PRELIMINARY OFFICIAL STATEMENT

Dated April 23, 2025

Ratings:
S&P: "A+"
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS".

THE CERTIFICATES **WILL NOT BE** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

City of Farmersville
DISCOVER A TEXAS TREASURE

$4,530,000*
CITY OF FARMERSVILLE, TEXAS
(Collin County)
TAX AND UTILITY SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: May 1, 2025
Interest to accrue from Delivery Date

Due: August 15, as shown below

PAYMENT TERMS . . . Interest on the $4,530,000* City of Farmersville, Texas, Tax and Utility System (Limited Pledge) Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the Delivery Date (as defined below), will be payable August 15 and February 15 of each year, commencing February 15, 2026, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or any integral multiple thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City's Home-Rule Charter, and an ordinance to be passed by the City Council of the City (the "Ordinance"). The Certificates constitute direct obligations of the City of Farmersville, 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 of $1,000 of the Net Revenues of the City's combined Electric Light and Power, Waterworks and Sewer System (the "System") as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "THE CERTIFICATES - Authority for Issuance" and "Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for (i) the construction of public works, to wit: constructing, resurfacing and improving various streets, roads, overpasses, bridges, and thoroughfares, including drainage, landscaping, curbs, gutters, sidewalks, entryways, signage, lighting, utility line relocations and traffic signalization incidental thereto and the acquisition of land and rights-of-way therefor, and (ii) professional services rendered in relation to such projects and the financing thereof.

BOND INSURANCE . . . The City has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Certificates insured by a municipal bond insurance policy. In the event the Certificates are qualified for municipal bond insurance, the Initial Purchaser may elect to purchase, at its sole expense, municipal bond insurance to insure the Certificates. (See "BOND INSURANCE" and "BOND INSURANCE - Bond Insurance Risk Factors" herein.)

MATURITY SCHEDULE*

CUSIP Prefix (1): 311001

Amount	Aug-15 Maturity	Interest Rate	Initial Yield/Price	CUSIP Suffix (1)	Amount	Aug-15 Maturity	Interest Rate	Initial Yield/Price	CUSIP Suffix (1)
$ 170,000	2026				$ 315,000	2034			
220,000	2027				330,000	2035			
235,000	2028				345,000	2036			
245,000	2029				365,000	2037			
260,000	2030				380,000	2038			
270,000	2031				395,000	2039			
285,000	2032				415,000	2040			
300,000	2033								

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

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser of the Certificates and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel, (see "APPENDIX C - Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on May 29, 2025 (the "Delivery Date").

BIDS DUE MONDAY, MAY 5, 2025, AT 10:30 AM, CDT

* Preliminary, subject to change.

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

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

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

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. 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 "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.

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 schedule, the appendices included herein and any addenda, supplement, or amendment hereto, are part of the Official Statement.

PRELIMINARY 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 Farmersville, Texas (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State") located in Collin County, duly organized and existing under the laws of the State, and the City's Home Rule Charter. The City covers approximately 5 square miles (see "INTRODUCTION - Description of the City").

THE CERTIFICATES .... The $4,530,000* Tax and Utility System (Limited pledge) Revenue Certificates of Obligation, Series 2025 (the "Certificates") are scheduled to mature on August 15 in the years 2026 through 2040 (see "THE CERTIFICATES - Description of the Certificates").

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the Delivery Date and is payable February 15, 2026, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of The Certificates" and "THE CERTIFICATES - Redemption").

AUTHORITY FOR ISSUANCE .... The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City's Home-Rule Charter, and the Ordinance to be passed by the City Council of the City (the "Ordinance") See "THE CERTIFICATES - Authority for Issuance".

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City, payable from a combination of (i) an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of $1,000 of the Net Revenues of the City's combined Electric, Light and Power, Waterworks and Sewer System as provided in the Ordinance (see "THE CERTIFICATES - Security and Source of Payment").

REDEMPTION .... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - Optional Redemption").

QUALIFIED TAX-EXEMPT CERTIFICATES .... The City will not designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").

TAX EXEMPTION........................... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for (i) the construction of public works, to wit: constructing, resurfacing and improving various streets, road, overpasses, bridges, and thoroughfares, including drainage, landscaping, curbs, gutter, sidewalks, entryways, signage, lighting, utility line relocations and traffic signalization incidental thereto and the acquisition of land and rights-of-way therefor, and (ii) professional services rendered in relation to such projects and the financing thereof.

RATINGS .... The Certificates, along with the presently outstanding general obligation debt of the City are rated "A+" by S&P Global Ratings, a division of S&P Global Inc. ("S&P") (see "OTHER INFORMATION - Ratings").

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

PAYMENT RECORD .... The City has never defaulted on the payment of its bonded indebtedness.

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* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population		Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Funded Tax Debt		Net Per Capita Funded Tax Debt	Ratio Funded Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections to Tax Levy	
2021	3,600	(1)	$ 292,103,524	$ 81,140	$ 4,640,000		$ 1,289	1.59%	101.43%	
2022	5,171	(1)	326,407,607	63,123	3,505,000		678	1.07%	100.36%	
2023	5,171	(2)	424,222,892	82,039	3,725,000		720	0.88%	99.45%	
2024	5,171	(2)	476,092,399	92,070	3,145,000		608	0.66%	98.09%	
2025	5,171	(2)	506,304,085	97,912	2,840,000	(3)	549	0.56%	86.00%	(4)

(1) Source: North Central Texas Council of Governments ("NCTCOG").
(2) Source: Estimated by City staff.
(3) Projected; excludes the Certificates and other self-supporting debt. Preliminary, subject to change.
(4) Collections through January 31, 2025. Preliminary, subject to change.

For additional information regarding the City, please contact:

Daphne Hamlin		Nick Bulaich
Director of Finance		Steven Murray
City of Farmersville	or	Hilltop Securities Inc.
205 S. Main Street		777 Main Street, Suite 1525
Farmersville, TX 75442		Fort Worth, Texas 76102
(972) 782-6151		(817) 332-9710

CITY OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires	Occupation
Craig Overstreet Mayor	May 2027	Retired Banker
Mike Henry Mayor Pro Tem, Treasurer - Place 4	May 2027	Retired Building Contractor
Coleman Strickland Councilmember - Place 1	May 2026	Government
Russell Chandler Councilmember - Place 2	May 2028	Firefighter/Instructor
Ted Wagner Councilmember - Place 3	May 2027	Retired - Sherman-Williams
Tonya Fox Councilmember - Place 5	May 2028	Homeland Security

SELECTED ADMINISTRATIVE STAFF

Name	Position	Year of Employment
Ben White	City Manager	14 Years
Daphne Hamlin	Director of Finance	24 Years
Tabatha Monk	City Secretary	4 Years

CONSULTANTS AND ADVISORS

Auditors .... Brooks Watson & Co., PLLC
Houston, Texas

Bond Counsel .... Norton Rose Fulbright US LLP
Dallas, Texas

Financial Advisor.. Hilltop Securities Inc.
Fort Worth, Texas

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$4,530,000*
CITY OF FARMERSVILLE, TEXAS
TAX AND UTILITY SYSTEM (LIMITED PLEDGE) REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of $4,530,000* City of Farmersville, Texas, Tax and Utility System (Limited Pledge) Revenue Certificates of Obligation, Series 2025 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance to be adopted by the City Council authorizing the issuance 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 municipal corporation of the State of Texas (the “State”) located in Collin County, duly organized and existing under the laws of the State, and the City’s Home Rule Charter. The City operates under the Council/Manager form of government where the Mayor and the five Councilmembers are elected for staggered three-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer of the City. The estimated 2025 population for the City is 5,171. The City covers approximately 5 square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated May 1, 2025, and mature on August 15 in each of the years and in the amounts shown on the cover page hereof. Interest will accrue from the date of their initial delivery to the Initial Purchaser, 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, 2026, until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City’s Home-Rule Charter, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The principal of and interest on the Certificates is payable from an annual 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 of $1,000 of the Net Revenues (as defined in the Ordinance) of the City's combined Electric Light and Power, Waterworks and Sewer System (the "System").

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limit prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City authorizes the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based upon a 90% collection factor.

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* Preliminary, subject to change.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2035, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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 each registered owner of a Certificate 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 last business day next preceding the date of mailing such notice.

ANY NOTICE GIVEN SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE, AND ANY REDEMPTION NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND, NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

LIMITATION ON TRANSFER OF CERTIFICATES CALLED FOR REDEMPTION . . . Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, when such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Certificate.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity and series of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 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 bond documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the register and request that copies of the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).
All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The City may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, securities certificates for the 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 of the Certificates is discontinued, printed certificates will be issued to the DTC Participants or the holder, as the case may be, and such Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

Paying Agent/Registrar . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, financial institution or trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates affected by the changes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration . . . In the event the Book-Entry-Only System should be discontinued, securities certificates for the Certificates will be printed and delivered to the registered owners thereof and thereafter 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 and series as the Certificates surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on 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 preceding month.

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

Remedies . . . The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and within 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 certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) 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 the 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 ruled in *Tooke v. City of Mexia 197 S.W.3rd 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, bondholders may not be able to bring such a suit against the City for breach of the Certificates or the covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders 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 Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, maturing 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 being defeased. The Ordinance provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. Upon making such deposit in the manner described, such Certificates shall no longer be deemed outstanding obligations secured by the Ordinance, but will be payable only from the funds and Government Securities deposited in escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City's ability to issue debt or for any other purpose. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Government Securities will be maintained at any particular rating category. Furthermore, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

BOND INSURANCE

GENERAL . . . The City has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond insurance policy. In the event the Certificates are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost will be paid by the Initial Purchaser. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the Initial Purchaser. It will be the responsibility of the Initial Purchaser to disclose the existence of insurance, its terms, and the effect thereof with respect to the reoffering of the Certificates. If the Initial Purchaser obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Certificates (the "Policy"), the final Official Statement shall disclose certain information relating to the Insurer and the Policy.

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

Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the sources of funds pledged to the payment of the Certificates (see "The Certificates – Security and Source of Payment"). In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

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

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Financial Advisor or the Initial Purchaser have made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investor Services, Inc., S&P Global Ratings, a division of S&P Global Inc., and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Certificates and the claims paying ability of any such bond insurer, particularly over the life of the Certificates.

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 (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. The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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 "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies").

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

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non- homestead properties (the "Subjected Property") whose appraised values are not more than $5 million dollars (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. The Appraisal Cap took effect on January 1, 2024.

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

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.

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

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

For a discussion of how the various exemptions described above are applied by the City, See "AD VALOREM PROPERTY TAXATION – 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.

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 $61,349,201 for the 2025 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 "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

LEVY AND COLLECTION OF TAXES. . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

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

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

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records), or bankruptcy proceedings which restrain the collection of a taxpayer's debt.
Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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

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

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

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

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

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

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

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 through 2024 divided by the current total value.

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

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

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

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district’s website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city’s website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district’s office.

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

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

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

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year. The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City’s tax-supported debt obligations, including the Certificates.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

2025 TEXAS LEGISLATIVE SESSIONS

The 89th The 89th Regular Legislative Session convened on January 14, 2025 and will conclude on June 2, 2025. The Governor of Texas may call additional special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, elections, and other matters which could adversely affect the City and also affect the marketability or market value of the Certificates. The City can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

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 and the disabled of $30,000.

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

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 Collin County Tax Assessor-Collector collects taxes for the City.

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

The City does not tax freeport property.

The City does not tax goods-in-transit.

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

The City has adopted a tax abatement policy.

TAX ABATEMENT POLICY AND TAX INCREMENT FINANCING ZONE NO. 1 . . . In an effort to encourage development, the City has established tax abatement policy which outlines some of the opportunities that may be available to businesses. In order to be considered for an incentive, a project must provide positive benefit to the community by meeting certain criteria, such as positive job creation and expansion, additional property value enhancement, and/or substantial sales tax generation. Projects meeting eligibility requirements are considered on a case by case basis. If granted a tax abatement incentive, the percentage of abatement and the length of the term will vary based on the impact and scope of the project, as determined by the eligibility requirements which are met.

The City established Tax Increment Zone #1 (TIF No. 1) in December 2011, which reinvests a portion of taxes paid from that defined area, back into the area encompassing TIF No. 1. TIF No. 1 took effect on January 1, 2011 and will expire on December 31, 2040, unless terminated earlier by the City Council. TIF No. 1 contains approximately 3,065 acres of land located along the US 380 corridor in the City. The project plan for TIF No. 1 includes improvements to public infrastructure, a community center and park. The City's tax increment base value for TIF No. 1 using the 2011 certified taxable values provided by the Collin Central Appraisal District was $48,946,113 and captured appraised value for tax year 2024 provided by the Collin Central Appraisal District was $212,871,998 as of July 19, 2024. The City has agreed to contribute 100% of the tax increment collected by the City back into the zone fund to be used for TIF No. 1 project, and Collin County has agreed to contribute 50% of the tax increment collected by Collin County back into the Zone. Such tax revenues will be available to pay debt on the Certificates.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/25 Market Valuation Established by the Appraisal District		$ 572,754,002
Less Exemptions/Reductions at 100% Market Value:		
Over 65 Years of Age/Disabled	$ 9,006,218	
Disabled Veterans Exemptions	4,601,281	
Agricultural Land Use Reductions	22,149,872	
Freeport Exemption	2,964,531	
Pollution Control	1,079	
Homestead Cap Adjustment	24,658,829	
Non-HS Cap Loss	3,068,107	66,449,917
2024/25 Taxable Assessed Valuation		$ 506,304,085
City Funded Debt Payable from Ad Valorem Taxes (as of 9/30/24)		
General Obligation Debt	$ 14,440,000	
The Certificates	4,530,000	
Funded Debt Payable from Ad Valorem Taxes		$ 18,970,000
Less Self-Supporting Debt: (2)		
Electric Utility System General Obligation Debt		$ 340,000
Water and Sewer System General Obligation Debt		4,775,000
TIRZ General Obligation Debt (3)		10,590,000
Net Funded Debt Payable from Ad Valorem Taxes		$ 3,265,000
Interest and Sinking Fund as of 1/31/25		$ 809,449
Ratio Total Funded Debt to Taxable Assessed Valuation		3.75%
Ratio Net Funded Debt to Taxable Assessed Valuation		0.64%

2025 Estimated Population - 5,171
Per Capita Taxable Assessed Valuation - $97,912
Per Capita Total Funded Debt $3,669
Per Capita Total Net Funded Debt $631

