388,429	\$ 3,990,145	\$ 3,990,145	\$ 6,687,513	\$ 6,378,574
Construction in progress	1,276,367	1,248,903	1,218,499	4,084,496	2,494,866	5,333,399
Land improvements	3,317,366	3,641,443	2,097,778	2,235,413	5,415,144	5,876,856
Buildings and improvements	3,096,348	2,889,597	2,126,060	2,119,710	5,222,408	5,009,307
Machinery and equipment	2,840,279	3,113,945	3,043,198	3,561,696	5,883,477	6,675,641
Infrastructure	17,138,346	15,076,219	-	-	17,138,346	15,076,219
Water and sewer systems	-	-	21,547,922	18,108,110	21,547,922	18,108,110
Stormwater systems	-	-	2,691,332	2,235,612	2,691,332	2,235,612
Total	\$ 30,366,074	\$ 28,358,536	\$ 36,714,934	\$ 36,335,182	\$ 67,081,008	\$ 64,693,718

Additional information on the City's capital assets can be found in the notes to the financial statements, pages 31, 37-38.

Long-Term Debt

At year-end the City had \$37,449,215 in debt outstanding, an increase of \$3,892,504 from the prior year. \$7,865,000 are General Obligation Bonds that are backed by the full faith and credit of the City, \$17,935,000 are Certificates of Obligation secured by surplus revenues of the Water and Wastewater Fund and ad valorem taxes, and \$9,825,000 are Sales Tax Revenue Bonds. Certificates of obligations were added in during the year.

City of White Settlement's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Sales Tax Revenue Bonds	\$ 9,825,000	\$ 10,350,000	\$ -	\$ -	\$ 9,825,000	\$ 10,350,000
General Obligation Bonds	4,400,000	5,050,000	3,465,000	4,040,000	7,865,000	9,090,000
Certificates of Obligation	11,950,000	12,225,000	5,985,000	-	17,935,000	12,225,000
Capital Leases	730,763	752,952	-	-	730,763	752,952
Premiums	749,765	834,330	343,687	304,429	1,093,452	1,138,759
Total	\$ 27,655,528	\$ 29,212,282	\$ 9,793,687	\$ 4,344,429	\$ 37,449,215	\$ 33,556,711

The City's outstanding debt continues to have favorable ratings. The ratings are as follows:

	Moody's Investor Service	Standard & Poor's
General Obligation Refunding Bonds, Series 2011	A1	AA-
Combination Tax and Revenue Certificates of Obligation, Series 2015		AA-
General Obligation Refunding Bonds, Series 2015		AA-
General Obligation Refunding Bonds, Series 2016		AA-
Combination Tax and Revenue Certificates of Obligation, Series 2018		AA-

More detailed information about the City's debt can be found in the notes to the financial statements, pages 40-43.

Economic factors and the Next Year's Budgets and Rates

Two major sources of revenue come from ad valorem tax revenue and sales tax revenue. Overall operating revenues are projected to increase slightly across all funds. City management and council took a conservative approach to budget planning.

Ad Valorem Tax

2020 taxable property values increased \$78,399,245 (7.67%) to \$1,099,527,419 from prior year values at \$1,021,128,174. The average taxable value of a residential home in 2021 has increased to \$112,142 compared to the average home in 2020 at \$98,337. The City continues to take steps in developing areas to attract commercial customers and residents. For the 2021-2022 Budget, the City Council adopted the tax rate of \$0.741795 (which was above the effective rate but equal to the rollback rate), and a decrease of .59% compared to the prior year at \$0.746200 per \$100 valuation. The General Fund Ad Valorem tax revenue carries a \$6M budget.

Sales Tax

Historically, sales tax revenues have risen or decreased in response to oil and gas drilling. Therefore, 2021-2022 sales tax revenues are conservatively projected in the General Fund at \$2,220,000. As the oil industry stabilizes and recovers, sales tax could add additional sales tax revenues.

Budget

The 2021-2022 adopted budget has a 2 step raise for all sworn officers as well as a \$1,600 raise for staff. The City Secretary, Directors, and Assistant also received their 2% or 5% pay cut back. City Council and City Management believe it is important that the City continue to offer competitive salary and benefits in order to hire and retain quality employees. Health, dental, and life insurance coverage continue to be provided at no cost for full-time employees. As in the past, the City will continue health insurance coverage for full-time employees and dependents may be added at the expense of the employee.

Debt

The City of White Settlement uses long-term and short-term debt issuance to maintain a tax rate that is as level as possible. In 2020-2021, the City issued an additional \$5.985M in debt to fund street projects associated with water and sewer line replacements. The City plans to issue additional debt after current projects are completed for more complete street projects.

Capital

Projects planned for 2021-2022 include street resurfacing and reconstruction, and replacement of water and sewer lines, stormwater projects and some fire equipment.

Looking Forward

In the last few years, redevelopment efforts along with conservative fiscal policy have shown signs of stabilization and economic revitalization in the City. The 2021-2022 budget gives added emphasis to its efforts of long-term strategic plans developed by City Council and City Management. Data has been included to quantify the strategic plan and its projected effect on future year's operational budgets. These plans provide vision for the future, are helpful in the evaluation of Capital Improvement Projects, and serve to help shape the current budget.

The biggest challenge for the City as a whole is the water park. In 2013-2014, a water park was constructed as a promising economic project with Hawaiian Falls. The City's cost for development, construction and start-up was \$12.5 Million, with financing through Economic Development Corporation (EDC) issued bonds. The Debt payments were to be paid through lease payments from Hawaiian Falls. In January 2016, the Hawaiian Falls informed the City that they would again not make the currently due debt service payments, but wished to continue to operate the park. City Council and the Economic Development Board decided to terminate the lease agreement based on breach of contract. A budget amendment was authorized by City Council and the City opened and operated Splash Dayz water.

The financial impact of the water park is two-fold - operational requirements and debt service requirements. In the 2021-2022 Budget, operational requirements continue to be subsidized by the General Fund in the form of a \$582k transfer while the debt service is budgeted in the Economic Development Corporation (EDC).

Operationally, the park is expected to be self-sustaining in 3-4 years which will help the General Fund stabilize and rebuild. Debt service payments will continue to be made by the EDC.

City Management and Council are working together in concentrating on goals, plans and objectives that work toward the future financial stability of the City. The dedication of staff and support of the City Council are critical for an effective allocation of resources. Working together in an efficient and effective manner, City Management and Council are dedicated to improving the delivery of services and quality of life for the citizens of White Settlement.

Request for Information

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Department, 214 Meadow Park Drive, White Settlement, Texas 76108.

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**BASIC
FINANCIAL STATEMENTS**

CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 15,213,090	\$ 18,741,486	\$ 33,954,576
Receivables (net of allowance for uncollectibles):			
Property taxes	185,145	-	185,145
Franchise taxes	48,178	-	48,178
Accounts	-	1,384,132	1,384,132
Hotel/motel taxes	46,561	-	46,561
Miscellaneous	161,975	-	161,975
Due from other governments	1,031,968	-	1,031,968
Prepaid items	18,509	-	18,509
Inventories	-	1,239	1,239
Restricted assets:			
Cash and investments	11,446,689	6,462,891	17,909,580
Capital assets:			
Nondepreciable	3,973,735	5,208,644	9,182,379
Depreciable, net of accumulated depreciation	<u>26,392,339</u>	<u>31,506,290</u>	<u>57,898,629</u>
Total capital assets	<u>30,366,074</u>	<u>36,714,934</u>	<u>67,081,008</u>
Total assets	<u>58,518,189</u>	<u>63,304,682</u>	<u>121,822,871</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	138,610	262,617	401,227
Deferred outflow related to pensions	824,209	201,437	1,025,646
Deferred outflow related to OPEB	<u>87,084</u>	<u>21,297</u>	<u>108,381</u>
Total deferred outflows of resources	<u>1,049,903</u>	<u>485,351</u>	<u>1,535,254</u>

CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	\$ 625,025	\$ 410,478	\$ 1,035,503
Accrued liabilities	92,186	21,965	114,151
Customer deposits	3,120	-	3,120
Unearned revenue	2,211,613	-	2,211,613
Retainage payable	-	41,309	41,309
Payable from restricted assets:			
Interest payable	256,326	34,178	290,504
Customer deposits	-	725,933	725,933
Noncurrent liabilities:			
Due within one year:			
Long-term debt	1,913,737	481,251	2,394,988
Due in more than one year:			
Long-term debt	26,744,763	9,399,283	36,144,046
Net pension liability	5,102,316	1,247,005	6,349,321
Total OPEB liability	<u>395,820</u>	<u>96,800</u>	<u>492,620</u>
Total liabilities	<u>37,344,906</u>	<u>12,458,202</u>	<u>49,803,108</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pensions	708,105	173,060	881,165
Deferred inflow related to OPEB	<u>22,500</u>	<u>5,502</u>	<u>28,002</u>
Total deferred inflows of resources	<u>730,605</u>	<u>178,562</u>	<u>909,167</u>
NET POSITION			
Net investment in capital assets	4,507,546	32,920,642	37,428,188
Restricted for:			
Debt service	111,965	-	111,965
Police and court	1,322,230	-	1,322,230
Tourism, library and senior services	1,115,773	-	1,115,773
Economic development	3,639,203	-	3,639,203
Unrestricted	<u>10,795,864</u>	<u>18,232,627</u>	<u>29,028,491</u>
Total net position	<u>\$ 21,492,581</u>	<u>\$ 51,153,269</u>	<u>\$ 72,645,850</u>

CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,618,585	\$ 46,965	\$ -	\$ -
Public safety	6,949,654	645,741	21,597	693,271
Public works	1,455,448	-	41,580	-
Planning and development	13,714	-	-	-
Cultural and recreation	1,538,126	150,353	-	-
Interest and fiscal charges	1,144,536	-	-	-
Total governmental activities	<u>13,720,063</u>	<u>843,059</u>	<u>63,177</u>	<u>693,271</u>
Business-type activities:				
Water and wastewater	6,372,869	8,692,760	-	258,561
Sanitation	756,424	855,761	-	-
Stormwater utility	556,595	590,466	-	-
Splash Dayz	1,969,549	930,501	-	-
Total business-type activities	<u>9,655,437</u>	<u>11,069,488</u>	<u>-</u>	<u>258,561</u>
Total primary government	<u>\$ 23,375,500</u>	<u>\$ 11,912,547</u>	<u>\$ 63,177</u>	<u>\$ 951,832</u>

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Sales and use
- Franchise
- Hotel occupancy tax
- Oil and gas royalties
- Investment earnings
- Gain on sale of capital assets
- Other revenue

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

Primary Government

Governmental Activities	Business-type Activities	Total
\$(2,571,620)	\$ -	\$(2,571,620)
(5,589,045)	-	(5,589,045)
(1,413,868)	-	(1,413,868)
(13,714)	-	(13,714)
(1,387,773)	-	(1,387,773)
(1,144,536)	-	(1,144,536)
(12,120,556)	-	(12,120,556)
-	2,578,452	2,578,452
-	99,337	99,337
-	33,871	33,871
-	(1,039,048)	(1,039,048)
-	1,672,612	1,672,612
(12,120,556)	1,672,612	(10,447,944)
6,518,290	-	6,518,290
1,442,661	-	1,442,661
5,258,716	-	5,258,716
1,122,178	-	1,122,178
339,259	-	339,259
36,571	-	36,571
207,515	157,734	365,249
27,145	89,368	116,513
144,966	-	144,966
(135,803)	135,803	-
14,961,498	382,905	15,344,403
2,840,942	2,055,517	4,896,459
18,651,639	49,097,752	67,749,391
\$ 21,492,581	\$ 51,153,269	\$ 72,645,850

CITY OF WHITE SETTLEMENT, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	<u>General</u>	<u>Other Special Revenue</u>	<u>Capital Projects Fund</u>
ASSETS			
Cash and investments	\$ 15,211,949	\$ 2,475,123	\$ 1,764,296
Receivables (net of allowance for uncollectibles):			
Property taxes	151,179	-	-
Franchise taxes	48,178	-	-
Hotel/motel taxes	-	-	-
Miscellaneous	144,575	-	-
Due from other governments	513,494	3,243	-
Prepaid items	18,509	-	-
Total assets	<u>16,087,884</u>	<u>2,478,366</u>	<u>1,764,296</u>
LIABILITIES			
Accounts payable	358,869	2,876	105,905
Accrued liabilities	91,955	-	-
Unearned revenue	-	2,211,613	-
Customer deposits	3,120	-	-
Total liabilities	<u>453,944</u>	<u>2,214,489</u>	<u>105,905</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable property tax revenue	145,322	-	-
Other unavailable revenue	46,274	-	-
Total deferred inflows of resources	<u>191,596</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable			
Prepays	18,509	-	-
Restricted			
Debt service	-	-	-
Construction	-	-	1,658,391
Police and court	-	210,670	-
Tourism, library and senior services	-	53,207	-
Economic development	-	-	-
Committed			
Street improvement	-	-	-
Assigned for subsequent year's budget	2,155,765	-	-
Unassigned	13,268,070	-	-
Total fund balances	<u>15,442,344</u>	<u>263,877</u>	<u>1,658,391</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>16,087,884</u>	\$ <u>2,478,366</u>	\$ <u>1,764,296</u>

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

Debt Service Fund	Nonmajor Governmental	Total Governmental Funds
\$ 368,291	\$ 6,838,979	\$ 26,658,638
33,966	-	185,145
-	-	48,178
-	46,561	46,561
-	17,400	161,975
-	515,231	1,031,968
-	-	18,509
<u>402,257</u>	<u>7,418,171</u>	<u>28,150,974</u>
-	157,375	625,025
-	231	92,186
-	-	2,211,613
-	-	3,120
<u>-</u>	<u>157,606</u>	<u>2,931,944</u>
33,966	-	179,288
-	-	46,274
<u>33,966</u>	<u>-</u>	<u>225,562</u>
-	-	18,509
368,291	-	368,291
-	-	1,658,391
-	1,111,560	1,322,230
-	1,062,566	1,115,773
-	3,639,203	3,639,203
-	1,447,236	1,447,236
-	-	2,155,765
-	-	13,268,070
<u>368,291</u>	<u>7,260,565</u>	<u>24,993,468</u>
<u>\$ 402,257</u>	<u>\$ 7,418,171</u>	<u>\$ 28,150,974</u>

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CITY OF WHITE SETTLEMENT, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

Total fund balances - governmental funds balance sheet \$ 24,993,468

Amounts reported for governmental activities in the Statement of Net Position are different because:

Internal service funds are used by the City's management for equipment maintenance and vehicle replacement. The assets and liabilities of certain internal service funds are included with governmental activities in the Statement of Net Position but are not included at the fund level. 9,654

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. 29,626,797

Revenues in the statement of activities that do not provided current financial resources are not reported as revenues in the funds.

Property taxes 179,288
Court fines 35,271
Charges for services 11,003

Long-term liabilities, including bonds payable, notes payable, compensated absences, OPEB liabilities and net pension liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet

Bonds payable (16,350,000)
Tax notes (9,825,000)
Deferred charge on refunding 138,610
Issuance premium (749,765)
Compensated absences (1,002,971)
Net pension liability (5,102,316)
Deferred inflows of resources - pension related (708,105)
Deferred outflows of resources - pension related 824,209
Total OPEB liability (395,820)
Deferred inflows of resources - OPEB related (22,500)
Deferred outflows of resources - OPEB related 87,084

Interest payable on long-term debt in the City's governmental activities is not payable from current resources and therefore is not reported in the governmental funds balance sheet. (256,326)

Net position of governmental activities - statement of net position \$ 21,492,581

