PRELIMINARY OFFICIAL STATEMENT
Dated July 14, 2025

Ratings:
S&P: "AA"
(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 statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

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

$15,145,000*
CITY OF WHITEHOUSE, TEXAS
(Smith County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

Dated Date: July 15, 2025 **Due: February 15, as shown on page 2**
Interest to Accrue from the Date of Initial Delivery

PAYMENT TERMS . . . Interest on the $15,145,000* City of Whitehouse, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the date of initial delivery, will be payable February 15 and August 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 principal denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and constitute direct obligations of the City of Whitehouse, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus revenues of the City's waterworks and sewer system, as provided in the ordinance authorizing the Certificates (the "Ordinance"). See "THE CERTIFICATES - Authority for Issuance of the Certificates" and "THE CERTIFICATES – Security and Source of Payment for the Certificates").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purposes of (i) acquiring, constructing, and installing additions, improvements, extensions, and equipment for the City's waterworks and sewer system, including treatment facilities, water and sewer lines, storage facilities, lift stations, pumps, valves, meters, service connections, and related infrastructure improvements; (ii) acquiring, constructing and equipping public safety facilities, including police stations and fire stations; (iii) acquiring, constructing and equipping administrative office buildings housing the governmental functions of the City, including city hall and council chambers; (iv) acquiring, constructing and equipping public parks, including landscaping, irrigation, drainage, lighting, benches, pavilions, walking paths, public restrooms, fields, parking facilities and related infrastructure; and (v) paying the costs of issuing the Certificates.

MUNICIPAL BOND INSURANCE . . . The City has made application to municipal bond insurers with respect to the Certificates. In the event the Certificates are qualified for municipal bond insurance, and the Certificate Purchaser desires to purchase such insurance, the final Official Statement shall disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Certificates (see "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein).

CUSIP PREFIX: 965271
SEE MATURITY SCHEDULE, 9 Digit CUSIP AND REDEMPTION PROVISIONS ON THE REVERSE OF THIS PAGE

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

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on August 21, 2025.

BIDS DUE TUESDAY, JULY 22, 2025 AT 10:00 AM, CENTRAL TIME

* Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts" in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

CUSIP Prefix[1]: 965271

MATURITY SCHEDULE*

Maturity February 15	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix[1]
2029	$ 20,000			
2030	165,000			
2031	325,000			
2032	500,000			
2033	690,000			
2034	860,000			
2035	895,000			
2036	930,000			
2037	970,000			
2038	1,020,000			
2039	1,075,000			
2040	1,130,000			
2041	1,185,000			
2042	1,245,000			
2043	1,310,000			
2044	1,375,000			
2045	1,450,000			

(Interest Accrues from the Date of Initial Delivery)

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* Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts" in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

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OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Certificates having stated maturities on and after February 15, 2036, 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").

MANDATORY SINKING FUND REDEMPTION . . . In the event any of the Certificates are structured as "term" Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

For the purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date of this Preliminary Official Statement, 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 Subsection (b)(1) of Rule 15c2-12.

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 promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described 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.

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

THE CITY, ITS FINANCIAL ADVISOR, AND THE PURCHASERS MAKE NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY THE DEPOSITORY TRUST COMPANY IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES.

TABLE OF CONTENTS

The cover pages hereof, this page, and 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 Preliminary Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Preliminary Official Statement. No person is authorized to detach this summary from this Preliminary Official Statement or to otherwise use it without the entire Preliminary Official Statement.

THE CITY .... The City of Whitehouse is a political subdivision and home-rule municipal corporation of the State, located in Smith County, Texas. The City covers approximately 3.78 square miles (see "INTRODUCTION - Description of the City").

THE CERTIFICATES .... The Certificates are issued as $15,145,000* Combination Tax and Revenue Certificates of Obligation, Series 2025. The Certificates are issued as serial certificates maturing February 15 in each of the years 2029 through 2045, unless the Certificate Purchaser designates two or more consecutive serial maturities as a "Term Certificate". See "THE CERTIFICATES - Description of the Certificates".

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the date of delivery, 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".