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(1) Preliminary, subject to change.
(2) General obligation debt in the amounts shown for which repayment is provided from net revenues of the Waterworks and Sewer System and Tax Increment Financing Zone 1. It is the City's current policy to provide these payments from net revenues of the Electric Light and Power, Waterworks and Sewer System and Tax Increment Financing Zone 1; this policy is subject to change in the future.
(3) Includes the Certificates. Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2025		2024		2023	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 356,990,569	62.33%	$ 358,791,932	65.45%	$ 318,880,682	65.30%
Real, Residential, Multi-Family	14,359,025	2.51%	12,741,085	2.32%	7,737,254	1.58%
Real, Vacant Lots/Tracts	31,351,163	5.47%	31,651,509	5.77%	29,285,419	6.00%
Real, Acreage (Land Only)	22,289,399	3.89%	19,639,540	3.58%	20,389,840	4.18%
Real, Farm and Ranch Improvements	1,601,165	0.28%	2,874,349	0.52%	2,865,428	0.59%
Real, Commercial	70,006,805	12.22%	61,571,516	11.23%	57,631,816	11.80%
Real, Industrial	16,170,149	2.82%	15,955,691	2.91%	14,592,313	2.99%
Real and Tangible Personal, Utilities	21,221,978	3.71%	9,968,713	1.82%	6,455,808	1.32%
Tangible Personal, Commercial	26,482,305	4.62%	21,494,898	3.92%	17,187,762	3.52%
Tangible Personal, Industrial	11,483,668	2.00%	12,650,769	2.31%	12,402,854	2.54%
Real and Tangible Personal, Mobile Homes	83,245	0.01%	112,850	0.02%	108,834	0.02%
Real Property, Inventory	714,531	0.12%	739,750	0.13%	759,233	0.16%
Total Appraised Value Before Exemptions	$ 572,754,002	100.00%	$ 548,192,602	100.00%	$ 488,297,243	100.00%
Less: Total Exemptions/Reductions	(66,449,917)		(72,100,203)		(64,074,351)	
Taxable Assessed Value	$ 506,304,085		$ 476,092,399		$ 424,222,892	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2022		2021	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 214,124,094	60.43%	$ 185,208,585	58.42%
Real, Residential, Multi-Family	6,742,445	1.90%	6,028,642	1.90%
Real, Vacant Lots/Tracts	21,052,514	5.94%	16,240,605	5.12%
Real, Acreage (Land Only)	10,930,578	3.09%	9,998,641	3.15%
Real, Farm and Ranch Improvements	1,136,415	0.32%	5,556,106	1.75%
Real, Commercial	47,469,023	13.40%	45,437,670	14.33%
Real, Industrial	14,144,707	3.99%	13,024,520	4.11%
Real and Tangible Personal, Utilities	5,665,521	1.60%	4,910,625	1.55%
Tangible Personal, Commercial	15,677,612	4.42%	15,156,459	4.78%
Tangible Personal, Industrial	11,691,414	3.30%	10,849,494	3.42%
Tangible Personal, Other	-	0.00%	-	0.00%
Real and Tangible Personal, Mobile Homes	64,222	0.02%	38,103	0.01%
Real Property, Inventory	5,606,793	1.58%	4,582,384	1.45%
Total Appraised Value Before Exemptions	$ 354,305,338	100.00%	$ 317,031,834	100.00%
Less: Total Exemptions/Reductions	(27,897,731)		(24,928,310)	
Taxable Assessed Value	$ 326,407,607		$ 292,103,524	

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

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population		Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year	Ratio Tax Debt to Taxable Assessed Valuation	Net Funded Debt Per Capita
2021	3,600	(1)	$ 292,103,524	$ 81,140	$ 4,640,000	1.59%	$ 1,289
2022	5,171	(1)	326,407,607	63,123	3,505,000	1.07%	678
2023	5,171	(2)	424,222,892	82,039	3,725,000	0.88%	720
2024	5,171	(2)	476,092,399	92,070	3,145,000	0.66%	608
2025	5,171	(2)	506,304,085	97,912	2,815,000 (3)	0.56%	544

(1) Source: North Central Texas Council of Governments ("NCTCOG")
(2) Source: Estimated by City staff.
(3) Projected; excludes the Certificates and other self-supporting debt. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
2021	$ 0.712044	$ 0.479241	$ 0.232803	$ 2,111,994	101.43%	101.43%
2022	0.712044	0.464574	0.247470	2,339,215	97.20%	100.36%
2023	0.712400	0.461785	0.250615	3,008,879	97.83%	99.45%
2024	0.712400	0.463946	0.248454	3,382,665	96.67%	98.09%
2025	0.676773	0.475137	0.201636	3,426,529	92.06% (1)	86.00% (1)

(1) Collections through January 31, 2025. Preliminary, subject to change.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
GZ GA 1 LLC	Real Estate	$ 12,576,619	2.48%
Spectrum Gulf Coast LLC	Utility	11,887,153	2.35%
Farmersville NH Realty LTD	Nursing Home	7,000,000	1.38%
Farmersville Developers LLC	Real Estate	5,587,511	1.10%
Palladium Farmersville LTD	Apartments	5,474,738	1.08%
Brookshire Grocery Co.	Grocery	5,140,500	1.02%
ZYK Realty LLC	Real Estate	4,629,925	0.91%
JD Russell Company	Industrial Manufacturing	4,385,033	0.87%
Penvesco	Office Buildings	3,783,210	0.75%
Texas-New Mexico Power Co.	Utility	3,719,645	0.73%
		$ 64,184,334	12.68%

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

Table 6 - Tax Adequacy (1)

2025 Principal and Interest Requirements	$	561,381
$0.1132 Tax Rate at 98.00% Collection Produces	$	561,673
Average Annual Principal and Interest Requirements, 2025 - 2040	$	240,808
$0.0486 Tax Rate at 98.00% Collection Produces	$	241,143
Maximum Principal and Interest Requirements, 2025	$	561,381
$0.1132 Tax Rate at 98.00% Collection Produces	$	561,673

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(1) Excludes the Certificates and self-supporting debt (See "Table 10 – Computation of Self-Supporting Debt"). Preliminary, subject to change.

Table 7 - Estimated Overlapping Debt

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

Taxing Jurisdiction	2024/25 Taxable Assessed Value	2024/25 Tax Rate	Total Tax Debt	Estimated % Applicable	City's Overlapping Tax Debt As of 3/31/25	Authorized But Unissued Debt as of 3/31/2025
City of Farmersville	$ 506,304,085	$ 0.676773	$ 3,265,000 (1)	100.00%	$ 3,265,000 (1)	$ -
Farmersville Independent School District	1,234,133,398	1.239400	83,140,000	34.42%	28,616,788	70,000,000
Collin County	222,776,036,448	0.149343	841,715,000	0.21%	1,767,602	485,139,864
Collin County Community College District	207,656,886,504	0.081220	459,865,000	0.21%	965,717	-
Total Direct and Overlapping Tax Debt					$ 34,615,106	
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation					6.84%	
Per Capita Overlapping Tax Debt					$ 6,694	

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

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt [1] Principal	Outstanding Debt [1] Interest	Outstanding Debt [1] Total	The Certificates [2] Principal	The Certificates [2] Interest	Total Debt Service Requirements	Less: Self-Supporting Water and Sewer Debt Requirements	Less: Self-Supporting Electric Utility Debt Requirements	Less: Self-Supporting TIRZ Debt Requirements [3]	Net Tax Supported Debt Service Requirements	% of Principal Retired
2025	$ 1,325,000	$ 468,894	$ 1,793,894	$ -	$ -	$ 1,793,894	$ 512,897	$ 175,202	$ 544,414	$ 561,381	
2026	1,295,000	435,508	1,730,508	170,000	264,348	2,164,855	509,916	172,601	980,623	501,716	
2027	910,000	402,978	1,312,978	220,000	209,769	1,742,747	408,419	-	974,444	359,884	
2028	935,000	376,291	1,311,291	235,000	198,769	1,745,060	408,229	-	981,444	355,388	
2029	970,000	345,759	1,315,759	245,000	187,019	1,747,778	407,519	-	979,794	360,466	33.24%
2030	1,000,000	314,263	1,314,263	260,000	174,769	1,749,032	406,435	-	982,844	359,753	
2031	1,030,000	281,055	1,311,055	270,000	161,769	1,742,824	404,999	-	979,394	358,431	
2032	1,070,000	246,111	1,316,111	285,000	148,269	1,749,380	408,165	-	979,675	361,541	
2033	1,000,000	210,943	1,210,943	300,000	134,019	1,644,962	405,925	-	983,338	255,700	
2034	1,035,000	175,591	1,210,591	315,000	119,019	1,644,610	408,272	-	975,338	261,000	67.84%
2035	960,000	140,993	1,100,993	330,000	103,269	1,534,262	405,299	-	975,962	153,001	
2036	795,000	111,120	906,120	345,000	86,769	1,337,889	358,102	-	979,788	-	
2037	820,000	83,819	903,819	365,000	69,519	1,338,338	356,650	-	981,688	-	
2038	495,000	55,250	550,250	380,000	53,550	983,800	-	-	983,800	-	
2039	390,000	32,000	422,000	395,000	36,450	853,450	-	-	853,450	-	95.65%
2040	410,000	16,400	426,400	415,000	18,675	860,075	-	-	860,075	-	100.00%
	$ 14,440,000	$ 3,696,975	$ 18,136,975	$ 4,530,000	$ 1,965,979	$ 24,632,955	$ 5,400,824	$ 347,803	$ 14,996,067	$ 3,888,260	

(1) "Outstanding Debt" does not include lease/purchase obligations, includes self-supporting debt.
(2) Average life of the issue – 9.177 years. Interest on the Certificates has been calculated at the average rate of 4.49% for purposes of illustration. Preliminary, subject to change.
(3) Includes the Certificates. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net General Purpose Debt Service Requirements, Fiscal Year Ending 9/30/25		$ 561,381
Interest and Sinking Fund Balance, as of 9/30/24 (1)	$ 874,122	
2024/25 Budgeted Interest and Sinking Fund Tax Levy Collection	1,046,222	
Estimated Interest Income	15,000	1,935,344
Estimated Balance, 9/30/24		$ 1,373,963

(1) Preliminary, Subject to change.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Waterworks and Sewer System	
Net Revenues available from Waterworks and Sewer System, Fiscal Year 9-30-24 (1)	$ 1,153,423
Less: Waterworks and Sewer System Revenue Bond Requirements, 2025 Fiscal Year	-
Balance Available for other purposes	$ 1,153,423
System General Obligation Bond Requirements, 2025 Fiscal Year	512,897
Balance	$ 640,526
Percentage of System General Obligation Bonds Self-Supporting	100.00%
Electric Utility System	
Net Revenues available from Electric Utility System, Fiscal Year 9-30-24 (1)	$ 1,323,828
Less: Electric Utility System Revenue Bond Requirements, 2025 Fiscal Year	544,414
Balance Available for other purposes	$ 779,414
Percentage of System General Obligation Bonds Self-Supporting	100.00%
TIRZ	
Net Revenues available from Tax Increment Fund for TIRZ, Fiscal Year 9-30-24 (1)	$ 1,287,175
System General Obligation Bond Requirements, 2025 Fiscal Year	175,202
Balance	$ 1,111,973
Percentage of System General Obligation Bonds Self-Supporting	100.00%

(1) Unaudited. Preliminary, subject to change.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation bonds.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City does not anticipate issuing additional general obligation debt within the next 12 months.

TABLE 12 - OTHER OBLIGATIONS

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

Annual requirements to amortize total governmental lease payables at year ending were as follows:

Year Ended	Lease Liabilities	
September 30,	Principal	Interest
2025	$ 100,581	$ 8,444
2026	78,257	4,014
2027	38,251	649
	$ 217,089	$ 13,107

In October of 2024, the City entered into a $1,357,159 Public Property Finance Contract for the purchase of a fire truck at an interest rate of 4.875%. The average annual payments are approximately $148,743, over a 13-year period.

In October of 2024, the City entered into a $2,387,255 Public Property Finance Contract for the purchase of a platform fire truck at an interest rate of 4.875%. The average annual payments are approximately $313,985, over a 10-year period.

In October of 2024, the City entered into a $617,593 Public Property Finance Contract for the purchase of various equipment at an interest rate of 4.685%. The average annual payments are approximately $80,001, over a 10-year period.

PENSION FUND . . . The City participates as one of 919 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 that can be obtained at www.tmrs.com.

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

Benefits Provided . . . TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state 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 statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2021	Plan Year 2022
Employee deposit rate	5%	5%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

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

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	19
Active employees	34
	78

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 of Farmersville, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Farmersville, Texas were 8.53% and 8.72% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were $237,797, and were equal to the required contributions.

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

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

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees 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, 2109 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 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Entity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public/Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
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.

Sensitivity of the Net Pension Liability (Asset) 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 (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumptions 6.75%	1% Increase 7.75%
$ 2,258,352	$ 1,119,640	$ 184,216

Changes in the Net Pension (Asset) Liability

	Total Pension Liability (a)	Plan Fiduciary Net position (b)	Net Pension (Asset) Liability (a)-(b)
Balance at 12/31/21	$ 7,562,097	$ 7,484,034	$ 78,063
Changes for the year:			
Service cost	309,197	-	309,197
Interest	507,783	-	507,783
Change in benefit terms	-	-	-
Difference between expected and actual experience	31,972	-	31,972
Changes of assumptions	-	-	-
Contributions - employer	-	222,568	(222,568)
Contributions - employee	-	130,463	(130,463)
Net investment income	-	(546,570)	546,570
Benefit payments, including refunds of employee contributions	(387,968)	(387,968)	-
Administrative expense	-	(4,727)	4,727
Other changes	-	5,641	(5,641)
Net changes	460,984	(580,593)	1,041,577
Balance at 12/31/22	$ 8,023,081	$ 6,903,441	$ 1,119,640

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.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2023, the City recognized pension expense of $348,930.

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

	Deferred Outflows of Resources
Difference between projected and investment earnings	$ 485,591
Change in actuarial assumptions	202
Differences between expected and actual economic experience	118,604
Contributions subsequent to the measurement date	173,883
	$ 778,280

The City reported $173,883 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2024.

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

Year ended December 31:	
2023	$ 92,877
2024	161,865
2025	139,307
2026	210,348
2027	-
Thereafter	-
	$ 604,397

OTHER POST-EMPLOYMENT BENEFITS . . . 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.

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); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

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

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	8
Active employees	34
Total	57

The City's retiree contribution rates to the TMRS SDBF for the years ended 2023, 2022 and 2021 were $3,267, $2,318 and $1,860, respectively, which equaled the required contribution each year.

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2021	0.09%	0.09%	100.0%
2022	0.09%	0.09%	100.0%
2023	0.13%	0.13%	100.0%

Total OPEB Liability . . . The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2022, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	4.05%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplies by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate . . . The discount rate used to measure the Total OPEB Liability was 4.05%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

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

1% Decrease 3.05%	Current Single Rate Assumptions 4.05%	1% Increase 5.05%
$ 116,503	$ 98,380	$ 84,050

Changes in the Total OPEB Liability

		Total OPEB Liability
Balance at 12/31/22	$	134,399
Changes for the year:		
Service cost		9,132
Interest		2,535
Difference between expected and actual experience		1,793
Changes of assumptions		(47,131)
Benefit payments		(2,348)
Net changes		(36,019)
Balance at 12/31/23	$	98,380

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

For the year ended September 30, 2023, the City recognized OPEB expense of $6,418.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	$ -	$ (25,270)
Investment Earnings	-	(1,076)
Contributions subsequent to the measurement date	2,592	-
	$ 2,592	$ (26,346)

The City reported $2,592 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2024.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2023	$ (6,085)
2024	(4,554)
2025	(4,579)
2026	(6,109)
2027	(5,019)
Thereafter	-
	$ (26,346)

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FINANCIAL INFORMATION

TABLE 13 – CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
Program Revenues	2024 (1)	2023	2022	2021	2020
Charges for Services	$ 782,619	$ 424,462	$ 354,840	$ 367,124	$ 293,899
Operating Grants and Contributions	1,581,639	707,826	512,826	814,948	260,977
Capital Grants and Contributions	-	23,671	57,730	1,750,000	216,326
General Revenues					
Taxes	4,728,748	4,365,705	3,345,295	2,994,278	2,938,999
Investment Earnings	2,160,459	494,599	132,353	146,764	48,798
Other	(145,308)	7,020	200,247	222,818	90,929
Total Revenues	$ 9,108,157	$ 6,023,283	$ 4,603,291	$ 6,295,932	$ 3,849,928
Expenses:					
General Government	$ 3,526,059	$ 1,357,816	$ 1,267,196	$ 1,260,915	$ 997,811
Municipal Court	277,818	240,004	228,367	225,401	206,428
Library and Civic Center	223,895	223,917	176,866	179,640	197,797
Public Safety	2,453,505	2,041,619	1,716,699	1,641,476	1,706,245
Public Works	1,051,030	1,818,988	1,066,369	1,376,416	1,064,988
Community Development	11,130	11,130	6,315	6,933	24,515
Interest and fiscal changes	199,004	224,324	237,390	257,297	268,309
Total Expenses	$ 7,742,441	$ 5,917,798	$ 4,699,202	$ 4,948,078	$ 4,466,093
Increase (Decrease) in Net Assets	$ 1,365,716	$ 105,485	$ (95,911)	$ 1,347,854	$ (616,165)
Prior Period Adjustment	-	-	-	-	-
Transfers In (Out)	1,807,907	1,424,286	1,424,286	1,419,431	1,217,127
Net Assets - Beginning	9,160,599	7,630,828	6,302,453	3,535,168 (2)	2,917,206 (2)
Net Assets - September 30	$12,334,222	$ 9,160,599	$ 7,630,828	$ 6,302,453	$ 3,518,168

(1) Unaudited.
(2) Restated.

TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended September 30,				
Revenues	2024 (1)	2023	2022	2021	2020
Taxes and Franchise Fees	$ 2,657,345	$ 3,168,031	$ 1,832,136	$ 1,730,912	$ 1,556,501
Licenses and Permits	1,836,405	270,223	97,388	219,972	146,870
Fines	141,127	86,791	109,644	125,692	106,120
Service Fees	544,037	240,246	146,632	227,367	176,838
Miscellaneous	488,205	439,618	206,257	128,492	90,929
Interest Income	196,095	132,257	15,426	1,338	11,453
InterGovernmental Support	205,710	167,726	57,149	184,271	128,495
Total Revenues	$ 6,068,924	$ 4,504,892	$ 2,464,632	$ 2,618,044	$ 2,217,206
Expenditures					
Mayor and City Council	$ 36,925	$ 10,100	$ 8,880	$ 11,083	$ 9,017
Adminsitration	3,063,674	1,317,604	1,001,673	909,314	857,009
Library and Civic Center	216,034	213,958	172,735	177,174	171,385
Municipal Court	263,538	220,097	218,770	214,452	191,326
Police	1,527,705	1,354,898	1,284,940	1,314,280	1,172,696
Fire and Emergency Services	819,535	466,559	349,281	359,487	330,324
Public Works	1,317,232	1,001,293	930,877	850,716	607,220
Debt Service	208,943	131,328	171,463	116,079	95,633
Capital Outlay	755,525	437,439	187,072	-	-
Total Expenditures	$ 8,209,111	$ 5,153,276	$ 4,325,691	$ 3,952,585	$ 3,434,610
Excess (Deficiency) of Revenues Over Expenditures	$ (2,140,187)	$ (648,384)	$ (1,861,059)	$ (1,334,541)	$ (1,217,404)
Other Financing Sources:					
Loan Proceeds	$ -	$ -	$ -	$ -	$ -
Transfers In	2,364,558	1,792,600	1,424,286	1,538,578	1,439,117
Transfers Out	26,204	(1,030,696)	(14,558)	(223,970)	-
Sales of Capital Assets	179,031	21,353	77,232	18,272	-
Lease Related Issuance	249,456	178,719	187,072	-	-
Total Other Financing Sources	$ 2,819,249	$ 961,976	$ 1,674,032	$ 1,332,880	$ 1,439,117
Net Increase (Decrease)	$ 679,062	$ 313,592	$ (187,027)	$ (1,661)	$ 221,713
Beginning Fund Balance	1,102,952	789,360	976,387	978,048 (2)	763,884 (2)
Ending Fund Balance	$ 1,782,014	$ 1,102,952	$ 789,360	$ 976,387	$ 985,597

(1) Unaudited.
(2) Restated.

TABLE 14 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the City's 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.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2021	$ 632,620	29.95%	$ 0.2166	$ 176
2022	789,176	33.74%	0.2418	153
2023	1,043,641	34.69%	0.2460	202
2024	1,042,158 (1)	30.81%	0.2189	202
2025	501,266 (2)	14.63%	0.0990	97

In November 1996, 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. In November, 1996, the voters of the City approved the imposition sales and use tax of one-half of one percent (½ of 1%) for community development.

Fiscal Year Ended 9/30	4A Sales Tax Collected	4B Sales Tax Collected
2021	$ 316,310	289,925
2022	394,587	394,587
2023	521,820	521,820
2024	537,365 (1)	537,365 (1)
2025	191,174 (2)	191,174 (2)

(1) Unaudited.
(2) Collections as of January 31, 2025. Preliminary, subject to change

The sales tax breakdown for the City is as follows:

Community Development	0.50¢
Economic Development	0.50¢
City Sales & Use Tax	1.00¢
State Sales & Use Tax	6.25¢
Total	8.25¢

FINANCIAL POLICIES

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

Proprietary Fund revenues and expenses are recognized on the full accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the accounting period in which they are incurred.

Fund Balances . . . The City attempts to maintain fund balances in the amount adequate to pay 2 months of expenditures.

Use of Certificate Proceeds . . . The City's policy is to use bond proceeds for capital expenditures only. Such revenues are never to be used to fund normal City operations.

Budgetary Procedures . . . The City Ordinance establishes the fiscal year as the twelve-month period beginning each October 1. The City Manager submits a budget of estimated revenues and expenditures for the ensuing fiscal year to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state statutes. The City Council will adopt a budget prior to October 1.

During the fiscal year, budgetary control is maintained by the monthly review of departmental appropriation balances. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year if no disbursement from or encumbrance of the appropriation has been made.

Fund Investments . . . The City investment policy parallels the state laws which govern the investment of public funds. The City generally restricts investments to direct obligations of the United States Government and to insured or collateralized bank certificates of deposit and investments pools. There is a written investment policy in place.

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 . . . Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly 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 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 Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) 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 (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) 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 (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit 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 the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in 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) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are 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 (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) 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 (iv) the agreement to lend securities has a term of one year or less, (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (13) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7, and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years, and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, 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 PFIA. 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 for 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.

TABLE 15 - CURRENT INVESTMENTS

As of January 31, 2025, the City’s investable funds were invested in the following categories:

Description	Percent	Market Value
Banks/CDARS/Money Market	2.17%	$ 344,429
TIRZ Bank Account	0.44%	70,390
I&S Checking Account CBTX	5.09%	809,499
Investment Pool tirz	14.37%	2,283,952
Investment Pool EDC 4A	0.51%	81,745
Investment Pool CDC 4B	3.88%	617,316
I&S Texpool Account	3.34%	530,027
Texstar Investment City	2.17%	345,114
Investment Pool City	39.70%	6,309,097
EDC Bank Account	22.10%	3,512,074
CDC Bank Account	6.21%	986,424
	100.00%	$ 15,890,067

(1) A portion of the City’s investments are invested in TexSTAR and TexPool, each of which is an investment pool that has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investment or redemption of funds is allowed by the participants. TexSTAR is a local government investment pool for which Hilltop Securities Asset Management, Inc., a Hilltop Holdings Company, an affiliate of the City’s financial advisor, provides customer service and marketing.

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

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 while it remains obligated to advance funds to pay such Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the City ending in or after 2025, financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 and (2) if not provided as part such financial information and operating data, audited financial statements of the City within the twelve months after the end of each fiscal year, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in the Official Statement, and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

Accordingly, the City must provide updated information included in the above-referenced tables by March 31 in each year, and audited financial statements for the preceding fiscal year must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

NOTICE OF CERTAIN EVENTS . . . The City will also provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Certificates: (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 of final determinations of taxability, Notices of Proposed Issue (IRS Form 5702-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; and (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material, (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "Annual Reports" and any notices of events in accordance with this section.

For these purposes, (A) any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the City, and (B) the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinance defines "Financial Obligation" as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell 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's continuing disclosure agreements for the Certificates may be amended by the City 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, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Certificates in the primary offering of such Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of such Certificates. The City may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision 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 the Certificates in the primary offering of such Certificates. If the City amends its agreements, it must 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 information and data 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

RATINGS

The Certificates are rated "A+" by 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 of the Certificates (see "Certificate Insurance - Claims-Paying Ability and Financial Strength of Municipal Bond Insurers" and "- Certificate Insurance Risk Factors" for a description of the current state of the financial guaranty insurance industry and information regarding downgrading and negative changes to the ratings outlook of multiple financial guaranty insurers).

LITIGATION

In the opinion of City officials the City is not a party to any litigation or other proceeding pending or to their knowledge threatened, in or before any court, agency or other administrative body (either state or federal) which, if decided adversely to the City, would have a material adverse effect on the financial condition of the City.

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Certificates have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. 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

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Certificates (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Certificates may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before the Certificates are eligible investments for sinking funds and other public funds. 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 at least $1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates to any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. 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 a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Certificates will also be furnished. Though it represents the Financial Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the 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 fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System.

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

FINANCIAL ADVISOR

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

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the City accepted the bid of ________________________ (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the cover page of the Official Statement at a price of par plus a cash premium of $__________. 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 yield 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

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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LOCATION AND HISTORY . . . The City of Farmersville is located in northeast Collin County, encompassing approximately 5 square miles. The City is approximately 35 miles northeast of downtown Dallas and is part of North Central Texas (the "Metroplex"), which includes the cities of Dallas and Fort Worth. The City was founded about 1849 by settlers who named the community after their principal occupation. The City was incorporated on June 2, 1873 under the general laws of the State of Texas.

The City began as a trading center for the farmers who were rapidly settling the area. In the early days the settlement was a major railroad shipping point for cattle and bois d'arc posts. In later years cotton, corn and maize became major crops, along with onions and cantaloupes. A number of dairies were established and in the late 1980s most agricultural production was in wheat, maize and beef cattle.

TRANSPORTATION . . . U.S. Highway 75, a four-lane expressway which connects Plano with Dallas, has been expanded by the Texas Department of Transportation to an eight-lane freeway, with three-lane service roads in each direction. Additionally, the Texas Turnpike Authority has completed a four-lane extension of the Dallas North Tollway from Dallas to State Highway 121.

Excellent commercial air transportation is afforded by the nearby Dallas-Fort Worth International Airport, one of the largest and most modern airport facilities in the world. In addition, Dallas' Love Field, has commercial flights to certain areas, as well as private aircraft services and facilities. Three airports located in Collin County… Dallas North Airport, McKinney Municipal Airport, and Aero City Airport…provide private aircraft facilities.

Rail freight transportation is furnished by two railroads

EDUCATIONAL. . . The Farmersville Independent School District boasts an outstanding school system with facilities housing pre-kindergarten, and grades K-12. The District's facilities are designed for instruction and are conducive to learning. The facilities are safe and free from health hazards. The District's facilities include an elementary school, an intermediate school, a junior high school, and a high school.

HIGHER EDUCATION. . . The following are the major colleges and universities located within a 60-mile radius of the City.

Austin College	Sherman, Texas
Collin County Community College	Collin County, Texas
Dallas County Community College	Dallas County, Texas
Texas A&M - Commerce	Commerce, Texas
Grayson County Community College	Sherman, Texas
Southern Methodist University	Dallas, Texas
Texas Christian University	Fort Worth, Texas
Texas Women's University	Denton, Texas
University of Dallas	Dallas, Texas
University of North Texas	Denton, Texas
University of Texas at Arlington	Arlington, Texas
University of Texas at Dallas	Dallas, Texas

COLLIN COUNTY . . . The City is located in Northeast Texas immediately north and adjacent to Dallas County, and approximately 15 miles from downtown Dallas. The County represents an important component of the Dallas-Fort Worth Consolidation Metropolitan Statistical Area. The 836 square miles comprising the County and City represent a dynamic growth are in the Metroplex, and includes the Cities of Plano, McKinney, Allen, Frisco, and Wylie. Accelerated industrial, commercial and residential development during the past ten years in the Cities of Plano, McKinney, Allen, Frisco and Wylie has created a very sound, balanced economy based on manufacturing and agriculture. Increases in population, income, employment, retail and wholesale sales have combined to provide a more diversified and productive economic base.

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APPENDIX B

EXCERPTS FROM THE

CITY OF FARMERSVILLE, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Farmersville, Texas Annual Financial Report for the Fiscal Year Ended September 30, 2023, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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BW&C
BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Farmersville, Texas:

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the City of Farmersville, Texas, as of September 30, 2023, the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Farmersville, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability (asset) and related ratios, schedule of employer contributions to pension plan, schedule of changes in the other postemployment benefits liability and the general fund budgetary comparison information for the general fund 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information, such as the combining statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BrooksWatson & Co.

BrooksWatson & Co.
Certified Public Accountants
Houston, Texas
June 28, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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City of Farmersville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
September 30, 2023

As management of the City of Farmersville, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023.

Financial Highlights

- The City's total combined net position was $18,443,507 at September 30, 2023. Of this, $4,110,726 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.

- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $4,277,210, an increase of $630,250.

- As of the end of the year, the unassigned fund balance of the general fund was $1,102,952 or 21% of total general fund expenditures.

- The City had an overall increase in net position of $1,262,297, which is primarily a result of operating surplus and debt payoffs in governmental activities in the current year.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

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

The *statement of activities* 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 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, community development, library and civic center, and public works. The business-type activities of the City include a water, wastewater, electric and refuse operations.

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 three categories: governmental funds, proprietary funds, and fiduciary 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 year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Farmersville, Texas maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service fund, and the TIRZ funds are considered to be major funds. Fund data for the remaining nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The City of Farmersville, Texas adopts an annual appropriated budget for its general, debt service and utility funds. A budgetary comparison schedule has been provided to demonstrate compliance with the general fund budget.

Proprietary Funds. The City maintains one type of proprietary fund. 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 distribution, wastewater collection/treatment, electric and refuse operations. The proprietary fund financial statements provide separate information for the water, wastewater, electric and refuse funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements. The notes to the financial statements provide additional information that is necessary to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* (RSI) concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pension and OPEB.

Government-Wide Financial Analysis

As noted previously, net position over time, may serve as a useful indicator of the City's financial position. For the City of Farmersville, Texas, assets and deferred outflows exceeded liabilities and deferred inflows by $18,443,507 as of year end.

The largest portion of the City's net position, $11,018,972, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and utility systems, as well as the public works facilities), less any debt used to acquire those assets that is 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 the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2023			2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	$ 5,045,225	$ 4,973,308	$ 10,018,533	$ 4,199,435	$ 4,689,533	$ 8,888,968
Capital assets, net	11,733,756	10,240,295	21,974,051	11,273,728	11,094,384	22,368,112
Total Assets	16,778,981	15,213,603	31,992,584	15,473,163	15,783,917	31,257,080
Deferred Outflows	533,407	298,762	832,169	246,589	107,192	353,781
Other liabilities	1,212,796	1,250,632	2,463,428	1,040,816	1,116,134	2,156,950
Long-term liabilities	6,664,250	4,968,746	11,632,996	6,622,392	5,068,782	11,691,174
Total Liabilities	7,877,046	6,219,378	14,096,424	7,663,208	6,184,916	13,848,124
Deferred Inflows	274,743	10,079	284,822	425,716	155,811	581,527
Net Position:						
Net investment in capital assets	5,195,283	5,823,689	11,018,972	4,176,781	6,172,717	10,349,498
Restricted	3,313,809	-	3,313,809	2,871,699	-	2,871,699
Unrestricted	651,507	3,459,219	4,110,726	582,348	3,377,665	3,960,013
Total Net Position	$ 9,160,599	$ 9,282,908	$ 18,443,507	$ 7,630,828	$ 9,550,382	$ 17,181,210

Total deferred outflows for the primary government were $832,169, an increase of $478,388 when compared to the prior year. Total deferred inflows for the primary government were $284,822, a decrease of $296,705. Both variances were strictly due to actuarial changes in the City's pension inputs over the course of the year.