CITY OF WHITE SETTLEMENT, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General</u>	<u>Other Special Revenue</u>	<u>Capital Projects Fund</u>
REVENUES			
Taxes:			
Property	\$ 6,404,351	\$ -	\$ -
Sales and use	2,661,159	-	-
Franchise	870,621	-	-
Hotel occupancy	-	-	-
Fines and forfeitures	278,600	-	-
Licenses and permits	344,706	-	-
Intergovernmental	41,580	785,293	-
Charges for services	216,909	-	-
Investment earnings	121,663	4,150	26,995
Other	77,604	20,698	-
Total revenues	<u>11,017,193</u>	<u>810,141</u>	<u>26,995</u>
EXPENDITURES			
Current:			
General government	2,156,133	58,163	-
Public safety	6,320,729	274,244	-
Public works	596,284	3,877	-
Planning & development	-	92	-
Cultural and recreation	1,058,417	18,384	-
Capital outlay	658,667	387,771	2,908,991
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>10,790,230</u>	<u>742,531</u>	<u>2,908,991</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>226,963</u>	<u>67,610</u>	<u>(2,881,996)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from insurance	24,413	-	-
Proceeds from sale of capital assets	15,990	-	-
Transfers in	1,581,159	-	139,852
Transfers out	<u>(107,255)</u>	<u>(40,164)</u>	<u>(835,617)</u>
Total other financing sources and uses	<u>1,514,307</u>	<u>(40,164)</u>	<u>(695,765)</u>
EXTRAORDINARY ITEM			
Litigation settlement	<u>300,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>2,041,270</u>	<u>27,446</u>	<u>(3,577,761)</u>
FUND BALANCES, BEGINNING	<u>13,401,074</u>	<u>236,431</u>	<u>5,236,152</u>
FUND BALANCES, ENDING	\$ <u>15,442,344</u>	\$ <u>263,877</u>	\$ <u>1,658,391</u>

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

Debt Service Fund	Nonmajor Governmental	Total Governmental Funds
\$ 1,417,444	\$ -	\$ 7,821,795
-	2,597,557	5,258,716
-	413,557	1,284,178
-	339,259	339,259
-	-	278,600
-	-	344,706
-	-	826,873
-	-	216,909
4,521	50,113	207,442
-	90	98,392
<u>1,421,965</u>	<u>3,400,576</u>	<u>16,676,870</u>
-	-	2,214,296
-	412,293	7,007,266
-	29,518	629,679
-	13,622	13,714
-	112,840	1,189,641
-	189,464	4,144,893
925,000	525,000	1,450,000
<u>676,838</u>	<u>505,880</u>	<u>1,182,718</u>
<u>1,601,838</u>	<u>1,788,617</u>	<u>17,832,207</u>
(179,873)	1,611,959	(1,155,337)
-	-	24,413
-	11,155	27,145
217,042	-	1,938,053
-	(1,090,820)	(2,073,856)
<u>217,042</u>	<u>(1,079,665)</u>	<u>(84,245)</u>
-	300,000	600,000
37,169	832,294	(639,582)
<u>331,122</u>	<u>6,428,271</u>	<u>25,633,050</u>
\$ <u>368,291</u>	\$ <u>7,260,565</u>	\$ <u>24,993,468</u>

CITY OF WHITE SETTLEMENT, TEXAS

RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds:	\$ (639,582)
Amounts reported for governmental activities in the Statement of Activities are different	
Internal service funds are used by the City's management for equipment maintenance and vehicle replacement. The net revenue (expense) of certain internal service funds is reported with governmental activities.	(45,035)
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost and accumulated depreciation of those assets is allocated over their estimated useful lives as depreciation expense. Other transactions involving capital assets include disposals.	
Capital outlay	4,189,192
Depreciation expense	(2,055,055)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(59,312)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	139,156
Court fines	(7,142)
Franchise fees	(162,000)
Charges for services	(1,707)
The issuance of long-term debt (e.g., bonds, 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. Also governmental funds report the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Payment on bonds	925,000
Payments on tax notes	525,000
Amortization of deferred charge on refunding bonds	(18,901)
Amortization of premium on bond issuance	84,565
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	35,022
Accrued interest	2,098
Net pension liability	552,770
Total OPEB liability	(23,127)
Extraordinary items in the governmental fund financial statements provided current financial resources in the current year and were reported as revenues in the statement of activities in the previous year.	(600,000)
Change in net position of governmental activities	\$ <u>2,840,942</u>

CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Stormwater Utility	Splash Dayz	Total	Internal Service Fund
ASSETS					
Current assets					
Cash and cash equivalents	\$ 16,212,994	\$ 2,385,508	\$ 142,984	\$ 18,741,486	\$ 1,141
Receivables:					
Accounts, net of allowances for uncollectible accounts	1,319,019	60,863	4,250	1,384,132	-
Supplies inventory	-	-	1,239	1,239	-
Restricted assets:					
Cash and cash equivalents	<u>6,460,273</u>	<u>-</u>	<u>2,618</u>	<u>6,462,891</u>	<u>-</u>
Total current assets	<u>23,992,286</u>	<u>2,446,371</u>	<u>151,091</u>	<u>26,589,748</u>	<u>1,141</u>
Noncurrent assets					
Capital assets					
Land	164,144	3,826,001	-	3,990,145	-
Construction in progress	1,144,840	73,659	-	1,218,499	-
Buildings and improvements	278,475	-	2,343,376	2,621,851	-
Land improvements	90,607	-	3,241,029	3,331,636	-
Waterworks and wastewater system	34,718,120	-	-	34,718,120	-
Stormwater systems	-	5,127,940	-	5,127,940	-
Machinery and equipment	2,267,012	140,965	5,920,214	8,328,191	1,150,866
Less: accumulated depreciation	<u>(15,293,801)</u>	<u>(2,568,484)</u>	<u>(4,759,163)</u>	<u>(22,621,448)</u>	<u>(411,589)</u>
Total noncurrent assets	<u>23,369,397</u>	<u>6,600,081</u>	<u>6,745,456</u>	<u>36,714,934</u>	<u>739,277</u>
Total assets	<u>47,361,683</u>	<u>9,046,452</u>	<u>6,896,547</u>	<u>63,304,682</u>	<u>740,418</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charge on refunding	262,617	-	-	262,617	-
Deferred outflow related to pensions	147,078	29,333	25,026	201,437	-
Deferred outflow related to OPEBs	<u>15,553</u>	<u>2,644</u>	<u>3,100</u>	<u>21,297</u>	<u>-</u>
Total deferred outflows of resources	<u>425,248</u>	<u>31,977</u>	<u>28,126</u>	<u>485,351</u>	<u>-</u>

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

CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Stormwater Utility	Splash Dayz	Total	Internal Service Fund
LIABILITIES					
Current liabilities					
(payable from current assets):					
Accounts payable	\$ 367,356	\$ 16,618	\$ 26,504	\$ 410,478	\$ -
Accrued liabilities	16,243	3,614	2,108	21,965	-
Retainage payable	41,309	-	-	41,309	-
Current portion of long-term liabilities	469,555	8,550	3,146	481,251	179,260
Current liabilities					
(payable from restricted assets):					
Interest payable	34,178	-	-	34,178	-
Customer deposits payable	723,315	-	2,618	725,933	-
Total current liabilities	<u>1,651,956</u>	<u>28,782</u>	<u>34,376</u>	<u>1,715,114</u>	<u>179,260</u>
Noncurrent liabilities					
Bonds payable	9,338,865	-	-	9,338,865	-
Compensated absences	29,196	23,901	7,321	60,418	-
Capital leases	-	-	-	-	551,504
Net pension liability	910,492	181,590	154,923	1,247,005	-
Total OPEB liability	<u>70,691</u>	<u>12,020</u>	<u>14,089</u>	<u>96,800</u>	<u>-</u>
Total noncurrent liabilities	<u>10,349,244</u>	<u>217,511</u>	<u>176,333</u>	<u>10,743,088</u>	<u>551,504</u>
Total liabilities	<u>12,001,200</u>	<u>246,293</u>	<u>210,709</u>	<u>12,458,202</u>	<u>730,764</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflow related to pensions	126,359	25,201	21,500	173,060	-
Deferred inflow related to OPEB	4,018	683	801	5,502	-
Total deferred inflows of resources	<u>130,377</u>	<u>25,884</u>	<u>22,301</u>	<u>178,562</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	19,575,105	6,600,081	6,745,456	32,920,642	8,513
Unrestricted	<u>16,080,249</u>	<u>2,206,171</u>	<u>(53,793)</u>	<u>18,232,627</u>	<u>1,141</u>
Total net position	<u>\$ 35,655,354</u>	<u>\$ 8,806,252</u>	<u>\$ 6,691,663</u>	<u>\$ 51,153,269</u>	<u>\$ 9,654</u>