AUTHORITY FOR ISSUANCE .... The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Certificate Ordinance") authorizing the issuance of the Certificates to be adopted on July 22, 2025 by the City Council of the City. See "THE CERTIFICATES – Authority for Issuance".

SECURITY FOR THE CERTIFICATES .... The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus revenues of the City's water and sewer system, as provided in the Certificate 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 February 15, 2036, in whole or from time to time 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 maturities (see "THE CERTIFICATES – Optional Redemption"). In the event any of the Certificates are structured as "term" Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

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 the caption "TAX MATTERS" herein.

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for the purposes of (i) acquiring, constructing, and installing additions, improvements, extensions, and equipment for the City's waterworks and sewer system, including treatment facilities, water and sewer lines, storage facilities, lift stations, pumps, valves, meters, service connections, and related infrastructure improvements; (ii) acquiring, constructing and equipping public safety facilities, including police stations and fire stations; (iii) acquiring, constructing and equipping administrative office buildings housing the governmental functions of the City, including city hall and council chambers; (iv) acquiring, constructing and equipping public parks, including landscaping, irrigation, drainage, lighting, benches, pavilions, walking paths, public restrooms, fields, parking facilities and related infrastructure; and (v) paying the costs of issuing the Certificates.

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

* Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts" in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

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 principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").

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

For additional information regarding the City, please contact:

City of Whitehouse	or	Specialized Public Finance Inc.
Leslie Black		Steven A. Adams, CFA
City Manager		Paul N. Jasin
101 A Bascom Rd.		4925 Greenville Avenue, Suite 1350
Whitehouse, Texas 75791		Dallas, Texas 75206
Phone: (903) 839-4914		Phone: (214) 373-3911

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Date Elected	Term Expires	Occupation
James Wansley Mayor	2020	2026	Software Developer
Zack Briscoe Place 1	2021	2025	Division Manager
Froncel Burns Place 2	2024	2026	Front Office Coordinator
John Chambers Place 3	2021	2025	Project Manager
Michael Lowe Place 4	2020	2026	Retired
Matt Lazarine Place 5	2023	2025	Lt. Smith County SO

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service with the City
Leslie Black	City Manager	5 Years
Jennifer Lusk	Finance Director	22 Years
Stephanie Nichols	City Secretary	7 Years

CONSULTANTS AND ADVISORS

Auditors .... Gollob Morgan Peddy PC
Tyler, Texas

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

Financial Advisor..Specialized Public Finance Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

CITY OF WHITEHOUSE, TEXAS
(Smith County)

$15,145,000*
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTION

This Official Statement, which includes the cover page and Appendices attached hereto, provides certain information regarding the issuance of $15,145,000* City of Whitehouse, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates"). The Certificates are being authorized for issuance under an ordinance (the "Ordinance") to be approved by the City Council on July 22, 2025. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, 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, Specialized Public Finance Inc.

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1953. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The election of councilmembers is at large and by place while the mayor is elected solely at large. Each member's term is two years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public transportation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 8,257 and the 2025 estimated population is 9,781. The City covers approximately 3.78 square miles.

THE CERTIFICATES

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purposes of (i) acquiring, constructing, and installing additions, improvements, extensions, and equipment for the City's waterworks and sewer system, including treatment facilities, water and sewer lines, storage facilities, lift stations, pumps, valves, meters, service connections, and related infrastructure improvements; (ii) acquiring, constructing and equipping public safety facilities, including police stations and fire stations; (iii) acquiring, constructing and equipping administrative office buildings housing the governmental functions of the City, including city hall and council chambers; (iv) acquiring, constructing and equipping public parks, including landscaping, irrigation, drainage, lighting, benches, pavilions, walking paths, public restrooms, fields, parking facilities and related infrastructure; and (v) paying the costs of issuing the Certificates.

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated July 15, 2025 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will be computed on the basis of a 360-day year of twelve 30-day months, will accrue from the date of delivery and will be payable on February 15 and August 15, commencing February 15, 2026 until maturity. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 in principal amount 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 "Book-Entry-Only System" herein.