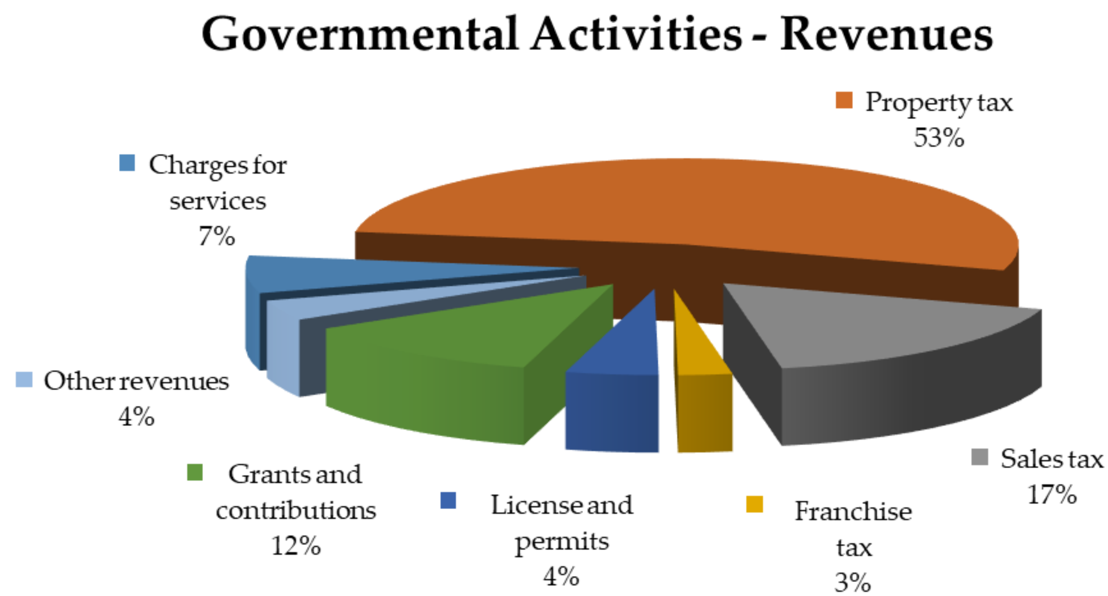
Total capital assets decreased for business type activities by $854,089 when compared to the prior year. The decrease is directly related to depreciation expense outweighing capital asset additions in the current year.

Statement of Activities:

The following table provides a summary of the City's changes in net position:

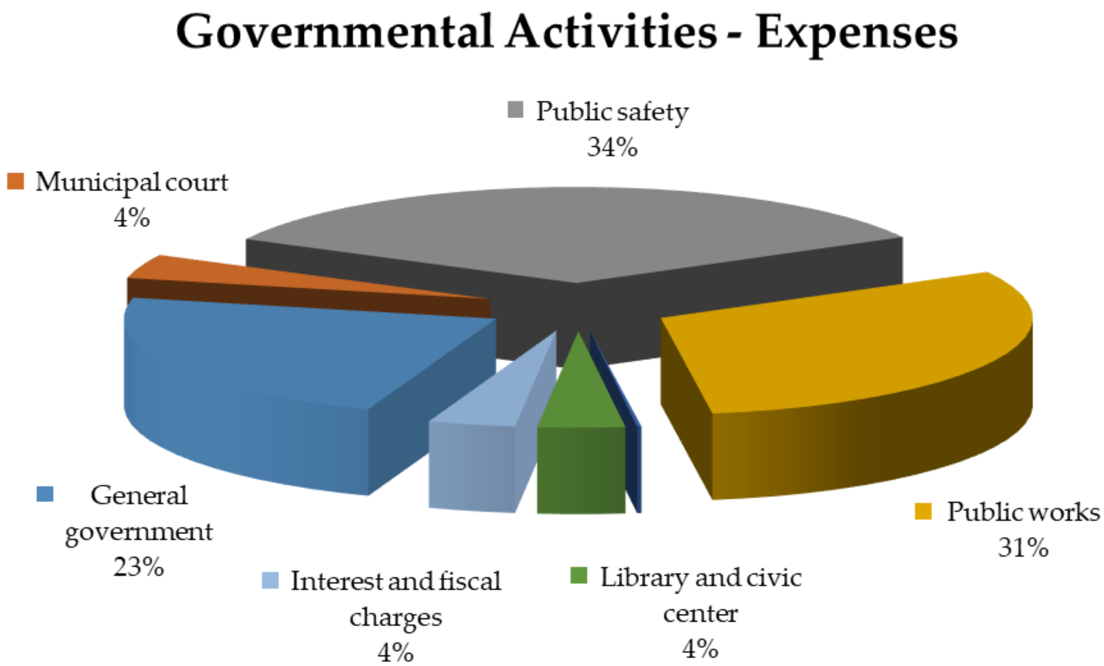
	For the Year Ended September 30, 2023			For the Year Ended September 30, 2022		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	$ 424,462	$ 8,883,870	$ 9,308,332	$ 354,840	$ 8,958,995	$ 9,313,835
Operating grants and contribution	707,826	-	707,826	512,826	-	512,826
Capital grants and contributions	23,671	10,790	34,461	57,730	46,160	103,890
General revenues:						
Property tax	3,164,789	-	3,164,789	2,419,712	-	2,419,712
Sales tax	1,043,641	-	1,043,641	802,795	-	802,795
Franchise and local taxes	157,275	-	157,275	122,788	-	122,788
License and permits	270,223	-	270,223	97,388	-	97,388
Investment income	224,376	131,720	356,096	34,965	20,092	55,057
Other revenues	7,020	-	7,020	200,247	-	200,247
Total Revenues	6,023,283	9,026,380	15,049,663	4,603,291	9,025,247	13,628,538
Expenses						
General government	1,357,816	-	1,357,816	1,267,196	-	1,267,196
Municipal court	240,004	-	240,004	228,367	-	228,367
Public safety	2,041,619	-	2,041,619	1,716,699	-	1,716,699
Public works	1,818,988	-	1,818,988	1,066,369	-	1,066,369
Culture and recreation	11,130	-	11,130	6,315	-	6,315
Library and civic center	223,917	-	223,917	176,866	-	176,866
Interest and fiscal charges	224,324	-	224,324	237,390	-	237,390
Water	-	2,473,856	2,473,856	-	1,959,146	1,959,146
Wastewater	-	1,441,254	1,441,254	-	1,446,939	1,446,939
Electric	-	3,453,154	3,453,154	-	3,294,853	3,294,853
Refuse	-	501,304	501,304	-	499,737	499,737
Total Expenses	5,917,798	7,869,568	13,787,366	4,699,202	7,200,675	11,899,877
Change in Net Position Before Transfers	105,485	1,156,812	1,262,297	(95,911)	1,824,572	1,728,661
Transfers in (out)	1,424,286	(1,424,286)	-	1,424,286	(1,424,286)	-
Total	1,424,286	(1,424,286)	-	1,424,286	(1,424,286)	-
Change in Net Position	1,529,771	(267,474)	1,262,297	1,328,375	400,286	1,728,661
Beginning Net Position	7,630,828	9,550,382	17,181,210	6,302,453	9,150,096	15,452,549
Ending Net Position	$ 9,160,599	$ 9,282,908	$ 18,443,507	$ 7,630,828	$ 9,550,382	$ 17,181,210

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.



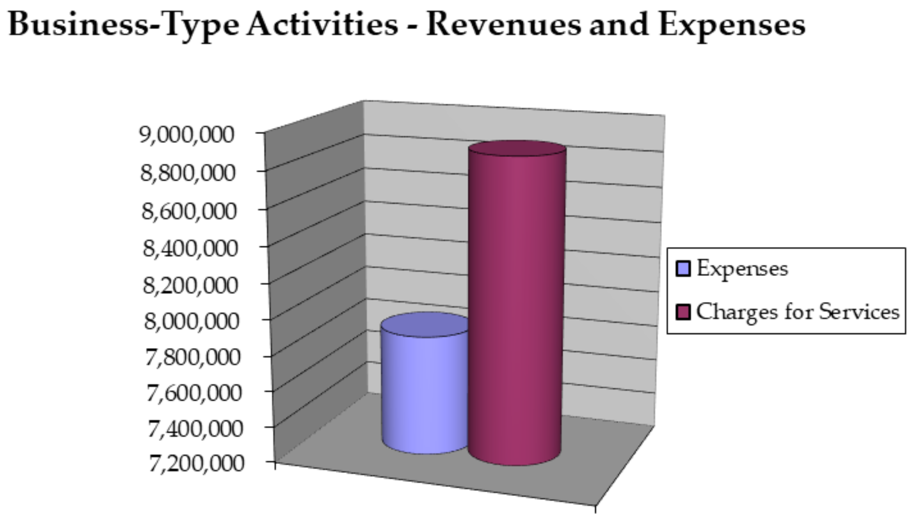
For the year ended September 30, 2023, revenues from governmental activities totaled $6,023,283. Property tax, sales tax, and grants and contributions are the City's largest revenue sources. Grants and contributions increased by $355,941 or 58% primarily due to nonrecurring capital contributions from the Economic Development Corporation and other developers related to park improvements and recreation equipment in the current year. Charges for services increased by $69,622 or 20% due to an increase in fire runs and greater planning and zoning fees received in the current year. Property taxes increased by $745,077 or 31% primarily as a result of greater property appraisal values and an increase in the tax rate. Sales taxes increased by $240,846 or 30% primarily as a result of economic growth fueled by local purchases. Franchise taxes increased by $34,487 or 28% primarily due to greater gas and cable usage in the current year. License and permit revenues increased by $172,835 or over 100% as a result of nonrecurring building permit and inspection fees in the current year caused by the Lakehaven development. Investment income increased by $189,411 or over 100%, consistent with greater interest-bearing accounts and the realization of higher interest rates over the course of the year as a result of the market. Other revenues decreased $193,227 or 96% due primarily to nonrecurring insurance claim reimbursements and proceeds received from the sale of capital assets in the prior year. All other revenues remained relatively consistent with the previous year.

This graph shows the governmental function expenses of the City:



For the year ended September 30, 2023, expenses for governmental activities totaled $5,917,798. This represents an increase of $1,218,596 or 26% from the prior year. The City's largest functional expenses are public safety of $2,041,619 and public works of $1,818,988. Public safety increased by $324,920 or 19% primarily due to greater personnel costs, police supply costs, IT related expenses, and vehicle expenses in the current year. Public works expenses increased by $752,619 or 71% due primarily to greater asset depreciation, rental equipment costs, and repairs and maintenance costs in the current year. General government expenses increased by $90,620 or 7% primarily due to nonrecurring legal services, greater personnel costs, and depreciation expenses in the current year. Library and civic center expenses increased by $47,051 or 27% due to salary increases and building maintenance costs in the current year. Interest and fiscal charges decreased by $13,066 or 6% primarily due to debt approaching maturity in the current year. All other expenses remained consistent with the previous year.

Business-type activities are shown comparing operating costs to revenues generated by related services.



For the year ended September 30, 2023, charges for services by business-type activities totaled $8,883,870. This represents an increase of $75,125 or 1%, which is consistent with the prior year.

Total business-type activities expenses increased $668,893 or 9%. Water expenses increased by $514,710 or 26% primarily due to greater personnel costs, water system technology and software maintenance expenses, and greater water purchases in the current year. All other expenses remained consistent with the previous year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

As of the end of the year the general fund reflected a total fund balance of $1,102,952, an increase of $313,592. The increase was a direct result of greater than anticipated revenues during the year. In addition, the City recorded greater property and sales tax revenues in the current year.

The debt service fund reflected a total fund balance of $770,563, an increase of $3,127 from the prior year. The increase is a result of property tax revenues exceeding debt service payments and transfers out of the fund during the year.

The TIRZ fund reflected a fund balance of $1,685,095, an increase of $562,391. The increase was a result of property tax revenues and transfers into the fund exceeding current year expenditures.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total positive budget variance of $182,955 in the general fund. Total actual revenues were $1,218,596 more than budgeted, actual expenditures were $83,904 less than budgeted, and other financing sources and uses had a negative budget variance of $1,197,269. Library and civic center, interest and fiscal charges, capital outlay, and transfers out expenses exceeded appropriations at the legal level of control.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested $11,733,756 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested $10,240,295 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Leased four new vehicles totaling $178,719.
- Purchased a new Chevrolet Tahoe for $121,014.
- Onion Shed improvements for $233,500.
- Park improvements totaling $247,100
- Purchased a plot of land for $522,114.
- Purchased a saw blade guard for $45,400.
- Purchased a new server for $61,494.
- Construction to the WWTP for $25,321.
- Installed a new electrical pole and concrete pad for $38,992.
- Began construction on the Celle Wrap Project for $18,593.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds payable of $10,325,000, notes/loans payable of $785,019 and lease liabilities totaling $327,054. During the year, the City made principal payments totaling $1,135,260. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Farmersville, Texas and improving services provided to their public citizens. The City is conservatively budgeting to maintain services in the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Farmersville, Texas' finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Manager, 205 S. Main, Farmersville, Texas 75442, (972) 782-6151.

FINANCIAL STATEMENTS

City of Farmersville, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2023

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
Assets			
Current assets:			
Cash and cash equivalents	$ 4,247,723	$ 3,719,792	$ 7,967,515
Receivables, net	386,586	1,261,337	1,647,923
Lease receivables, current	72,207	-	72,207
Prepaids	-	1,000	1,000
Due from component unit	150,800	-	150,800
Internal balances	8,821	(8,821)	-
Total Current Assets	4,866,137	4,973,308	9,839,445
Noncurrent assets:			
Capital assets:			
Non-depreciable	2,130,585	121,198	2,251,783
Net depreciable capital assets	9,603,171	10,119,097	19,722,268
Lease receivables, noncurrent	179,088	-	179,088
Total Noncurrent Assets	11,912,844	10,240,295	22,153,139
Total Assets	16,778,981	15,213,603	31,992,584
Deferred Outflows of Resources			
Deferred outflows - TMRS pension	480,510	297,770	778,280
Deferred outflows - TESRS pension	27,438	-	27,438
OPEB outflows	1,600	992	2,592
Deferred charge on refunding	23,859	-	23,859
Total Deferred Outflows of Resources	$ 533,407	$ 298,762	$ 832,169

See Notes to Financial Statements.