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

CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water and Wastewater	Stormwater Utility	Splash Dayz	Total	Internal Service Fund
OPERATING REVENUES					
Charges for sales and services	\$ 9,548,521	\$ 590,466	\$ 930,501	\$ 11,069,488	\$ 223,963
Total operating revenues	<u>9,548,521</u>	<u>590,466</u>	<u>930,501</u>	<u>11,069,488</u>	<u>223,963</u>
OPERATING EXPENSES					
Personnel services	1,497,785	271,546	573,292	2,342,623	-
Materials and supplies	598,512	18,118	219,558	836,188	-
Contractual services	3,937,956	181,523	462,258	4,581,737	16,692
Depreciation	892,547	85,408	714,441	1,692,396	222,799
Total operating expenses	<u>6,926,800</u>	<u>556,595</u>	<u>1,969,549</u>	<u>9,452,944</u>	<u>239,491</u>
OPERATING INCOME (LOSS)	<u>2,621,721</u>	<u>33,871</u>	<u>(1,039,048)</u>	<u>1,616,544</u>	<u>(15,528)</u>
NONOPERATING REVENUES (EXPENSES)					
Gain on disposal of capital assets	72,763	16,605	-	89,368	-
Bond issuance cost	(75,966)	-	-	(75,966)	-
Investment earnings	135,334	22,400	-	157,734	73
Interest expense	(126,527)	-	-	(126,527)	(29,580)
Total nonoperating revenues (expenses)	<u>5,604</u>	<u>39,005</u>	<u>-</u>	<u>44,609</u>	<u>(29,507)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>2,627,325</u>	<u>72,876</u>	<u>(1,039,048)</u>	<u>1,661,153</u>	<u>(45,035)</u>
Capital contributions	258,561	-	-	258,561	-
Transfers in	859,249	12,877	323,787	1,195,913	-
Transfers out	(974,312)	(85,798)	-	(1,060,110)	-
CHANGE IN NET POSITION	<u>2,770,823</u>	<u>(45)</u>	<u>(715,261)</u>	<u>2,055,517</u>	<u>(45,035)</u>
NET POSITION, BEGINNING	<u>32,884,531</u>	<u>8,806,297</u>	<u>7,406,924</u>	<u>49,097,752</u>	<u>54,689</u>
NET POSITION, ENDING	<u>\$ 35,655,354</u>	<u>\$ 8,806,252</u>	<u>\$ 6,691,663</u>	<u>\$ 51,153,269</u>	<u>\$ 9,654</u>

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

CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				Governmental
	Water and Wastewater	Stormwater Utility	Splash Dayz	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 9,599,609	\$ 590,854	\$ 923,013	\$ 11,113,476	\$ 223,966
Cash paid to employees	(1,410,250)	(275,268)	(563,947)	(2,249,465)	-
Cash paid to suppliers and service providers	(4,681,358)	(202,870)	(663,086)	(5,547,314)	(16,692)
Net cash provided (used) by operating activities	<u>3,508,001</u>	<u>112,716</u>	<u>(304,020)</u>	<u>3,316,697</u>	<u>207,274</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	859,249	12,877	323,787	1,195,913	-
Transfers to other funds	(974,312)	(85,798)	-	(1,060,110)	-
Net cash provided (used) by noncapital financing activities	<u>(115,063)</u>	<u>(72,921)</u>	<u>323,787</u>	<u>135,803</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from issuance of bonds	6,075,966	-	-	6,075,966	-
Capital contributions for debt service	258,561	-	-	258,561	-
Acquisition and construction of capital assets	(1,607,587)	(576,373)	(16,533)	(2,200,493)	(6,000)
Principal payment on long-term debt	(626,529)	-	-	(626,529)	(171,700)
Interest paid on long-term debt	(161,930)	(9,647)	(5,594)	(177,171)	(29,580)
Proceeds from disposal of capital assets	<u>72,763</u>	<u>-</u>	<u>-</u>	<u>72,763</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>4,011,244</u>	<u>(586,020)</u>	<u>(22,127)</u>	<u>3,403,097</u>	<u>(207,280)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	<u>135,334</u>	<u>22,400</u>	<u>-</u>	<u>157,734</u>	<u>73</u>
Net cash provided (used) by investing activities	<u>135,334</u>	<u>22,400</u>	<u>-</u>	<u>157,734</u>	<u>73</u>
NET INCREASE (DECREASE) IN CASH	<u>7,539,516</u>	<u>(523,825)</u>	<u>(2,360)</u>	<u>7,013,331</u>	<u>67</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>15,133,751</u>	<u>2,909,333</u>	<u>147,962</u>	<u>18,191,046</u>	<u>1,074</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 22,673,267</u>	<u>\$ 2,385,508</u>	<u>\$ 145,602</u>	<u>\$ 25,204,377</u>	<u>\$ 1,141</u>
RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS					
Current assets - cash and equivalents	\$ 16,212,994	\$ 2,385,508	\$ 142,984	\$ 18,741,486	\$ 1,141
Restricted assets - cash and equivalents	<u>6,460,273</u>	<u>-</u>	<u>2,618</u>	<u>6,462,891</u>	<u>-</u>
Total cash and equivalents	<u>\$ 22,673,267</u>	<u>\$ 2,385,508</u>	<u>\$ 145,602</u>	<u>\$ 25,204,377</u>	<u>\$ 1,141</u>

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

CITY OF WHITE SETTLEMENT, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds				Governmental
	Water and Wastewater	Stormwater Utility	Splash Dayz	Total	Internal Service Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 2,621,721	\$ 33,871	\$ (1,039,048)	\$ 1,616,544	\$ (15,528)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	892,547	85,408	714,441	1,692,396	222,799
(Increase) decrease in:					
Accounts receivable	28,709	388	(4,250)	24,847	3
Prepays	86	24	14	124	-
Supplies inventory	-	-	3,360	3,360	-
Increase (decrease) in:					
Accounts payable	(144,976)	(3,253)	15,356	(132,873)	-
Accrued liabilities	(28,020)	(6,047)	(5,845)	(39,912)	-
Customer deposits	22,379	-	(3,238)	19,141	-
Compensated absences	2,400	11,244	6,029	19,673	-
Net pension liability	97,462	(9,019)	5,517	93,960	-
Total OPEB liability	15,693	100	3,644	19,437	-
Net cash provided (used) by operating activities	<u>\$ 3,508,001</u>	<u>\$ 112,716</u>	<u>\$ (304,020)</u>	<u>\$ 3,316,697</u>	<u>\$ 207,274</u>

CITY OF WHITE SETTLEMENT, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of White Settlement, Texas (the City) was incorporated under the laws of the State of Texas in 1941. The City is governed by an elected mayor and five-member council. The City provides the following services: public safety, streets, parks and recreation, library, water and wastewater, sanitation, planning and zoning, building inspection, code enforcement, and general administrative services.

As required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. Based on these considerations, the White Settlement Economic Development Corporation and the White Settlement Crime Control and Prevention District have been included in the City's reporting entity as component units. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Consideration regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity is based on criteria presented by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is financially independent of other state and local governments. Additional prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that inclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Units

The White Settlement Economic Development Corporation (a nonprofit development corporation formed under the Development Corporation Act of 1979, Texas Rev. Civil Statute) was incorporated June 28, 1994. The Corporation's services are provided to stimulate economic growth for the City. A board of seven directors appointed by the City Council governs the Corporation. The purpose of the Corporation is to develop, implement, provide and finance projects allowed under the Development Corporation Act. Operation of the Corporation is funded by one-half percent sales tax approved by the voters. The City is the sole beneficiary of the EDC and will receive the remaining assets and assume the remaining liabilities upon termination. The Economic Development Corporation is presented as a special revenue fund. Separate unaudited financial statements may be obtained at the City's administrative office.

The White Settlement Crime Control and Prevention District (the "Crime District") is an entity legally separate from the City and was created by resolution of the City Council with approval by vote of the residents of White Settlement. The Crime District is governed by a seven-member board appointed by the City Council. The City Council approves the budget of the Crime District. The day-to-day operations of the Crime District are performed by City employees. For financial reporting purposes, the Crime Control and Prevention District is reported as if it were a part of the City's operations because its primary purpose is to support the crime prevention and enforcement activities of the General Fund. The Crime District makes transfers to the General Fund of the City for police salaries. In addition, the Crime District pays for ammunition, uniforms, tools and equipment, equipment and building repairs, travel, training and automobiles for the White Settlement police department. The services provided to others are insignificant to the overall activities of the Crime District. The Crime Control and Prevention District is presented as a special revenue fund. Separate unaudited financial statements may be obtained at the City's administrative office.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, however, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized when payment is due.