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, and the Ordinance authorizing the issuance of the Certificates to be adopted on July 22, 2025 by the City Council of the City.

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* Preliminary, subject to change. See "CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts" in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City, payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City. The Certificates are additionally payable from a pledge of surplus revenues of the City's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt services, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer 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 limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State 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.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2036 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.

MANDATORY SINKING FUND REDEMPTION . . . In the event any of the Certificates are structured as "term" Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES OR ANY PORTION THEREOF CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

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 authorized escrow agent, in trust (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Issuer with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharges obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (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 their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (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 of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

Upon defeasance, 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.

Upon making such deposit in the manner described, such defeased Certificates shall no longer be deemed outstanding obligations secured by the Ordinance, but will be payable only from the funds and Defeasance 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.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates are to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and accredited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Purchasers believe the source of such information to be reliable, but take 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 Direct Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

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

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

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

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

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

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

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

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

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

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

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

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Certificates will be delivered to the registered owners and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Certificates 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 Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of

Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange (i) any Certificate during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an 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 an Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

AMENDMENTS . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Certificates, aggregating in principal amount 51% of the outstanding Certificates, shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

CERTIFICATEHOLDERS' REMEDIES . . . The Ordinance provides that if the City defaults in the payment of the Certificates of either series when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the City, 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. The issuance of a writ of mandamus is controlled by equitable principles, and with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders 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 June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. 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. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with *Wasson I* "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the Certificates of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors, holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

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

SOURCES OF FUNDS	
Par Amount	$ -
Net Reoffering Premium	-
TOTAL SOURCES OF FUNDS	$ -
USES OF FUNDS	
Deposit to Project Construction Fund	$ -
Rounding Amount	-
Costs of Issuance	-
TOTAL USES OF FUNDS	$ -

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BOND INSURANCE

The City has made 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. If a municipal bond insurance policy is purchased, it will be at the sole discretion of the Purchaser in connection with the submission of its bid for purchase of the Certificates and the premium for such policy will be paid by the Purchaser. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to any such municipal bond insurance policy.

BOND INSURANCE RISK FACTORS

General . . . If a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Certificates (the "Policy") is obtained, the following risk factors generally apply.

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the applicable municipal bond insurance policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will not insure against redemption premium, if any. 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 Certificate owner as a voidable preference under applicable bankruptcy law is covered by the insurance 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.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may reserve the right to direct and to consent to any remedies available to the holders of the Certificates and the Insurer's consent may be required in connection with amendments to the Ordinance.

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 moneys received by the Paying Agent/Registrar pursuant to the Ordinance. 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 of the Certificates or the marketability (liquidity) for the Certificates.

If a Policy is purchased, the long-term ratings on the Certificates are dependent in part on the financial strength of the Insurer and its claim 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 is given that the long-term ratings of the Insurer and of the ratings on the Certificates insured by the Insurer will not be subject to downgrade, and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See the description under "OTHER INFORMATION – Ratings" herein.

The obligations of the Insurer under a Policy are contractual 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 Purchaser have made independent investigation into the claims-paying ability of any Insurer and no assurance or representation regarding the financial strength or projected financial strength of any Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal of and interest on the Certificates and the claims-paying ability of the Insurer, particularly over the life of the Certificates.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers . . . Moody's Investor Services, Inc., S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, and Fitch Ratings (the "Rating Agencies") have downgraded the claims-paying ability and financial strength of most providers of municipal bond insurance in existence prior to 2013. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, certain 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 insurer of the Certificates.

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TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to 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 ("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 Smith County Appraisal District (the "Appraisal District"). Except as 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 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% Homestead Cap"). 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 ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land.

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

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 market value of all homesteads (but not less than $5,000) and (2) an additional exemption of the market value of the homesteads of persons 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.

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 EXEMPTIONS . . . Certain goods 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 to tax 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 FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. 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 "Incremental Value," and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "TAX INFORMATION – City Application of Property Tax Code" for descriptions of any TIRZ created in the City.

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

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

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

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

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

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

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

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2022 through 2024, which may be applied to a city's tax rate in tax years 2023 through 2025 without impacting the voter-approval tax rate.