Component Units	
Economic Development Corporation	Community Development Corporation
$ 3,018,581	$ 1,403,498
92,622	92,622
-	-
-	-
-	-
-	-
3,111,203	1,496,120
-	286,174
27,000	-
-	-
27,000	286,174
3,138,203	1,782,294
-	-
-	-
-	-
-	-
$ -	$ -

City of Farmersville, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2023

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
Liabilities			
Current liabilities:			
Accounts payable	$ 177,334	$ 265,889	$ 443,223
Accrued liabilities	142,655	67,818	210,473
Accrued interest payable	27,409	-	27,409
Customer deposits	-	379,600	379,600
Compensated absences, current	125,433	37,953	163,386
Current portion of long-term debt	739,965	491,505	1,231,470
Due to primary government	-	-	-
Advance to component unit, current	-	7,867	7,867
Total Current Liabilities	1,212,796	1,250,632	2,463,428
Noncurrent liabilities:			
Long-term debt due in more than a year	5,810,867	4,498,514	10,309,381
Compensated absences, noncurrent	13,937	4,218	18,155
OPEB liability	60,740	37,640	98,380
Net pension liability - TMRS	691,266	428,374	1,119,640
Net pension liability - TESRS	87,440	-	87,440
Total Noncurrent Liabilities	6,664,250	4,968,746	11,632,996
Total Liabilities	7,877,046	6,219,378	14,096,424
Deferred Inflows of Resources			
Deferred inflows - TESRS pension	11,669	-	11,669
OPEB inflows	16,267	10,079	26,346
Lease related	246,807	-	246,807
Total Deferred Inflows of Resources	274,743	10,079	284,822
Net Position			
Net investment in capital assets	5,195,283	5,823,689	11,018,972
Restricted for:			
Debt service	770,563	-	770,563
Capital improvements	1,690,095	-	1,690,095
Library	529	-	529
Municipal court	29,022	-	29,022
Public safety	770,387	-	770,387
Special projects	53,213	-	53,213
Community development	-	-	-
Unrestricted	651,507	3,459,219	4,110,726
Total Net Position	$ 9,160,599	$ 9,282,908	$ 18,443,507

See Notes to Financial Statements.

Component Units	
Economic Development Corporation	Community Development Corporation
$ 6,362	$ 19,429
-	-
-	-
-	-
-	-
-	-
-	150,800
(7,867)	-
(1,505)	170,229
-	-
-	-
-	-
-	-
-	-
-	-
(1,505)	170,229
-	-
-	-
-	-
-	-
27,000	286,174
-	-
-	-
-	-
-	-
-	-
-	-
3,112,708	1,325,891
-	-
$ 3,139,708	$ 1,612,065

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City of Farmersville, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
					Primary Government				
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**	**Economic Development Corporation**	**Community Development Corporation**
Primary Government									
Governmental Activities									
General government	$ 1,357,816	$ 424,462	$ -	$ -	$ (933,354)	$ -	$ (933,354)	$ -	$ -
Municipal court	240,004	-	-	-	(240,004)	-	(240,004)	-	-
Library and civic center	223,917	-	34,340	-	(189,577)	-	(189,577)	-	-
Public safety	2,041,619	-	115,920	-	(1,925,699)	-	(1,925,699)	-	-
Public works	1,818,988	-	155,000	-	(1,663,988)	-	(1,663,988)	-	-
Culture and recreation	11,130	-	402,566	23,671	415,107	-	415,107	-	-
Interest and fiscal charges	224,324	-	-	-	(224,324)	-	(224,324)	-	-
Total Governmental Activities	5,917,798	424,462	707,826	23,671	(4,761,839)	-	(4,761,839)	-	-
Business-Type Activities									
Water	2,473,856	2,165,104	-	5,776	-	(302,976)	(302,976)	-	-
Wastewater	1,441,254	1,608,564	-	5,014	-	172,324	172,324	-	-
Electric	3,453,154	4,502,617	-	-	-	1,049,463	1,049,463	-	-
Refuse	501,304	607,585	-	-	-	106,281	106,281	-	-
Total Business-Type Activities	7,869,568	8,883,870	-	10,790	-	1,025,092	1,025,092	-	-
Total Primary Government	$ 13,787,366	$ 9,308,332	$ 707,826	$ 34,461	(4,761,839)	1,025,092	(3,736,747)	-	-
Component Units									
Economic Development Corp.	53,056	-	-	-	-	-	-	(53,056)	-
Community Development Corp.	354,620	-	-	50,685	-	-	-	-	(303,935)
Total Component Units	$ 407,676	$ -	$ -	$ 50,685	-	-	-	(53,056)	(303,935)
			General Revenues:						
			Taxes						
			Property tax		3,164,789	-	3,164,789	-	-
			Sales tax		1,043,641	-	1,043,641	521,820	521,820
			Franchise and local taxes		157,275	-	157,275	-	-
			License and permits		270,223	-	270,223	-	-
			Investment income		224,376	131,720	356,096	60,958	41,632
			Other revenues		7,020	-	7,020	-	-
			Transfers		1,424,286	(1,424,286)	-	-	-
			Total General Revenues and Transfers		6,291,610	(1,292,566)	4,999,044	582,778	563,452
			Change in Net Position		1,529,771	(267,474)	1,262,297	529,722	259,517
			Beginning Net Position		7,630,828	9,550,382	17,181,210	2,609,986	1,352,548
			Ending Net Position		$ 9,160,599	$ 9,282,908	$ 18,443,507	$ 3,139,708	$ 1,612,065

See Notes to Financial Statements.

City of Farmersville, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2023

	General Fund	Debt Service Fund	TIRZ	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 1,174,712	$ 524,535	$ 1,689,995	$ 858,481	$ 4,247,723
Receivables, net					
Property taxes	125,362	75,857	-	-	201,219
Sales tax	166,496	-	-	-	166,496
Franchise taxes	17,871	-	-	-	17,871
Intergovernmental	1,000	-	-	-	1,000
Lease receivables	251,295	-	-	-	251,295
Due from component unit	800	-	-	150,000	150,800
Due from other funds	289,169	246,028	-	-	535,197
Total Assets	$ 2,026,705	$ 846,420	$ 1,689,995	$ 1,008,481	$ 5,571,601
Liabilities					
Accounts payable	$ 174,612	$ -	$ -	$ 2,722	$ 177,334
Accrued liabilities	142,655	-	-	-	142,655
Due to other funds	234,317	-	4,900	287,159	526,376
Total Liabilities	551,584	-	4,900	289,881	846,365
Deferred Inflows of Resources					
Unavailable revenue -					
property taxes	125,362	75,857	-	-	201,219
lease related	246,807	-	-	-	246,807
Total Deferred Inflows	372,169	75,857	-	-	448,026
Fund Balances					
Restricted for:					
Debt service	-	770,563	-	-	770,563
Capital improvements	-	-	1,685,095	5,000	1,690,095
Library	-	-	-	529	529
Municipal court	-	-	-	29,022	29,022
Public safety	-	-	-	770,387	770,387
Special projects	-	-	-	53,213	53,213
Unassigned	1,102,952	-	-	(139,551)	963,401
Total Fund Balances	1,102,952	770,563	1,685,095	718,600	4,277,210
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,779,898	$ 846,420	$ 1,689,995	$ 1,008,481	$ 5,324,794

See Notes to Financial Statements.

City of Farmersville, Texas

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

September 30, 2023

Fund Balances - Total Governmental Funds	$	4,277,210
Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		2,130,585
Capital assets - net depreciable		9,603,171
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property tax receivable		201,219
Deferred outflows (inflows) of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow (inflow) of resources (expenditures) until then.		
Deferred outflows - TMRS pension		480,510
Deferred outflows - TESRS pension		27,438
Deferred outflows - TMRS OPEB		1,600
Deferred inflows - TESRS pension		(11,669)
Deferred inflows - TMRS OPEB		(16,267)
Deferred charge on refunding		23,859
Some liabilities, including bonds payable and deferred charges are not reported as liabilities in the governmental funds.		
Accrued interest		(27,409)
Premiums on bonds payable		(308,778)
Compensated absences		(139,370)
Non-current liabilities due in one year		(739,965)
Non-current liabilities due in more than one year		(5,502,089)
OPEB liability		(60,740)
Net pension liability		(778,706)
Net Position of Governmental Activites	$	9,160,599

See Notes to Financial Statements.

City of Farmersville, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2023

	General Fund	Debt Service Fund	TIRZ	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property tax	$ 1,967,115	$ 1,067,150	$ 114,652	$ -	$ 3,148,917
Sales tax	1,043,641	-	-	-	1,043,641
Franchise and local taxes	157,275	-	-	-	157,275
License and permits	270,223	-	-	-	270,223
Charges for services	240,246	-	-	-	240,246
Fines and forfeitures	86,791	-	-	8,587	95,378
Leases	88,838	-	-	-	88,838
Intergovernmental	167,726	-	-	180,554	348,280
Donations and contributions	204,546	-	-	143	204,689
Investment income	132,257	24,573	67,546	-	224,376
Other revenues	146,234	750	-	3,306	150,290
Total Revenues	4,504,892	1,092,473	182,198	192,590	5,972,153
Expenditures					
Current:					
Mayor and city council	10,100	-	-	-	10,100
Administration	1,317,604	-	4,900	426,765	1,749,269
Library and civic center	213,958	-	-	-	213,958
Municipal court	220,097	-	-	14,570	234,667
Police	1,354,898	-	-	105	1,355,003
Fire and EMS	466,559	-	-	-	466,559
Public works	1,001,293	-	522,114	-	1,523,407
Debt service:					
Principal	109,833	545,000	70,000	-	724,833
Interest and fiscal charges	21,495	176,106	53,425	-	251,026
Capital outlay	437,439	-	-	-	437,439
Total Expenditures	5,153,276	721,106	650,439	441,440	6,966,261
Revenues Over (Under) Expenditures	(648,384)	371,367	(468,241)	(248,850)	(994,108)
Other Financing Sources (Uses)					
Transfers in	1,792,600	-	1,030,696	-	2,823,296
Transfers (out)	(1,030,696)	(368,240)	(64)	(10)	(1,399,010)
Sale of capital assets	21,353	-	-	-	21,353
Lease related issuance	178,719	-	-	-	178,719
Total Other Financing Sources (Uses)	961,976	(368,240)	1,030,632	(10)	1,624,358
Net Change in Fund Balances	313,592	3,127	562,391	(248,860)	630,250
Beginning fund balances	789,360	767,436	1,122,704	967,460	3,646,960
Ending Fund Balances	$ 1,102,952	$ 770,563	$ 1,685,095	$ 718,600	$ 4,277,210

See Notes to Financial Statements.

City of Farmersville, Texas

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

For the Year Ended September 30, 2023

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

Net changes in fund balances - total governmental funds	$	630,250
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		1,450,086
Capital contribution from EDC		19,315
Depreciation expense		(1,003,963)
Net disposal of capital asset		(5,410)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(57,944)
Accrued interest		2,779
Pension expense		(91,993)
OPEB expense		742
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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 effect of premiums, discounts, and similar items when they are 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.		
Lease related issuances		(178,719)
Amortization of deferred charges on refunding		(2,008)
Amortization of debt premium		25,931
Principal payments		724,833
Change in Net Position of Governmental Activities	$	1,529,771

See Notes to Financial Statements.

City of Farmersville, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2023

	Water Fund	Wastewater Fund	Electric Utility	Nonmajor Refuse Utility	Total Proprietary Funds
Assets					
Current Assets					
Cash and cash equivalents	$ 1,106,981	$ 2,201,061	$ 389,845	$ 21,905	$ 3,719,792
Accounts and other receivables	336,548	184,250	691,421	49,118	1,261,337
Prepaid items	-	-	1,000	-	1,000
Total Current Assets	1,443,529	2,385,311	1,082,266	71,023	4,982,129
Noncurrent Assets					
Capital assets:					
Non-depreciable	65,285	35,320	20,593	-	121,198
Net depreciable capital assets	3,077,399	6,177,057	864,641	-	10,119,097
Total Noncurrent Assets	3,142,684	6,212,377	885,234	-	10,240,295
Total Assets	4,586,213	8,597,688	1,967,500	71,023	15,222,424
Deferred Outflows of Resources					
Pension outflows	144,994	-	152,776	-	297,770
OPEB outflows	483	-	509	-	992
Total Deferred Outflows of Resources	145,477	-	153,285	-	298,762
Liabilities					
Current Liabilities					
Accounts payable	9,571	3,138	210,634	42,546	265,889
Accrued liabilities	21,416	20,986	25,416	-	67,818
Customer deposits	136,763	-	242,837	-	379,600
Due to other funds	8,821	-	-	-	8,821
Compensated absences, current	29,534	-	8,419	-	37,953
Current portion of long-term debt	-	290,000	201,505	-	491,505
Advances from component unit	-	-	7,867	-	7,867
Total Current Liabilities	206,105	314,124	696,678	42,546	1,259,453
Noncurrent Liabilities					
Long-term debt due in more than a year	-	4,120,000	378,514	-	4,498,514
Compensated absences, noncurrent	3,282	-	936	-	4,218
OPEB liability	18,328	-	19,312	-	37,640
Net pension liability	208,589	-	219,785	-	428,374
Total Noncurrent Liabilities	230,199	4,120,000	618,547	-	4,968,746
Total Liabilities	436,304	4,434,124	1,315,225	42,546	6,228,199
Deferred Inflows of Resources					
OPEB inflows	4,908	-	5,171	-	10,079
Total Deferred Inflows of Resources	4,908	-	5,171	-	10,079
Net Position					
Net investment in capital assets	3,142,684	2,375,790	305,215	-	5,823,689
Unrestricted	1,147,794	1,787,774	495,174	28,477	3,459,219
Total Net Position	$ 4,290,478	$ 4,163,564	$ 800,389	$ 28,477	$ 9,282,908

See Notes to Financial Statements.

City of Farmersville, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

For the Year Ended September 30, 2023

	Water Fund	Wastewater Fund	Electric Utility	Nonmajor Refuse Utility	Total Proprietary Funds
Operating Revenues					
Utility sales	$ 2,035,867	$ 1,520,786	$ 4,449,567	$ 592,618	$ 8,598,838
Service fees	32,581	81,178	53,050	14,967	181,776
Penalties and fees	96,656	-	-	-	96,656
Miscellaneous	-	6,600	-	-	6,600
Total Operating Revenues	2,165,104	1,608,564	4,502,617	607,585	8,883,870
Operating Expenses					
Personnel	635,140	89,449	712,041	-	1,436,630
Contract and professional services	81,695	50,828	53,632	462,385	648,540
Maintenance	346,389	682,695	133,092	-	1,162,176
Operations	74,322	39,699	2,279,233	6,455	2,399,709
Supplies	966,988	8,653	41,741	-	1,017,382
Miscellaneous	74,380	12,200	61,790	32,464	180,834
Depreciation	294,942	489,615	157,537	-	942,094
Total Operating Expenses	2,473,856	1,373,139	3,439,066	501,304	7,787,365
Operating Income (Loss)	(308,752)	235,425	1,063,551	106,281	1,096,505
Nonoperating Revenues (Expenses)					
Investment income	36,682	56,952	38,086	-	131,720
Interest expense	-	(68,115)	(14,088)	-	(82,203)
Total Nonoperating Revenues (Expenses)	36,682	(11,163)	23,998	-	49,517
Income (Loss) Before Contributions and Transfers	(272,070)	224,262	1,087,549	106,281	1,146,022
Capital contributions	5,776	5,014	-	-	10,790
Transfers (out)	(121,874)	(252,780)	(939,206)	(110,426)	(1,424,286)
Change in Net Position	(388,168)	(23,504)	148,343	(4,145)	(267,474)
Beginning net position	4,678,646	4,187,068	652,046	32,622	9,550,382
Ending Net Position	$ 4,290,478	$ 4,163,564	$ 800,389	$ 28,477	$ 9,282,908

See Notes to Financial Statements.