Property taxes, sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives payment.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Other Special Revenue Fund** is used to account for the resources received for various purposes, including federal and state grants, senior center donations, and court technology and safety fees.

The **Capital Projects Fund** is used to account for construction of major capital projects not being financed by the proprietary funds.

The **Debt Service Fund** is used to account for the accumulation of resources that are restricted, for the payment of principal and interest on long-term obligations of governmental funds.

The City reports the following major proprietary funds:

The **Water and Wastewater Fund** accounts for the provision of sanitation, water and wastewater services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The **Stormwater Utility Fund** is used to account for the maintenance of the drainage system for the City.

The **Splash Dayz Fund** is used to account for the maintenance and operations of the water park owned by the City.

Additionally, the City reports the following fund type:

An **Internal Service Fund** is used to account for fleet management services provided to other departments on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

Amounts reported as program revenues include 1) charges for customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments that are highly liquid with maturity within three months or less when purchased. Assets reported as cash and investments are considered cash and cash equivalents for the statement of cash flows.

Investments for the City are reported at fair value, except for the position in investment pools. Investment pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable aged +2 months comprises the trade accounts receivable allowance for uncollectible accounts. The property tax receivable and municipal court allowances are equal to accounts over 5 years old and 85% respectively of the outstanding balances at September 30, 2021.

3. Unbilled Service

Utility operating revenues (water, wastewater, storm water and refuse collection) are billed on monthly cycles. The City records estimated revenues for services delivered during the fiscal year, which will be billed during the next fiscal year.

4. Inventory

The inventories of supplies are valued at cost using the first-in-first-out ("FIFO") method. Inventory in the governmental funds is accounted for using the consumption method.

5. Prepaid Items

Payments made for services that will benefit periods beyond September 30, 2021, are recorded as prepaid expenses/expenditures in both the government-wide and fund financial statements. Prepaid expenditures in the governmental funds are accounted for using the purchases method.

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure, 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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment of the primary government and component unit are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	20-30
Buildings	10-40
Water and wastewater system	20-50
Machinery and equipment	3-10
Vehicles	3-10
Infrastructure	20-50

7. *Compensated Absences*

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. After completing one full year of service, employees are eligible to convert sick leave to vacation leave in an amount equal to 40 hours of sick pay (calculated at their then-current rate of pay), less the number of sick pay hours claimed during the preceding 12-month period. Otherwise, the City’s policy is that upon separation from service, only civil service employees will receive payment for unused sick pay benefits. All vacation pay and civil service employees’ sick leave benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. *Long-term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective rate of interest. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as they are incurred.

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

Pensions

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

9. Fund Balance - Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - includes amounts that cannot be spent because they are either not spendable in form (such as prepaids or inventory) or are legally or contractually required to be maintained intact (such as endowment funds).

Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed - includes amounts constrained to specific purposes by a government itself, using its highest decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint (City Council ordinance).

Assigned - includes amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The City Council has delegated the authority to assign fund balance to the City Manager by resolution.

Unassigned - All amounts not included in other spendable classifications. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

The City Council adopted a minimum fund balance policy for the General Fund. The policy requires the City strive to maintain a yearly unassigned fund balance in the General Fund of 144 days of annual budgeted expenditures. At the end of the year, the unassigned fund balance of \$13,268,070 was \$9,002,103 above the minimum fund balance requirement of \$4,265,967.

10. Net Position

Net position represents the difference between assets and liabilities. Net position net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

11. Use of Estimates

The preparation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

II. DEPOSITS AND INVESTMENTS

Substantially all operating cash and investments are maintained in consolidated cash and investment accounts. Investment income relating to consolidated investments is allocated to the individual funds monthly based on the funds' pro-rata share of total cash and investments.

The City's investment policy authorizes the City to invest in obligations of the United States and its agencies; direct obligations of the State of Texas and agencies thereof; other obligations, the principal and interest on which are unconditionally guaranteed by the State of Texas and United States; obligations of the states, agencies, 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 its equivalent; secured certificates of deposit of state and national banks domiciled in Texas; fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies; and joint pools of political subdivisions in the State of Texas. Investments are stated at fair value except for short-term highly liquid investments which are stated at cost or amortized cost. During the year, the City did not own any types of securities other than those permitted by statute.

The City invests idle funds in the Texas Local Government Investment Pool (TexPool). TexPool is a local government investment pool organized under the authority of the Interlocal Cooperation Act Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. All investments of the Pool are stated at amortized cost, which in most cases approximates the market value of the securities. The objective of TexPool is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas.

The City's investment pools each have a redemption notice period of one day and may redeem daily. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's funds are required to be deposited and invested under the terms of a depository contract. The City's deposits are required to be collateralized with securities held by the pledging institution's trust department or agent in the City's name. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit

Insurance Corporation ("FDIC") Insurance. At September 30, 2021, the City's deposits were covered by FDIC Insurance or collateralized with securities held by the bank's agent in the City's name.

Credit Risk- Investments

The City controls credit risk by limiting its investments to those instruments allowed by its investment policy.

Interest Rate Risk - Investments

In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting the final stated maturity of any investment to three years and the average maturity of the City's operating funds to one year. As of September 30, 2021, all of the City's investments were invested for a period not exceeding three years and the average maturity of operating funds was less than one year.

The City's investments at September 30, 2021 included the following:

Investment	Credit Rating	Weighted Average Maturity	Percentage of Total Investments	Carrying Value
Investment in TexPool	AAAm	34 days	100%	\$ <u>1,681</u>
Total investments				\$ <u>1,681</u>

Cash and investments restricted in the enterprise funds are \$723,315 for customer deposits. Restricted cash and investments in the governmental funds amounted to \$11,399,286 for grants, capital projects, debt service, tourism, and economic development.

III. PROPERTY TAX

The City's property tax is levied (assessed) each October 1, on the value listed as of the prior January 1, for all real property and personal property located in the City. Such assessed value for 2020 was computed based on 100% of appraised value.

Beginning with the 1982 levy, the appraisal property within the City became the responsibility of a countrywide appraisal district as required by legislation passed by the Texas Legislature. The appraisal district is required under such legislation to assess all property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the government may, at its own expense require annual reviews of appraised values.

The government may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

General property taxes are limited by the government's Home Rule Charter to \$1.50 per \$100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the period ended September 30, 2021, was \$0.7462 per \$100 of assessed valuation.

Taxes are billed and due on October 1 of each year. The last date for payment without penalty is the following January 31. Delinquent penalties are added on February 1 with additional attorney fees being added on July 1. Lien attaches to properties on the January 1 following levy date. Tarrant County bills and collects the general property taxes for the City. During the fiscal year, the City collected approximately 98% of the 2020 tax levy.

In the governmental funds the City's property tax revenues are recognized when levied to the extent that they result in current receivables available for financing current operations. The remaining receivables are reflected in deferred inflows.