City of Farmersville, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2023

	Water Fund	Wastewater Fund	Electric Utility	Nonmajor Refuse Utility	Total Proprietary Funds
Cash Flows from Operating Activities					
Receipts from customers	$ 2,108,931	$ 1,602,931	$ 4,426,306	$ 634,143	$ 8,772,311
Payments to employees	(589,255)	(89,449)	(689,101)	-	(1,367,805)
Payments to suppliers and contractors	(1,517,819)	(244,772)	(3,063,756)	(501,812)	(5,328,159)
Net Cash Provided by (Used for) Operating Activities	1,857	1,268,710	673,449	132,331	2,076,347
Cash Flows from Noncapital Financing Activities					
Transfers (out)	(121,874)	(252,780)	(939,206)	(110,426)	(1,424,286)
Net Cash Provided by (Used for) Noncapital Financing Activities	(121,874)	(252,780)	(939,206)	(110,426)	(1,424,286)
Cash Flows from Capital and Related Financing Activities					
Purchases of capital assets	-	(25,320)	(62,685)	-	(88,005)
Capital grants and contributions	5,776	5,014	-	-	10,790
Principal paid on capital debt	-	(290,000)	(199,602)	-	(489,602)
Net Cash Provided by (Used for) Capital and Related Financing Activities	5,776	(310,306)	(262,287)	-	(566,817)
Cash Flows from Investing Activities					
Interest paid on debt	-	(68,115)	(14,088)	-	(82,203)
Interest on investments	36,682	56,952	38,086	-	131,720
Net Cash Provided by (Used for) Investing Activities	36,682	(11,163)	23,998	-	49,517
Net Increase (Decrease) in Cash and Cash Equivalents	(77,559)	694,461	(504,046)	21,905	134,761
Beginning cash and cash equivalents	1,184,540	1,506,600	893,891	-	3,585,031
Ending Cash and Cash Equivalents	$ 1,106,981	$ 2,201,061	$ 389,845	$ 21,905	$ 3,719,792

See Notes to Financial Statements.

City of Farmersville, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2023

	Water Fund	Wastewater Fund	Electric Utility	Nonmajor Refuse Utility	Total Proprietary Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	$ (308,752)	$ 235,425	$ 1,063,551	$ 106,281	$ 1,096,505
Adjustments to reconcile operating income (loss) to net cash provided by (used):					
Depreciation	294,942	489,615	157,537	-	942,094
Changes in Operating Assets and Liabilities:					
(Increase) Decrease in:					
Accounts receivable	(80,419)	(5,633)	(97,341)	26,558	(156,835)
Interfund balances	21,160	562,589	(574,928)	-	8,821
Prepaid items	-	-	(1,000)	-	(1,000)
Deferred Outflows of Resources:					
Pension liability	(98,719)	-	(99,209)	-	(197,928)
OPEB liability	2,988	-	3,370	-	6,358
Increase (Decrease) in:					
Accounts payable and accrued liabilities	4,795	(13,286)	81,660	(508)	72,661
Customer deposits	24,246	-	21,030	-	45,276
Compensated absences	17,750	-	(1,463)	-	16,287
Deferred Inflows of Resources:					
Pension liability	(71,382)	-	(82,631)	-	(154,013)
OPEB liability	4,059	-	4,222	-	8,281
OPEB liability	(4,520)	-	(6,224)	-	(10,744)
Net pension liability	195,709	-	204,875	-	400,584
Net Cash Provided by (Used for) Operating Activities	$ 1,857	$ 1,268,710	$ 673,449	$ 132,331	$ 2,076,347

See Notes to Financial Statements.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Farmersville, Texas (the “City”) was incorporated under the laws of the State of Texas on June 2, 1873.

The City operates under a “General Law” City which provides for a “Mayor-Council” form of government. All powers of the City shall be vested in an elective council, hereinafter referred to as the "Council," which shall enact local legislation, adopt budgets, determine policies, and appoint the City Attorney and the Judge of the Municipal Court. The City provides the following services as authorized by its charter: public safety, streets & roads, sanitation, water & sewer, electric, culture-recreation, public improvements and administrative services.

The City is an independent political subdivision of the State of Texas governed by an elected council and 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. As required by generally accepted accounting principles, these basic 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. The component units, although legally separate, are considered part of the reporting entity. No other entities have been included in the City’s reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed 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 is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Units

Economic Development Corporation – 4A

The Farmersville Economic Development Corporation (the "EDC") was incorporated by the City under the Development Corporation Act of 1979, as amended, Article 5190.6 Vernon's Annotated Civil Statutes, Section 4B, as amended (the Act). The EDC serves all citizens of the City and is governed by a seven member board of directors appointed by the City Council. An Executive Director is appointed by the EDC seven member board to carry out the Board's administrative and policy initiatives. The purpose of the EDC is to promote economic development within the City and the State of Texas in order to enhance the employment and the public welfare for, and on behalf of, the City in a manner and purpose authorized by Section 4A of the Act. The EDC's board is not substantially the same as the City's governing body. In addition, the EDC does not provide services entirely, or almost entirely to the City, nor does it maintain debt of any type that are repaid using City sources. The EDC's financial statements are presented discretely as a part of the financial statements of the City. The EDC does not issue separate financial statements.

Community Development Corporation – 4B

The purpose of the City of Farmersville Community Development Corporation (the "CDC") is to promote economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and to encourage employment and the public welfare of, for and on behalf of the City, and for parks, auditoriums, learning centers, open space improvements, athletic and exhibition facilities, and other related improvements and for maintenance and operating costs of publicly owned and operated projects by developing, implementing, providing, and financing projects. The CDC's board is not substantially the same as the City's governing body. In addition, the CDC does not provide services entirely, or almost entirely to the City, nor does it maintain debt of any type that are repaid using City sources. The CDC's financial statements are presented discretely as a part of the financial statements of the City. The CDC does not issue separate financial statements.

Blended Component Units

Tax Increment Financing Reinvestment Zone

The City created the Tax Increment Financing Reinvestment Zone Fund (the "TIRZ") in December 2011 to encourage and accelerate planned development of a certain contiguous geographic area within its jurisdiction and extra-territorial jurisdiction. Of the five member Board of Directors three are appointed by the Farmersville City Council and two members shall be appointed by the County Commissioners Court of Collin County and serve for two-year staggered terms. The members of the Board are citizens of Farmersville. Any future debt obligations issued and backed by the TIRZ are to be repaid from property tax levies, based on the incremental increase in the real property values from the base year 2011.

The TIRZ Board of Directors acts primarily in an advisory role to the City Council, who exercise the ultimate financial control over the recommendations of the TIRZ board, including its budget and expenditures. The financial information of the TIRZ is blended as a governmental fund into the primary government. Separate financial statements are not prepared.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* Requirements of the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for all of the City's activities;
- A change in the fund financial statements to focus on the major funds.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the classification of net position into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets**—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted—**This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted—**This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

C. 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 about the City as a whole. These statements include all 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 presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented 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. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The government reports the following governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed and focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and its liabilities and deferred inflows of resources as fund balance.

General Fund

The General Fund is the main operating fund of the City. The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, library and civic center, municipal court, public safety and public works. The general service fund is considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Fund

The capital projects fund is used to account for the expenditures of resources accumulated from the sale of bonds and related interest earnings, contributed capital or transfers from other funds, other than those recorded in the enterprise funds, for acquisition of capital facilities. The capital projects fund is considered a nonmajor fund for reporting purposes.

TIRZ

The tax increment reinvestment zone (TIRZ) fund is used for planned development of a certain contiguous geographic area and is considered a major fund for reporting purposes.

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in special revenue funds. The special revenue funds are considered nonmajor funds for reporting purposes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following enterprise funds:

Water

This fund is used to account for the provision of water services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund. The water fund is considered a major fund for reporting purposes.

Wastewater

This fund is used to account for the provision of wastewater services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water collection and treatment systems. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund. The fund also accounts for the accumulation of resources for and the payment of long-term debt, principal, and interest. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund. The wastewater fund is considered a major fund for reporting purposes.

Electric

This fund is used to account for the provision of electric services to the residents of the City. Activities of the fund include administration, operations and maintenance of the electric production and distribution system. The fund also accounts for the accumulation of resources for and the payment of long-term debt, principal, and interest. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund. The electric fund is considered a major fund for reporting purposes.

Refuse

This fund is used to account for the provision of sanitation services to the residents of the City. Activities of the fund include administration activities to maintain the services. All costs are financed through charges to sanitation customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund. The refuse fund is considered a nonmajor fund for reporting purposes.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured and basis of accounting refers to when transactions are recorded in the financial records and reported on the financial statements and relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

All governmental funds and component units are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, deferred inflows/outflows, and net position/fund balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

Direct obligations of the U.S. Government
Fully collateralized certificates of deposit and money market accounts
Statewide investment pools

2. Fair Value Measurement

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1%

per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, 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 historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs 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, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Equipment and vehicles	5-20 years
Infrastructure	15 to 100 years
Utility systems	10 to 40 years
Buildings and improvements	20-50 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

Amounts of vested or accumulated sick leave and compensatory time that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

13. Leases

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

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

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

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

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

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The City uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

14. Pensions

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

15. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is $7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

F. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Proprietary funds operating and nonoperating revenues and expenses

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 utility fund are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds. Reconciling items have been presented on the balance sheet of governmental funds in the basic financial statements.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. A reconciliation has been presented in the basic financial statements.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, special revenue, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. One budget amendment was made during the year.

A. Expenditures Over Appropriations

For the year ended, general fund expenditures exceeded appropriations at the legal level of control and as follows:

Library and civic center	$ 8,458
Interest and fiscal charges	$ 12,219
Capital outlay	$ 69,720
Transfers out	$ 1,030,696

The City has implemented procedures to ensure budgetary compliance. No expenditure can be made unless there is a budget available or an approved budget amendment has been submitted. Department head and management will review the budget variances on a regular basis and the budget will be amended if necessary.

B. Deficit Fund Equity

At September 30, 2023, the municipal court technology, capital project, and sidewalk funds had a deficit fund balance of $497, $13,958, and $125,096, respectively. The deficit balances will be eliminated in the future with transfers from other funds and fines and forfeitures received, and grant reimbursements.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2023, the primary government had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
Investment pools	$ 6,818,430	0.08
Total carrying value	$ 6,818,430	
Portfolio weighted average maturity		0.08

As of September 30, 2023, the discretely presented component unit had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity (Years)
Investment pools	$ 652,560	0.08
Total carrying value	$ 652,560	
Portfolio weighted average maturity		0.08

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAAm, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

<u>TexPool</u>

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool AAAm. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. At September 30, 2023, the fair value of the position in TexPool approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

<u>TexStar</u>

The TexStar Participant Services Local Government Investment Pool ("TexStar") is an external investment pool operated by First Southwest Asset Management, Inc. and is not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investments Act provide for creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The State Comptroller has established an advisory board composed both of participants in TexStar and of other persons who do not have a business relationship with TexStar. The Advisory Board members review the investment policy and management fee structure. Standard & Poor's rates TexStar AAAm. At September 30, 2023, the fair value of the position in TexStar approximates fair value of the shares. There were no limitations or restrictions on withdrawals.

B. Receivables

1. The following comprise receivable balances of the City at year end:

Governmental Funds

	General	Debt Service	Total
Property taxes	$ 125,362	$ 75,857	$ 201,219
Sales tax	166,494	-	166,494
Franchise taxes	17,871	-	17,871
Intergovernmental	1,000	-	1,000
	$ 310,727	$ 75,857	$ 386,584

Enterprise Funds

	Water	Wastewater	Electric	Refuse	Total
Accounts	$ 375,724	$ 275,757	$ 875,656	$ 117,403	$ 1,644,540
Other	59,148	-	-	-	59,148
Allowance	(98,324)	(91,507)	(184,235)	(68,285)	(442,351)
	$ 336,548	$ 184,250	$ 691,421	$ 49,118	$ 1,261,337

Component Units

	Economic Development Corporation	Community Development Corporation
Sales tax	$ 92,622	$ 92,622
	$ 92,622	$ 92,622

2. The City is the lessor of a contract in which the City receives lease payments from T-Mobile and Sunbeam for the use of existing cell towers. The leases commenced from December 10, 2003 through May 1, 2020, with terms ranging from 36 to 66 months. Monthly lease payments ranging from $1,200 to $4,836 will be paid through June 9, 2029. As of September 30, 2023, the lease receivable and offsetting deferred inflows amounted to $251,295 and $246,807, respectively.

The annual principal and interest payments to be received are as follows:

Year ending	Governmental Activities	
September 30,	**Principal**	**Interest (4.5%)**
2024	$ 72,207	$ 9,838
2025	76,520	6,494
2026	53,412	317
2027	17,747	1,849
2028	18,562	1,034
Thereafter	12,847	218
	$ 251,295	$ 19,750

3. Capital Assets

The primary government's summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 1,365,220	$ 522,114	$ -	$ 1,887,334
Construction in progress	3,567,410	490,350	(3,814,509)	243,251
Total capital assets not being depreciated	4,932,630	1,012,464	(3,814,509)	2,130,585
Capital assets, being depreciated:				
Buildings and improvements	2,291,039	22,500	257,100	2,570,639
Vehicles and equipment	2,740,887	236,403	(128,945)	2,848,345
Infrastructure	17,501,533	-	3,562,000	21,063,533
Right-to-use assets	278,411	178,719	-	457,130
Total capital assets being depreciated	22,811,870	437,622	3,690,155	26,939,647
Less accumulated depreciation				
Buildings and improvements	(1,710,187)	(41,754)	-	(1,751,941)
Vehicles and equipment	(2,449,576)	(120,869)	138,259	(2,432,186)
Infrastructure	(12,255,440)	(757,637)	-	(13,013,077)
Right-to-use assets	(55,569)	(83,703)	-	(139,272)
Total accumulated depreciation	(16,470,772)	(1,003,963)	138,259	(17,336,476)
Net capital assets being depreciated	6,341,098	(566,341)	3,828,414	9,603,171
Total Capital Assets	$ 11,273,728	$ 446,123	$ 13,905	$ 11,733,756

Depreciation was charged to governmental functions as follows:

General and administrative	$ 51,853
Library	6,827
Public safety	127,134
Public works	807,019
Community development	11,130
Total Governmental Activities Depreciation Expense	$ 1,003,963

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 77,285	$ -	$ -	$ 77,285
Construction in progress	1,669,438	43,913	(1,669,438)	43,913
Total capital assets not being depreciated	1,746,723	43,913	(1,669,438)	121,198
Capital assets, being depreciated:				
Buildings and improvements	247,075	-	-	247,075
Vehicles and equipment	1,947,812	5,100	-	1,952,912
Infrastructure	18,768,083	38,992	1,669,438	20,476,513
Total capital assets being depreciated	20,962,970	44,092	1,669,438	22,676,500
Less accumulated depreciation				
Buildings and improvements	(53,661)	(6,199)	-	(59,860)
Vehicles and equipment	(1,344,411)	(160,222)	-	(1,504,633)
Infrastructure	(10,217,237)	(775,673)	-	(10,992,910)
Total accumulated depreciation	(11,615,309)	(942,094)	-	(12,557,403)
Net capital assets being depreciated	9,347,661	(898,002)	1,669,438	10,119,097
Total Capital Assets	$ 11,094,384	$ (854,089)	$ -	$ 10,240,295

Depreciation was charged to business-type functions as follows:

Water	$ 294,942
Wastewater	489,615
Electric	157,537
Total Business-Type Activities Depreciation Expense	$ 942,094

City of Farmersville, Texas

NOTES TO FINANCIAL STATEMENTS, Continued

September 30, 2023

A summary of changes in component-unit activities capital assets for the year end was as follows:

Community Development Corporation

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 182,820	$ 103,354	$ -	$ 286,174
Construction in progress	10,000	-	(10,000)	-
Total capital assets not being depreciated	192,820	103,354	(10,000)	286,174
Capital assets, being depreciated:				
Office equipment	13,671	-	(13,671)	-
Total capital assets being depreciated	13,671	-	(13,671)	-
Less accumulated depreciation				
Office equipment	(4,356)	-	4,356	-
Total accumulated depreciation	(4,356)	-	4,356	-
Net capital assets being depreciated	9,315	-	(9,315)	-
Total Capital Assets	$ 202,135	$ 103,354	$ (19,315)	$ 286,174

Economic Development Corporation

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Construction in progress	$ 30,000	$ -	$ (30,000)	$ -
Total capital assets not being depreciated	30,000	-	(30,000)	-
Capital assets, being depreciated:				
Buildings and improvements	-	-	30,000	30,000
Total capital assets being depreciated	-	-	30,000	30,000
Less accumulated depreciation				
Buildings and improvements	-	(3,000)	-	(3,000)
Total accumulated depreciation	-	(3,000)	-	(3,000)
Net capital assets being depreciated	-	(3,000)	30,000	27,000
Total Capital Assets	$ 30,000	$ (3,000)	$ -	$ 27,000

4. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
General obligation bonds	$ 5,050,000	$ -	$ (545,000)	$ 4,505,000	$ 560,000
Certificates of obligation	1,480,000	-	(70,000)	1,410,000	70,000
Premium	334,709	-	(25,931)	308,778	-
	6,864,709	-	(640,931)	6,223,778	630,000
Other liabilities:					
Notes payable	30,658	-	(30,658)	-	-
Lease liabilities	227,510	178,719	(79,175)	327,054	109,965
Total Governmental Activities	$ 7,122,877	$ 178,719	$ (750,764)	$ 6,550,832	$ 739,965
Long-term liabilities due in more than one year				$ 5,810,867	
Business-Type Activities:					
Certificates of Obligation	$ 4,700,000	$ -	$ (290,000)	$ 4,410,000	$ 290,000
Notes payable	109,621	-	(34,602)	75,019	36,505
Contractual obligation loan	670,000	-	(165,000)	505,000	165,000
Total Business-Type Activities	$ 5,479,621	$ -	$ (489,602)	$ 4,990,019	$ 491,505
Long-term liabilities due in more than one year				$ 4,498,514	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. In addition, leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset.