IV. RECEIVABLES

Receivables as of year-end for the City's major and nonmajor funds, including the applicable allowances for uncollectible accounts are as follows:

	General	Other Special Revenue	Debt Service	Nonmajor Governmental	Water and Wastewater	Stormwater Utility	Splash Dayz
Receivables:							
Property taxes	\$ 319,841	\$ -	\$ 97,597	\$ -	\$ -	\$ -	\$ -
Franchise taxes	48,178	-	-	-	-	-	-
Hotel/motel taxes	-	-	-	46,560	-	-	-
Intergovernmental	513,494	3,243	-	515,232	-	-	-
Water and wastewater	-	-	-	-	999,573	-	-
Stormwater utility	-	-	-	-	-	40,958	-
Unbilled services	-	-	-	17,400	389,688	23,756	-
Miscellaneous	396,964	-	-	-	-	-	4,250
Gross receivables	1,278,477	3,243	97,597	579,192	1,389,261	64,714	4,250
Less: allowance for uncollectibles	(421,051)	-	(63,631)	-	(70,242)	(3,851)	-
Net total receivables	\$ <u>857,426</u>	\$ <u>3,243</u>	\$ <u>33,966</u>	\$ <u>579,192</u>	\$ <u>1,319,019</u>	\$ <u>60,863</u>	\$ <u>4,250</u>

V. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and this, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify in this category, deferred charges on refunding bonds, deferred outflows relating to pensions, and deferred outflows relating to OPEB reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as in inflow of resource (revenue) until that time. The City has two types of items in this category, unavailable revenues for governmental funds and deferred inflows related to pensions in the government-wide statement of net position and proprietary funds statements. At the end of the fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

Property taxes receivable (General Fund)	\$	145,322
Mowing liens receivable (General Fund)		11,003
Court fees receivable (General Fund)		35,271
Property taxes receivable (Debt Service Fund)		<u>33,966</u>
Total	\$	<u><u>225,562</u></u>

VI. INTERFUND TRANSFERS

The composition of interfund transfers for the City’s individual major funds and nonmajor funds at September 30, 2021 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>	<u>Purpose</u>
General	Nonmajor Governmental	\$ 890,820	Administrative costs
General	Water & Wastewater	604,541	Administrative costs
General	Stormwater	85,798	Administrative costs
Capital Projects	Water & Wastewater	139,852	Capital projects
Debt Service	Water & Wastewater	217,042	Administrative costs
Water & Wastewater	Other Special Revenue	23,632	Grant funds
Water & Wastewater	Capital Projects	835,617	Bond funds for capital project
Stormwater	Water and Wastewater	12,877	Grant funds
Splash Dayz	Other Special Revenue	16,532	Grant funds
Splash Dayz	General Fund	107,255	Subsidize operations
Splash Dayz	Nonmajor Governmental	<u>200,000</u>	Tourism
Total		\$ <u><u>3,133,966</u></u>	

VII. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Additions	Deletion	Adjustments/ Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,388,429	\$ 308,939	\$ -	\$ -	\$ 2,697,368
Construction in progress	<u>1,248,903</u>	<u>3,054,764</u>	<u>-</u>	<u>(3,027,300)</u>	<u>1,276,367</u>
Total assets not being depreciated	<u>3,637,332</u>	<u>3,363,703</u>	<u>-</u>	<u>(3,027,300)</u>	<u>3,973,735</u>
Capital assets, being depreciated:					
Land improvements	8,627,782	66,827	-	-	8,694,609
Building and improvements	7,605,435	452,101	(30,759)	(56,628)	7,970,149
Machinery and equipment	7,987,332	411,945	(1,678,651)	(21,772)	6,698,854
Infrastructure	<u>22,577,440</u>	<u>50,128</u>	<u>-</u>	<u>2,975,177</u>	<u>25,602,745</u>
Total capital assets being depreciated	<u>46,797,989</u>	<u>981,001</u>	<u>(1,709,410)</u>	<u>2,896,777</u>	<u>48,966,357</u>
Less accumulated depreciation:					
Land improvements	(4,986,339)	(390,904)	-	-	(5,377,243)
Building and improvements	(4,715,838)	(214,101)	30,759	25,379	(4,873,801)
Machinery and equipment	(4,873,387)	(686,348)	1,678,651	22,509	(3,858,575)
Infrastructure	<u>(7,501,221)</u>	<u>(986,500)</u>	<u>-</u>	<u>23,322</u>	<u>(8,464,399)</u>
Total accumulated depreciation	<u>(22,076,785)</u>	<u>(2,277,853)</u>	<u>1,709,410</u>	<u>71,210</u>	<u>(22,574,018)</u>
Total capital assets being depreciated, net	<u>24,721,204</u>	<u>(1,296,852)</u>	<u>-</u>	<u>2,967,987</u>	<u>26,392,339</u>
Governmental activities capital assets, net	<u>\$ 28,358,536</u>	<u>\$ 2,066,851</u>	<u>\$ -</u>	<u>\$ (59,313)</u>	<u>\$ 30,366,074</u>
	Beginning Balance	Additions	Deletions	Adjustments/ Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 3,990,145	\$ -	\$ -	\$ -	\$ 3,990,145
Construction in progress	<u>4,084,496</u>	<u>1,736,997</u>	<u>-</u>	<u>(4,602,994)</u>	<u>1,218,499</u>
Total assets not being depreciated	<u>8,074,641</u>	<u>1,736,997</u>	<u>-</u>	<u>(4,602,994)</u>	<u>5,208,644</u>
Capital assets, being depreciated:					
Land improvements	3,279,513	-	-	52,123	3,331,636
Building and improvements	2,490,600	52,852	-	78,399	2,621,851
Machinery and equipment	8,441,407	82,532	(195,748)	-	8,328,191
Water and wastewater system	30,509,112	138,983	-	4,070,025	34,718,120
Stormwater systems	<u>4,594,971</u>	<u>-</u>	<u>-</u>	<u>532,969</u>	<u>5,127,940</u>
Total capital assets being depreciated	<u>49,315,603</u>	<u>274,367</u>	<u>(195,748)</u>	<u>4,733,516</u>	<u>54,127,738</u>
Less accumulated depreciation:					
Land improvements	(1,044,100)	(167,171)	-	(22,587)	(1,233,858)
Building and improvements	(370,890)	(127,058)	-	2,157	(495,791)
Machinery and equipment	(4,879,711)	(655,760)	195,748	54,730	(5,284,993)
Water and wastewater system	(12,401,002)	(665,158)	-	(104,038)	(13,170,198)
Stormwater systems	<u>(2,359,359)</u>	<u>(77,249)</u>	<u>-</u>	<u>-</u>	<u>(2,436,608)</u>
Total accumulated depreciation	<u>(21,055,062)</u>	<u>(1,692,396)</u>	<u>195,748</u>	<u>(69,738)</u>	<u>(22,621,448)</u>
Total capital assets being depreciated, net	<u>28,260,541</u>	<u>(1,418,029)</u>	<u>-</u>	<u>4,663,778</u>	<u>31,506,290</u>
Business-type activities capital assets, net	<u>\$ 36,335,182</u>	<u>\$ 318,968</u>	<u>\$ -</u>	<u>\$ 60,784</u>	<u>\$ 36,714,934</u>

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

Governmental activities:	
General government	\$ 458,869
Public safety	491,035
Public works	888,521
Cultural and recreational	<u>439,428</u>
Total depreciation expense - governmental activities	<u>\$ 2,277,853</u>
Business-type activities:	
Water and wastewater	\$ 892,547
Stormwater utility	85,408
Splash Dayz	<u>714,441</u>
Total depreciation expense - business-type activities	<u>\$ 1,692,396</u>

VIII. LONG-TERM LIABILITIES

A. Bonds Payable

The City issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds are direct obligations and pledge the full faith and credit of the government. All of the City's General Obligation bonds and Contractual Obligation-Private Placement are direct obligations of the City, payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law. The City's Certificates of Obligation issues are direct obligations of the City, payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's Water and Wastewater System. General Obligation Bonds, Certificates of Obligation Bonds, and Certificates of Obligation-Private Placement outstanding are as follows:

Purpose	Date Issued	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
General government	06/01/15	02/15/35	2.0 - 5.0%	\$ 9,540,000	\$ 8,810,000
Governmental refunding	06/01/15	02/15/25	2.0 - 3.0%	2,980,000	1,360,000
General government	09/10/15	02/15/28	3.07%	710,000	415,000
Governmental refunding	12/13/16	02/15/29	2.0 - 4.0%	3,815,000	3,040,000
General government	10/01/18	02/15/38	2.0 - 5.0%	<u>2,995,000</u>	<u>2,725,000</u>
Total				<u>\$ 20,040,000</u>	<u>\$ 16,350,000</u>

The annual debt service requirements to maturity for General Obligation Bonds and Certificates of Obligation Bonds outstanding as of September 30, 2021, are as follows:

Fiscal Year	Governmental Activities					
	General Obligation			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 665,000	\$ 136,575	\$ 801,575	\$ 225,000	\$ 493,719	\$ 718,719
2023	680,000	118,100	798,100	245,000	484,619	729,619
2024	705,000	97,325	802,325	250,000	474,944	724,944
2025	725,000	75,875	800,875	260,000	464,944	724,944
2026	385,000	57,300	442,300	635,000	448,919	1,083,919
2027-2031	1,240,000	75,600	1,315,600	4,290,000	1,831,340	6,121,340
2032-2036	-	-	-	5,210,000	601,748	5,811,748
2037-2038	-	-	-	<u>420,000</u>	<u>15,406</u>	<u>435,406</u>
Total	<u>\$ 4,400,000</u>	<u>\$ 560,775</u>	<u>\$ 4,960,775</u>	<u>\$ 11,535,000</u>	<u>\$ 4,815,639</u>	<u>\$ 16,350,639</u>

The annual debt service requirements to maturity for Certificates of Obligation-Private Placement outstanding as of September 30, 2021, are as follows:

Fiscal Year	Private Placement Certificates of Obligation		
	Principal	Interest	Total
2022	\$ 55,000	\$ 11,896	\$ 66,896
2023	55,000	10,208	65,208
2024	55,000	8,520	63,520
2025	60,000	6,754	66,754
2026	60,000	4,912	64,912
2027-2029	<u>130,000</u>	<u>3,990</u>	<u>133,990</u>
Total	<u>\$ 415,000</u>	<u>\$ 46,280</u>	<u>\$ 461,280</u>

The Economic Development Corporation issued Sales Tax Revenue Bonds for the purpose of constructing a water park. Sales Tax Revenue Bonds outstanding are as follows:

Purpose	Date Issued	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
Water park	11/12/13	12/01/33	2.93%	<u>\$ 12,600,000</u>	<u>\$ 9,825,000</u>

Economic Development Corporation bond debt service requirements to maturity are as follows:

Fiscal Year	Economic Development Corporation		
	Principal	Interest	Total
2022	\$ 550,000	\$ 479,410	\$ 1,029,410
2023	580,000	451,047	1,031,047
2024	610,000	421,178	1,031,178
2025	640,000	389,803	1,029,803
2026	670,000	356,922	1,026,922
2027-2031	3,910,000	1,229,900	5,139,900
2032-2034	<u>2,865,000</u>	<u>220,756</u>	<u>3,085,756</u>
Total	<u>\$ 9,825,000</u>	<u>\$ 3,549,016</u>	<u>\$ 13,374,016</u>

The City's Water and Wastewater Fund also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Water and Wastewater Fund bonds outstanding are as follows:

Purpose	Date Issued	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
Enterprise refunding	12/13/16	02/15/29	2.0 - 4.0%	\$ 4,330,000	\$ 3,465,000
Enterprise bond	05/25/21	02/15/41	1.5 - 2.0%	<u>5,985,000</u>	<u>5,985,000</u>
Total				<u>\$ 10,315,000</u>	<u>\$ 9,450,000</u>

In the current fiscal year, the City issued Combination Tax & Surplus Revenue Certificates of Obligation Series 2021 in the amount of \$5,985,000. The bonds carry interest rates ranging from 1.50% to 2.0% and mature on February 15th, 2031. The proceeds will be used to fund construction of streets, water, and sewer projects.

April 8, 2010 the City of White Settlement and City of Fort Worth entered into an agreement where the City of Fort Worth agreed to pay 51.46% of the cost of the Farmers Branch Wastewater Interceptor Project. The City of White Settlement issued 2009 Certificates of Obligation to fund the project and partially refunded them with the 2016 General Obligation Refunding Bonds. The City of Fort Worth agreed to pay 51.46% of the annual debt service requirements beginning in 2010 through maturity in 2029. The amount received from the City of Fort Worth was \$257,274 and was reported as a capital contribution in the Water and Wastewater Fund.

Water and Wastewater Fund bond debt service requirements to maturity are as follows:

Fiscal Year	Business-type Activities		
	Principal	Interest	Total
2022	\$ 455,000	\$ 246,544	\$ 701,544
2023	485,000	212,840	697,840
2024	500,000	198,965	698,965
2025	510,000	184,715	694,715
2026	535,000	167,815	702,815
2027-2031	2,520,000	557,688	3,077,688
2032-2036	2,120,000	324,723	2,444,723
2037-2041	<u>2,325,000</u>	<u>118,250</u>	<u>2,443,250</u>
Total	<u>\$ 9,450,000</u>	<u>\$ 2,011,540</u>	<u>\$ 11,461,540</u>

The various bond ordinances contain a number of limitations and restrictions. Management believes the City is in compliance with all significant limitation and restrictions at September 30, 2021.

B. Capital Leases Payable

The City has acquired certain capital assets for governmental and business-type activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The City's direct borrowings (capital leases) related to governmental and business-type activities are secured with equipment as collateral.

Capital leases payable is comprised of the following issue at September 30, 2021:

Governmental activities

\$706,626 Capital Lease for the purchase of thirty one vehicles. Eleven of the vehicles are strictly for Crime District purposes. Payments are made monthly at \$144,494 through 2025, interest at 5.21% - 6.21%	\$ 503,712
\$194,049 Capital Lease for the purchase of six vehicles. Payments are made monthly at \$36,986 through 2025, interest at 5.34%	<u>227,051</u>
Total	<u>\$ 730,763</u>

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities	Total
Assets:			
Machinery and Equipment	\$ 503,712	\$ 227,051	\$ 730,763
Less: accumulated depreciation	(153,637)	(35,154)	(188,791)
Total	<u>\$ 350,075</u>	<u>\$ 191,897</u>	<u>\$ 541,972</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

Fiscal Year	Governmental Activities
2022	\$ 227,488
2023	227,488
2024	211,743
2025	86,489
2026	<u>102,710</u>
Total minimum lease payable	<u>855,918</u>
Less: amounts representing interest	<u>(125,155)</u>
Present value of minimum lease payments	<u>\$ 730,763</u>

C. Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and Certificates of Obligations:					
Certificates of obligation	\$ 11,755,000	\$ -	\$ 220,000	\$ 11,535,000	\$ 225,000
Certificates of obligation-private placement	470,000	-	55,000	415,000	55,000
General obligation bonds	5,050,000	-	650,000	4,400,000	665,000
Sales tax revenue bonds	10,350,000	-	525,000	9,825,000	550,000
Issuance premium	<u>834,330</u>	<u>-</u>	<u>84,565</u>	<u>749,765</u>	<u>-</u>
Total bonds payable	<u>28,459,330</u>	<u>-</u>	<u>1,534,565</u>	<u>26,924,765</u>	<u>1,495,000</u>
Capital leases	752,952	149,512	171,701	730,763	179,260
Compensated absences	<u>1,037,993</u>	<u>397,227</u>	<u>432,248</u>	<u>1,002,972</u>	<u>239,477</u>
Governmental activities long-term liabilities	<u>\$ 30,250,275</u>	<u>\$ 546,739</u>	<u>\$ 2,138,514</u>	<u>\$ 28,658,500</u>	<u>\$ 1,913,737</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 4,040,000	\$ -	\$ 575,000	\$ 3,465,000	\$ 385,000
Certificates of obligation bonds	-	5,985,000	-	5,985,000	70,000
Issuance premium	<u>304,429</u>	<u>90,967</u>	<u>51,529</u>	<u>343,867</u>	<u>-</u>
Total bonds payable	<u>4,344,429</u>	<u>6,075,967</u>	<u>626,529</u>	<u>9,793,867</u>	<u>455,000</u>
Compensated absences	<u>94,354</u>	<u>38,135</u>	<u>45,822</u>	<u>86,667</u>	<u>26,251</u>
Business-type activities long-term liabilities	<u>\$ 4,438,783</u>	<u>\$ 6,114,102</u>	<u>\$ 672,351</u>	<u>\$ 9,880,534</u>	<u>\$ 481,251</u>

Compensated absences of the governmental activities and business-type activities are paid by the General Fund, Water & Wastewater Fund, Stormwater Utility Fund and Splash Dayz Fund, respectively.

D. Defeased Debt

In prior years, the City has defeased tax notes and general obligation bonds by placing the proceeds of new bonds into irrevocable trust accounts to provide for all future debt service payments on the old bonds. Accordingly, those trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of year end, \$7,170,000 of defeased bonds remain outstanding.