Long-term debt at year end was comprised of the following debt issues:

	Governmental Activities	Business - Type Activities	Total
General Obligation Bonds:			
$1,500,000 General Obligation Bonds, Series 2012 due in installments through 2032, interest at 1.25% to 3.125%	$ 810,000	$ -	$ 810,000
$2,185,000 General Obligation Refunding Bonds, Series 2014 due in installments through 2034, interest at 2% to 4%	1,080,000	-	1,080,000
$4,855,000 General Obligation Refunding Bonds, Series 2015 due in installments through 2035, interest at 2% to 4%	2,615,000	-	2,615,000
Total General Obligation Bonds	$ 4,505,000	$ -	$ 4,505,000
Certificates of Obligation:			
$5,845,000 Certificates of Obligation Bonds, Series 2017 due in installments through 2037, interest at .02% to 1.90%	$ -	$ 4,410,000	$ 4,410,000
$1,755,000 Certificates of Obligation Bonds, Series 2019 due in installments through 2038, interest at 3.0% to 4.0%	1,410,000	-	1,410,000
Total Certificates of Obligation	$ 1,410,000	$ 4,410,000	$ 5,820,000
Notes Payable:			
$214,139 Altec Digger Derrick capital lease, interest at 5.5% due in annual installments through 2024	$ -	$ 75,019	$ 75,019
Total Notes Payable	$ -	$ 75,019	$ 75,019
Contractual Obligations:			
$825,000 Public property finance contractual obligation, Series 2021, due in installments through 2026, interest at 1.53%	$ -	$ 505,000	$ 505,000
Total Contractual Obligations	$ -	$ 505,000	$ 505,000
Leases Liabilities:			
$457,130 Enterprise leases, interest at 5.0% due in monthly installments through 2027	$ 327,054	$ -	$ 327,054
Total Lease Liabilities	$ 327,054	$ -	$ 327,054
Premium on bonds	$ 308,778	$ -	$ 308,778
Total Debt	$ 6,550,832	$ 4,990,019	$ 11,540,851

The annual requirements to amortize governmental activities bond issues outstanding at year ending were as follows:

Governmental Activities

Year ending	General Obligation Bonds		Certificates of Obligation	
September 30,	Principal	Interest	Principal	Interest
2024	$ 560,000	$ 154,881	$ 70,000	$ 49,875
2025	585,000	134,881	75,000	47,075
2026	540,000	114,816	80,000	44,075
2027	310,000	99,584	80,000	40,875
2028	320,000	88,588	85,000	37,675
2029	335,000	77,066	90,000	34,275
2030	345,000	64,753	90,000	31,575
2031	355,000	51,831	95,000	28,875
2032	375,000	38,241	95,000	25,906
2033	280,000	25,600	100,000	22,819
2034	300,000	10,000	100,000	19,569
2035	200,000	-	105,000	16,194
2036	-	-	110,000	12,519
2037	-	-	115,000	8,669
2038	-	-	120,000	4,500
Total	$ 4,505,000	$ 860,241	$ 1,410,000	$ 424,475

On April 5, 2021, the City issued a Contractual Obligation tax bond in the amount of $825,000, with an interest rate of 1.5% and a maturity date of August 15, 2026.

The 2019 certificates of obligation revenue bonds were issued on August 15, 2019 in the amount of $1,755,000, due in annual installments through 2038, bearing interest ranging from 3.0% to 4.0% payable February 15 and August 15.

The 2015 general obligation refunding bonds were issued September 8, 2015, due in annual installments through 2035, bearing interest ranging from 2.0% to 4.0% payable February 15 and August 15. Of the $4,855,000 issued, $2,150,000 of the 2006 series certificate of obligation was refunded.

The 2014 general obligation refunding bonds and the 2012 general obligation were used for the purpose of street improvements, including drainage, curbs, gutters, bridges, acquisition of equipment, machinery, land and right of ways as well as construction, acquiring, purchasing, renovating, enlarging, equipping and improving water and sewer system properties and facilities.

The annual requirements to amortize total governmental lease payables at year ending were as follows:

Governmental Activities

Year ending September 30,	Lease Liabilities Principal	Lease Liabilities Interest
2024	$ 109,965	$ 13,824
2025	100,581	8,444
2026	78,257	4,014
2027	38,251	649
	$ 327,054	$ 26,931

During the year, the City entered into multiple new vehicle leases totaling $178,719. As of September 30, 2023, the total net carrying value of the right-to-use assets for governmental activities was $317,858.

The annual requirements to amortize total business-type long-term debt at year ending were as follows:

Business-Type Activities

Year ending September 30,	Certificates of Obligation Principal	Certificates of Obligation Interest
2024	$ 290,000	$ 66,369
2025	290,000	64,397
2026	295,000	61,816
2027	300,000	58,719
2028	300,000	55,029
2029	305,000	50,919
2030	310,000	46,435
2031	315,000	41,599
2032	320,000	36,465
2033	325,000	31,025
2034	330,000	25,272
2035	335,000	19,299
2036	345,000	13,102
2037	350,000	6,650
Total	$ 4,410,000	$ 577,096

The annual requirements to amortize total business-type contractual obligations and notes payable at year ending were as follows:

Business-Type Activities				
Year ending	**Contractual Obligation**		**Notes Payable**	
September 30,	**Principal**	**Interest**	**Principal**	**Interest**
2024	$ 165,000	$ 7,726	$ 36,505	$ 4,125
2025	170,000	5,202	38,514	2,118
2026	170,000	2,601	-	-
	$ 505,000	$ 15,529	$ 75,019	$ 6,243

5. Other Long-term Liabilities

The following summarizes the changes in other long-term liabilities of the primary government during the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	$ 81,426	$ 57,944	$ -	$ 139,370	$ 125,433
Total Governmental Activities	$ 81,426	$ 57,944	$ -	$ 139,370	$ 125,433
Other Long-term Liabilities Due in More than One Year				$ 13,937	
Business-Type Activities:					
Compensated Absences	$ 25,884	$ 17,749	$ (1,462)	$ 42,171	$ 37,953
Total Business-Type Activities	$ 25,884	$ 17,749	$ (1,462)	$ 42,171	$ 37,953
Other Long-term Liabilities Due in More than One Year				$ 4,218	

6. Deferred Charge on Refunding

A deferred charge resulting from the issuance of the 2015 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities totaled $21,147. Current year amortization expense for governmental activities totaled $1,762.

A deferred charge resulting from the issuance of the 2014 general obligation refunding bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. Current year balances for governmental activities totaled $2,712. Current year amortization expense for governmental activities totaled $246.

7. Interfund Transactions

Transfers between the primary government funds during the 2023 year were as follows:

	Transfer In		
Transfer Out:	**General**	**TIRZ**	**Total**
General	$ -	$ 1,030,696	$ 1,030,696
Nonmajor govt.	10	-	10
Debt service	368,240	-	368,240
TIRZ	64	-	64
Water	121,874	-	121,874
Wastewater	252,780	-	252,780
Electric	939,206	-	939,206
Refuse	110,426	-	110,426
Total	$ 1,792,600	$ 1,030,696	$ 2,823,296

The compositions of interfund balances as of year end were as follows:

	Due from (receivable):		
Due to (payable):	**General**	**Debt Service**	**Total**
General	-	$ 234,317	$ 234,317
TIRZ	4,900	-	4,900
Water	8,821	-	8,821
Nonmajor govt.	275,448	11,711	287,159
Total	$ 289,169	$ 246,028	$ 535,197

Amounts recorded as “due to/from” are considered to be temporary loans and will be repaid during the following year.

The compositions of receivables/payables between the primary government and component units as of year end were as follows:

	Due from (receivable):		
Due to (payable):	**General**	**Nonmajor Govt.**	**Total**
Community Development Corporation	$ 800	$ 150,000	$ 150,800
Total	$ 800	$ 150,000	$ 150,800

8. Advances

Advances are amounts that are temporary loans to be considered long-term. During the fiscal year ending September 30, 2020, an advance in the amount of $62,930 was made from the Economic Development Corporation to the Electric Fund. The temporarily loaned funds are being paid back to the component unit on a monthly basis in the amount of $2,622. During the year ending September 30, 2023, the City did not pay any new reimbursements to the EDC. The remaining advance balance is $7,867.

9. Restricted Net Position / Fund Balance

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of restricted net position / fund balance of the City:

	Governmental Activities	Governmental Funds
Restricted for:		
Debt service	$ 770,563	$ 770,563
Capital improvements	1,690,095	1,690,095
Library	529	529
* Municipal court	29,022	29,022
Public safety	770,387	767,081
Special projects	53,213	53,213
Total	$ 3,313,809	$ 3,310,503

*Restricted by enabling legislation

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City uses a number of approaches to decrease risks and protect against losses to the City, including internal practices, employee training, and a code of ethics, which all employees are required to acknowledge.

The City owns and operates motor vehicles and may provide such vehicle to employees for business use during the course and scope of their employment. The City is insured as to its own property losses, and the liability of loss to others.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City had not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

D. Pension Plans

Texas Municipal Retirement System

1. Plan Description

The City of Farmersville, Texas participates as one of 919 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 that can be obtained at www.tmrs.com.

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

2. 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. Plan provisions for the City were as follows:

	Plan Year 2021	Plan Year 2022
Employee deposit rate	5%	5%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	19
Active employees	34
Total	**78**

3. 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 of Farmersville, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Farmersville, Texas were 8.53% and 8.72% in calendar years 2022 and 2023, respectively. The City's contributions to

TMRS for the year ended September 30, 2023, were $237,797, and were equal to the required contributions.

4. <u>Net Pension Liability (Asset)</u>

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

Actuarial assumptions

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

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees 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, 2109 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 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public/Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
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.

Sensitivity of the Net Pension Liability (Asset) 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 (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$ 2,258,352	$ 1,119,640	$ 184,216

Changes in the Net Pension (Asset) Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) – (b)
Balance at 12/31/21	$ 7,562,097	$ 7,484,034	$ 78,063
Changes for the year:			
Service cost	309,197	-	309,197
Interest	507,783	-	507,783
Change in benefit terms	-	-	-
Difference between expected and actual experience	31,972	-	31,972
Changes of assumptions	-	-	-
Contributions – employer	-	222,568	(222,568)
Contributions – employee	-	130,463	(130,463)
Net investment income	-	(546,570)	546,570
Benefit payments, including refunds of emp. contributions	(387,968)	(387,968)	-
Administrative expense	-	(4,727)	4,727
Other changes	-	5,641	(5,641)
Net changes	460,984	(580,593)	1,041,577
Balance at 12/31/22	$ 8,023,081	$ 6,903,441	$ 1,119,640

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.tmrs.com.

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

For the year ended September 30, 2023, the City recognized pension expense of $348,930.

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

	Deferred Outflows of Resources
Difference between projected and investment earnings	$ 485,591
Change in actuarial assumptons	202
Differences between expected and actual economic experience	118,604
Contributions subsequent to the measurement date	173,883
Total	$ 778,280

The City reported $173,883 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2024.

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

Year ended December 31:		
2023	$	92,877
2024		161,865
2025		139,307
2026		210,348
2027		-
Thereafter		-
	$	604,397

6. Other Postemployment Benefits

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.

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); retired employees are insured for $7,500; this coverage is an “other postemployment benefit,” or OPEB. The SDBF covers both active and retiree benefits with no segregation of assets and, therefore, doesn’t meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to the employer’s yearly contributions for retirees.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

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

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	8
Active employees	34
Total	57

The City's retiree contribution rates to the TMRS SDBF for the years ended 2023, 2022 and 2021 were $3,267, $2,318 and $1,860, respectively, which equaled the required contribution each year.

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2021	0.09%	0.09%	100.0%
2022	0.09%	0.09%	100.0%
2023	0.13%	0.13%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2022, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	4.05%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 4.05%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

1% Decrease 3.05%	Current Single Rate Assumption 4.05%	1% Increase 5.05%
$ 116,503	$ 98,380	$ 84,050

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/2022	$ 134,399
Changes for the year:	
Service Cost	9,132
Interest	2,535
Difference between expected and actual experience	1,793
Changes of assumptions	(47,131)
Benefit payments	(2,348)
Net changes	(36,019)
Balance at 12/31/2023	$ 98,380

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

For the year ended September 30, 2023, the City recognized OPEB expense of $6,418.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	$ -	$ (25,270)
Investment earnings	-	(1,076)
Contributions subsequent to measurement date	2,592	-
Total	$ 2,592	$ (26,346)

The City reported $2,592 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2024.

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2023	$ (6,085)
2024	(4,554)
2025	(4,579)
2026	(6,109)
2027	(5,019)
Thereafter	-
	$ (26,346)

<u>Texas Emergency Services Retirement System</u>

1. <u>Plan Description</u>

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2023, there were 241 member fire or emergency services departments actively participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2023, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,929
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	1,689
Active Participants (Vested and Nonvested)	3,343
Total	8,961

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

2. Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is $36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities. According to the state law governing the System, the state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the August 31, 2022 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

3. <u>Contributions</u>

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2023, total contributions (dues and prior service) of $3,736,446 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated $1,262,763 for the fiscal year ending August 31, 2023.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The most recently completed biennial actuarial valuation as of August 31, 2022 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately $675,000 each year to pay for part of the System's administrative expenses.

To the best of our knowledge, the actuarial information supplied in this section is complete, accurate and in compliance with GASB Statement No. 25. In our opinion, the assumptions used are reasonably related to the experience of the System and to reasonable expectations. The assumptions represent a reasonable estimate of anticipated experience of the System over the long-term future, and their selection complies with the appropriate actuarial standards of practice.

Valuation Date	August 31, 2018	August 31, 2020	August 31, 2022
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level dollar, open	Level dollar, open	Level dollar, open
Amortization	30 years	30 years	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Actuarial Assumptions:			
Investment Rate of Return *	7.75% per year, net of investment expenses	7.75% per year, net of investment expenses	7.50% per year, net of investment expenses
Projected Salary Increases *	N/A	N/A	N/A
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	None	None	None

The target allocation for each major asset class is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Equities:		
Large cap domestic	20%	5.83%
Small cap domestic	10%	5.94%
Developed international	15%	6.17%
Emerging markets	5%	7.36%
Master limited partnership	5%	6.61%
Real Estate	10%	4.48%
Multi asset income	5%	3.86%
Fixed income	30%	1.95%
Cash	0%	0%
Total	100.0%	4.61%

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.5%. No projection of cash flows was used to determine the discount rate because the August 31, 2022 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

4. Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 8/31/21	$ 334,059	$ 251,176	$ 82,883
Changes for the year:			
Service Cost	3,276	-	3,276
Interest (on the Total Pension Liab.)	24,654	-	24,654
Change in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions – members	-	7,548	(7,548)
Contributions – state	-	2,551	(2,551)
Net investment income	-	13,982	(13,982)
Benefit payments, including refunds of emp. contributions	(17,233)	(17,233)	-
Administrative expense	-	(708)	708
Other changes	-	-	-
Net changes	10,697	6,140	4,557
Balance at 8/31/22	$ 344,756	$ 257,316	$ 87,440

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 7.5%, 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 (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

1% Decrease 6.5%	Current Single Rate Assumption 7.5%	1% Increase 8.5%
$ 134,724	$ 87,440	$ 48,304

Pension Plan Fiduciary Net Position:

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

5. <u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources</u>

For the year ended September 30, 2023, the City recognized pension expense of $20,690.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual economic experience	$ 1,277	$ -
Difference between projected and investment earnings	26,161	-
Change in actuarial assumptions	-	(169)
Changes in pension proportion	-	(11,500)
Total	$ 27,438	$ (11,669)

Other amounts reported as deferred outflows related to the TESRS pension will be recognized in pension expense as follows:

Year ended August 31:	
2024	$ 6,133
2025	6,396
2026	11,668
2027	168
Thereafter	(8,596)
	$ 15,769

E. Subsequent Events

There were no material subsequent events through June 28, 2024, the date the financial statements were issued.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Farmersville, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)

GENERAL FUND

For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	$ 1,281,140	$ 909,305	$ 1,967,115	$ 1,057,810
Sales tax	725,000	912,480	1,043,641	131,161
Franchise and local taxes	106,600	129,331	157,275	27,944
License and permits	150,400	300,100	270,223	(29,877)
Charges for services	159,482	193,888	240,246	46,358
Fines and forfeitures	128,600	78,600	86,791	8,191
Leases	88,043	88,043	88,838	795
Intergovernmental	135,378	263,708	167,726	(95,982)
Contributions and donations	10,000	97,637	204,546	106,909
Investment income	1,200	107,675	132,257	24,582
Other revenues	41,655	127,805	146,234	18,429
Total Revenues	2,827,498	3,208,572	4,504,892	1,296,320
Expenditures				
Current:				
Mayor and city council	16,765	16,765	10,100	6,665
Administration	1,071,983	1,332,560	1,317,604	14,956
Library and civic center	196,840	205,500	213,958	(8,458) *
Municipal court	228,023	227,858	220,097	7,761
Police	1,399,674	1,403,654	1,354,898	48,756
Fire and EMS	375,333	488,925	466,559	22,366
Public works	976,158	1,036,664	1,001,293	35,371
Debt Service:				
Principal	157,535	157,535	109,833	47,702
Interest and fiscal charges	-	-	21,495	(21,495) *
Capital outlay	102,000	367,719	437,439	(69,720) *
Total Expenditures	4,524,311	5,237,180	5,153,276	83,904
Revenues Over (Under) Expenditures	(1,696,813)	(2,028,608)	(648,384)	1,380,224

City of Farmersville, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)
GENERAL FUND
For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	
Other Financing Sources (Uses)					
Transfers in	$ 1,464,286	$ 1,933,526	$ 1,792,600	$ (140,926)	
Transfers (out)	-	-	(1,030,696)	(1,030,696)	*
Lease related issuance	-	179,719	178,719	(1,000)	
Sale of capital assets	31,000	46,000	21,353	(24,647)	
Total Other Financing Sources (Uses)	1,495,286	2,159,245	961,976	(1,197,269)	
Net Change in Fund Balance	$ (201,527)	$ 130,637	313,592	$ 182,955	
Beginning fund balance			789,360		
Ending Fund Balance			$ 1,102,952		

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Expenditures exceeded appropriations at legal level of control.

City of Farmersville, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

Years Ended:

	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014 [1]
Total pension liability									
Service cost	$ 309,197	$ 297,077	$ 291,652	$ 263,418	$ 250,407	$ 241,395	$ 231,232	$ 207,028	$ 157,726
Interest	507,783	467,945	426,815	403,168	380,340	356,264	335,857	326,753	313,135
Differences between expected and actual experience	31,972	130,088	102,278	(160,034)	4,299	40,315	(60,555)	(22,859)	(66,943)
Changes of assumptions	-	-	-	40,610	-	-	-	41,648	-
Benefit payments, including refunds of participant contributions	(387,968)	(233,972)	(194,305)	(227,592)	(379,121)	(192,468)	(226,121)	(287,705)	(180,348)
Net change in total pension liability	460,984	661,138	626,440	319,570	255,925	445,506	280,413	264,865	223,570
Total pension liability - beginning	$ 7,562,097	$ 6,900,959	$ 6,274,519	$ 5,954,949	$ 5,699,024	$ 5,253,518	$ 4,973,105	$ 4,708,240	$ 4,484,670
Total pension liability - ending (a)	$ 8,023,081	$ 7,562,097	$ 6,900,959	$ 6,274,519	$ 5,954,949	$ 5,699,024	$ 5,253,518	$ 4,973,105	$ 4,708,240
Plan fiduciary net position									
Contributions - employer	$ 222,568	$ 205,917	$ 214,927	$ 189,069	$ 178,682	$ 177,306	$ 163,202	$ 165,151	$ 146,026
Contributions - members	130,463	124,196	122,956	110,309	104,861	101,087	96,588	89,856	81,766
Net investment income	(546,570)	853,039	451,528	787,461	(160,254)	641,460	291,046	6,399	232,214
Benefit payments, including refunds of participant contributions	(387,968)	(233,972)	(194,305)	(227,592)	(379,121)	(192,468)	(226,121)	(287,705)	(180,348)
Administrative expenses	(4,727)	(3,944)	(2,921)	(4,448)	(3,098)	(3,324)	(3,287)	(3,897)	(2,424)
Other	5,641	28	(115)	(134)	(161)	(168)	(177)	(194)	(199)
Net change in plan fiduciary net position	(580,593)	945,264	592,070	854,665	(259,091)	723,893	321,251	(30,390)	277,035
Plan fiduciary net position - beginning	7,484,034	6,538,770	5,946,700	5,092,035	5,351,126	4,627,233	4,305,982	4,336,372	4,059,337
Plan fiduciary net position - ending (b)	$ 6,903,441	$ 7,484,034	$ 6,538,770	$ 5,946,700	$ 5,092,035	$ 5,351,126	$ 4,627,233	$ 4,305,982	$ 4,336,372
Fund's net pension liability - ending (a) - (b)	$ 1,119,640	$ 78,063	$ 362,189	$ 327,819	$ 862,914	$ 347,898	$ 626,285	$ 667,123	$ 371,868
Plan fiduciary net position as a percentage of the total pension liability	86.04%	98.97%	94.75%	94.78%	85.51%	93.90%	88.08%	86.59%	92.10%
Covered payroll	$ 2,609,254	$ 2,483,921	$ 2,459,122	$ 2,206,179	$ 2,097,213	$ 2,021,738	$ 1,931,763	$ 1,797,114	$ 1,635,328
Fund's net position as a percentage of payroll	42.91%	3.14%	14.73%	14.86%	41.15%	17.21%	32.42%	37.12%	22.74%

Notes to schedule:

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

City of Farmersville, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

TEXAS MUNICIPAL RETIREMENT SYSTEM

Fiscal Years Ended:

	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015 [1]
Actuarially determined employer contributions	$ 237,797	$ 218,010	$ 205,221	$ 203,434	$ 185,997	$ 179,231	$ 173,496	$ 170,502	$ 159,524
Contributions in relation to the actuarially determined contribution	$ 237,797	$ 218,010	$ 205,221	$ 203,434	$ 185,997	$ 179,231	$ 173,496	$ 170,502	$ 159,524
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual payroll	$ 2,743,353	$ 2,575,949	$ 2,439,088	$ 2,338,327	$ 2,173,349	$ 2,088,834	$ 1,997,465	$ 1,977,366	$ 1,749,217
Employer contributions as a percentage of payroll	8.67%	8.46%	8.41%	8.70%	8.56%	8.58%	8.69%	8.62%	9.12%

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes	There were no benefit changes during the year.

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City of Farmersville, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	12/31/2022	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017 [1]
Total OPEB liability						
Service cost	$ 9,132	$ 9,687	$ 7,623	$ 5,074	$ 5,662	$ 4,852
Interest	2,535	2,368	2,693	3,196	3,039	2,949
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	1,793	6,104	(2,840)	(10,667)	(7,689)	-
Changes of assumptions	(47,131)	3,794	13,577	14,203	(5,872)	6,409
Benefit payments, including refunds of participant contributions	(2,348)	(2,236)	(984)	(882)	(839)	(809)
Net change in total OPEB liability	(36,019)	19,717	20,069	10,924	(5,699)	13,401
Total OPEB liability - beginning	$ 134,399	$ 114,682	$ 94,613	$ 83,689	$ 89,388	$ 75,987
Total OPEB liability - ending	$ 98,380	$ 134,399	$ 114,682	$ 94,613	$ 83,689	$ 89,388 [2]
Covered payroll	$ 2,609,254	$ 2,483,921	$ 2,459,122	$ 2,206,179	$ 2,097,213	$ 2,021,738
City's total OPEB liability as a percentage of covered payroll	3.77%	5.41%	4.66%	4.29%	3.99%	4.42%

Notes to schedule:

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

[2] No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

City of Farmersville, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Years Ended:

	8/31/2023	8/31/2022	8/31/2021	8/31/2020	8/31/2019	8/31/2018	8/31/2017	8/31/2016	8/31/2015 [1]
Total pension liability									
Service cost	$ 3,276	$ 2,521	$ 3,128	$ 2,743	$ 2,817	$ 2,836	$ 3,266	$ 4,338	$ 4,388
Interest	24,654	18,622	22,353	16,169	15,935	17,629	19,410	22,789	21,939
Changes in benefit terms	-	3,936	-	4,394	-	5,030	-	1,848	-
Differences between expected and actual experience	-	4,036	-	(2,889)	-	(160)	-	166	-
Changes of assumptions	-	(533)	-	(100)	-	-	-	2,278	-
Benefit payments, including refunds of participant contributions	(17,233)	(12,881)	(14,942)	(10,116)	(9,712)	(10,395)	(10,316)	(12,037)	(11,652)
Net change in total pension liability	10,697	15,701	10,539	10,201	9,040	14,940	12,360	19,382	14,675
Total pension liability - beginning	$ 334,059	$ 252,208	$ 302,385	$ 210,947	$ 207,647	$ 229,836	$ 252,339	$ 295,734	$ 284,524 [2]
Total pension liability - ending (a)	$ 344,756	$ 267,909	$ 312,924	$ 221,148	$ 216,687	$ 244,776	$ 264,699 [4]	$ 315,116	$ 299,199
Plan fiduciary net position									
Contributions - employer	$ 7,548	$ 6,559	$ 7,666	$ 5,520	$ 5,256	$ 2,366	$ 3,247	$ 4,055	$ 4,241
Contributions - members	2,551	2,046	2,672	1,954	2,007	7,296	10,275	8,867	9,105
Net investment income	13,982	(28,744)	44,822	17,922	1,722	20,139	20,042	12,689	(8,529)
Benefit payments, including refunds of participant contributions	(17,233)	(12,881)	(14,942)	(10,116)	(9,712)	(10,395)	(10,316)	(12,037)	(11,652)
Administrative expenses	(708)	(391)	(541)	(471)	(342)	(281)	(378)	(427)	(559)
Net change in plan fiduciary net position	6,140	(33,411)	39,677	14,809	(1,069)	19,125	22,870	13,147	(7,394)
Plan fiduciary net position - beginning	251,176	234,851	251,712	169,279	174,954	187,113	192,626	227,401	237,459
Plan fiduciary net position - ending (b)	$ 257,316	$ 201,440	$ 291,389	$ 184,088	$ 173,885	$ 206,238	$ 215,496	$ 240,548	$ 230,065
Fund's net pension liability - ending (a) - (b)	$ 87,440	$ 66,469	$ 21,535	$ 37,060	$ 42,802	$ 38,538	$ 49,203	$ 74,568	$ 69,134
Plan fiduciary net position as a percentage of the total pension liability	74.64%	75.19%	93.12%	83.24%	80.25%	84.26%	81.41%	76.34%	76.89%
Number of active members	3,343	3,379	3,571	3,634	3,702	3,927	4,046	3,634	4,036 [3]
Net pension liability per active member	$ 26	$ 20	$ 6	$ 10	$ 12	$ 10	$ 12	$ 21	$ 17
City's proportion of the net pension	0.1620%	0.1620%	0.2010%	0.1470%	0.1510%	0.1780%	0.2050%	0.2560%	0.2590%

Notes to schedule:

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

2) Determined from the end of year total pension liability using the roll back procedure allowed for the initial year of implementing GASB 67.

3) There is no compensation for active members, so number of active members is used instead.

4) The System's net pension liability was measured as of August 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2023.

City of Farmersville, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Fiscal Years Ended:

	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015 [1]
Actuarially determined employer contributions	$ 9,612	$ 12,881	$ 13,771	$ 14,616	$ 12,421	$ 11,609	$ 11,996	$ 10,692	$ 6,469
Contributions in relation to the actuarially determined contribution	$ 9,612	$ 12,881	$ 13,771	$ 14,616	$ 12,421	$ 11,609	$ 11,996	$ 10,692	$ 6,469
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Number of active members	23	23	23	25	24	23	22	19	15
Employer contributions per member	418	560	599	585	518	505	545	563	431

[1] This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes	Contribution rates are determined by board rule and become effective August 31.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 years
Asset Valuation Method	5 Year smoothed market; 20% soft corridor
Inflation	3.0%
Salary Increases	n/a
Investment Rate of Return	7.5%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits.
Mortality	PubS-2010 (public safety) below-median income mortality table for retirees, projected for mortality improvement generationally using projection scale MP-2019

Other Information:

Notes	There were no benefit changes during the year.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[CLOSING DATE]

IN REGARD to the authorization and issuance of the "City of Farmersville, Texas, Tax and Utility System (Limited Pledge) Revenue Certificates of Obligation, Series 2025", dated May 1, 2025, in the principal amount of $___________ (the "Certificates"), we have examined into their issuance by the City of Farmersville, Texas (the "City"), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

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

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

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

1. The Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a limited pledge of the Net Revenues (as defined in the Ordinance) of the City's combined Electric Light and Power, Waterworks, and Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency,

reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

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

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

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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