IX. RISK MANAGEMENT

The City is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City's general liability, automobile and property insurance is underwritten through a self-insurance fund for Texas political subdivisions. Premiums are paid to the carrier, and they administer all claims. The City is also insured for workers' compensation claims through a self-insurance fund for Texas political subdivisions. Rates are determined by the state, and the pool assigns discount rates to premiums based upon the City's claims history. The City retains, as a risk, only the deductible amount of each policy.

The City has maintained insurance coverage in all major categories of risk comparable to that of the prior year with no reduction in coverage. The amount of settlements during the past three years has not exceeded the insurance coverage.

X. DEFERRED COMPENSATION PLAN

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

The City's responsibility is to transmit employee contributions to the third-party plan administrator for deposit to the credit of the individual participant accounts. The City does not have significant administrative involvement for the assets of the plan and does not perform the investment function for the plan.

XI. EXTRAORDINARY ITEMS

In the current year, the City reported a litigation settlement in the amount of \$600,000 in the governmental funds. The amount was recognized in the prior year in the governmental activities statement of activities. However, due to the timing of the settlement payment, the amount was not available to provide current financial resources and not reported in the governmental funds in 2020. That amount has been recognized in the governmental fund financial statements in the current fiscal year.

XII. DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com. All eligible employees of the City are required to participate in TMRS.

B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. The plan provisions for the City were as follows:

Employee deposit rate	7%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Retirement eligibility (age/service)	60/5, 0/20
Updated service credit	100% repeating, transfers
Annuity increase to retirees	70% of CPI

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries current receiving benefits	104
Inactive employees entitled to but not yet received benefits	151
Active employees	<u>120</u>
Total	<u><u>375</u></u>

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.23% and 17.27% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$1,241,928, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Within the governmental activities, the General Fund generally liquidates the net pension liability. In the business-type activities, the net pension liability is liquidated by the Water and Wastewater, Stormwater Utility, and Splash Dayz funds.

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender distinct 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 is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS 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, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	<u>10.0%</u>	7.75%
Total	<u>100.0%</u>	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 36,105,115	\$ 29,557,374	\$ 6,547,741
Changes for the year:			
Service cost	1,163,727	-	1,163,727
Interest	2,417,372	-	2,417,372
Difference between expected and actual experience	117,691	-	117,691
Contributions - employer	-	1,183,370	(1,183,370)
Contributions - employee	-	486,145	(486,145)
Net investment income	-	2,242,778	(2,242,778)
Benefits payments, including refunds of employee contributions	(1,748,124)	(1,748,124)	-
Administrative expense	-	(14,518)	14,518
Other change	-	(565)	565
Net changes	<u>1,950,666</u>	<u>2,149,086</u>	<u>(198,420)</u>
Balance at 12/31/2020	<u>\$ 38,055,781</u>	<u>\$ 31,706,460</u>	<u>\$ 6,349,321</u>

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

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

	1% Decrease in in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in in Discount Rate (7.75%)
City's net pension liability	\$ 12,049,616	\$ 6,349,321	\$ 1,723,678

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2021, the City recognized pension expense of \$770,921, which is attributable to governmental and business-type activities in the amounts of \$619,512 and \$151,409, respectively.

At September 30, 2021, 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 economic experience	\$ 74,738	\$ 39,572
Changes in actuarial assumptions	28,654	-
Difference between projected and actual investment earnings	-	841,593
Contributions subsequent to the measurement date	<u>922,254</u>	<u>-</u>
Totals	<u>\$ 1,025,646</u>	<u>\$ 881,165</u>

\$922,254 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2022	\$(278,277)
2023	44,326
2024	(494,292)
2025	(49,530)

XIII. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

B. Benefits Provided

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post-employment benefit and is a fixed amount of \$7,500.

C. Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	28
Active employees	<u>120</u>
Total	<u><u>206</u></u>

D. Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.20% for the current year, of which 0.12% represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's retiree-only portion of contributions to the SDBF for the years ended September 30, 2020 and 2021 were \$2,813 and \$7,149, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

E. Total OPEB Liability

The City's total OPEB liability was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Within the governmental activities, the General Fund generally liquidates the total OPEB liability. In the business-type activities, the total OPEB liability is liquidated by the Water and Wastewater, Stormwater Utility, and Splash Dayz funds.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups.

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.50% Including Inflation
Discount Rate	2.00% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational bases with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward 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 with scale UMP to account for future mortality improvements subject to the floor.

Changes in the OPEB Liability

	Total OPEB Liability
Balance at 12/31/2019	\$ 402,318
Changes for the year:	
Service cost	17,338
Interest	11,264
Difference between expected and actual experience	(3,856)
Changes of assumptions and other inputs	68,329
Benefit payments**	(2,773)
Net changes	<u>90,302</u>
Balance at 12/31/2020	\$ <u><u>492,620</u></u>

*Membership counts for inactive employees currently receiving or entitled to but not yet receiving benefits will differ from GASB 68 as they include only those eligible for a SDBF benefit (i.e. excludes beneficiaries, non-vested terminations due a refund, etc).

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB Liability	\$ 609,496	\$ 492,620	\$ 404,586

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$51,140, which is attributable to governmental and business-type activities in the amounts of \$41,091 and \$10,049, respectively. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources relate to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,996	\$ 17,847
Changes in actuarial assumptions	99,977	10,155
Contributions subsequent to the measurement date	<u>6,408</u>	<u>-</u>
Totals	<u>\$ 108,381</u>	<u>\$ 28,002</u>

\$6,408 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the City paid with own assets and will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2022	\$ 22,538
2023	17,721
2024	20,800
2025	12,912

XIV. CONTINGENT LIABILITIES

Contingencies

The City is exposed to various claims and litigation. The outcome of events are not presently determinable and the amount of the City's potential liability cannot be reasonably estimated at this time.

Federal and State Programs

Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made, in compliance with program guidelines, to the grantor agency. These programs are governed by various statutory rules and regulations of grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, the City has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of fund monies may be required. As it pertains to other matters of compliance, in the opinion of the City's administration, there are no significant contingent liabilities relating to matters of compliance and accordingly, no provision has been made in the accompanying financial statements for such contingencies.

XV. CONTRACTS AND COMMITMENTS

Water and Wastewater Contracts

The City has separate contracts with the City of Fort Worth, Texas for the purchase of treated water and for the treatment of wastewater, which expire in 2031 and 2037, respectively. The contracts require the City to pay varying amounts based on the costs associated with water purchased and treated. Payments during 2021 for the purchase of treated water were \$1,275,370 and payments made for the treatment of wastewater by the City of Fort Worth were \$966,200.

XVI. TAX ABATEMENTS

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic improvement, stipulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. These programs abate or rebate property taxes and sales tax, and also include incentive payments and reductions in fees that are not tied to taxes. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code.

Recipients may be eligible to receive economic assistance based on the employment impact, economic impact or community impact of the project requesting assistance. Recipients receiving assistance generally commit to building or remodeling real property and related infrastructure, demolishing and redeveloping outdated properties, expanding operations, renewing facility leases, or bringing targeted businesses to the City. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The City has one category of economic development:

General Economic Development – The City enters into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of property taxes or sales tax received by the City, may result in fee reductions such as utility charges or building inspection fees, or make lump sum payments to offset moving expenses, infrastructure reimbursements, redevelopment costs or other expenses. For fiscal year 2021, the City rebated \$105,108 in taxes.

XVII. SUBSEQUENT EVENTS

In November 2021, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2021A in the amount of \$675,000. The obligations will be payable on February 15th and August 15th of each year and will fully mature February 15th, 2031. The interest rate for the obligations varies from 0.15% to 1.01%.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

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

**CITY OF WHITE SETTLEMENT, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2022
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$4,555,000**

AS BOND COUNSEL FOR THE CITY OF WHITE SETTLEMENT, TEXAS (the “Issuer”) in connection with the issuance of the Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2022, described above (the “Certificates”), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the “Ordinance”).

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with law; and that the Certificates, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors’ rights generally or by general principles of equity and sovereign immunity of political subdivisions which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues of the Issuer’s water and wastewater system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer’s revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer’s water and wastewater system, as provided in the Ordinance.

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



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

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

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

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

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

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



of the Issuer as to the current outstanding indebtedness of and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

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