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

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

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

If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year. Furthermore, beginning for tax year 2026, if the Texas Attorney General determines that a city did not have its audited annual financial statements on file with its city secretary before the 180th day after the city's fiscal year end, the city may not adopt an ad valorem tax rate that exceeds the city's no-new-revenue tax rate.

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

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

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

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

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

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

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

ISSUER AND TAXPAYER REMEDIES...Under certain circumstances, the City and its taxpayers 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 of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

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 "– Public Hearing and Maintenance and Operation Tax Rate Limitations.") The Property Tax Code also establishes a procedure for 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.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in either the standard edition of the Annual Energy Outlook published by the United States Energy Information Administration or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action 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.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. 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 the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. 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, by the effects of market conditions on the foreclosure sale price, by 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 by bankruptcy proceedings which restrict the collection of taxpayer debts. 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.

CITY APPLICATION OF TAX CODE . . . The City grants a freeze to the market value of the residence homestead of persons 65 years of age or older rather than a set exemption amount; the disabled are also granted a freeze on their homestead.

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

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

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

The City does not tax nonbusiness personal property; and the Smith County Appraisal District 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 collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City has not adopted a tax abatement policy.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2024/2025 Market Valuation of Taxable Property Established by Smith County Appraisal District (excluding totally exempt property)	$ 898,195,026	
Less Exemptions:	86,417,324	
2024/2025 Net Taxable Assessed Valuation	$ 811,777,702	
Debt Payable From Ad Valorem Taxes (as of 5/31/2025)	$ 18,033,000	
The Certificates	15,145,000	(1)
	$ 33,178,000	
Less Self-Supported Debt:	$ 1,302,000	(2)
Total Debt Payable From Ad Valorem Taxes	$ 16,731,000	
Interest and Sinking Fund (as of 5/31/2025)	$ 2,893,858	
Ratio Funded Debt Payable from Ad Valorem Taxes to Net Taxable Assessed Valuation	2.06%	

2025 Estimated Population - 9,781
Per Capita Taxable Assessed Valuation - $82,995
Per Capita Debt Payable from Ad Valorem Taxes - $1,711

(1) Preliminary, subject to change.
(2) The Series 2006, 2007 and 2020 Certificate of Obligations are calculated as 100% self-supporting. Excludes leases.

TABLE 2 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated City Population [1]	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt [2]	Per Capita G.O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation
2021	8,733	$ 527,911,684	$ 60,450	$ 15,132,000	$ 1,733	2.87%
2022	9,171	576,686,974	62,882	23,055,000	2,514	4.00%
2023	9,618	692,456,756	71,996	21,207,000	2,205	3.06%
2024	9,781	807,225,394	82,530	19,304,000	1,974	2.39%
2025	9,781	811,777,702	82,995	32,382,000 [3]	3,311	3.99%

(1) Source: Municipal Advisory Council of Texas.
(2) Includes self-supporting debt.
(3) Projected. Includes the Certificates. Preliminary, subject to change.

TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2021	$ 0.7929	$ 0.3204	$ 0.4725	$ 3,740,403	99.44%	100.04%
2022	0.7929	0.3679	0.4250	4,113,685	99.62%	100.78%
2023	0.7729	0.4088	0.3641	4,667,856	98.99%	99.57%
2024	0.7179	0.4356	0.2822	5,215,874	99.04%	99.45%
2025	0.7179	0.4280	0.2899	5,827,387	97.10% (1)	97.47% (1)

(1) Collections as of May 31, 2025.

TABLE 4 - TEN LARGEST TAXPAYERS

Name of Taxpayer	2024/2025 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Shahan 36 LLC	$ 10,250,143	1.26%
Phoenix Commodities Inc	8,308,487	1.02%
Hamilton 77 LLC	8,300,000	1.02%
Tully 30 LLC	7,167,834	0.88%
MH4 Partners LLC	6,245,456	0.77%
Oncor Electric Delivery	5,214,720	0.64%
CZAB Investments LLC	4,324,759	0.53%
Oak Brook Realty LLC	4,101,339	0.51%
Atmos Energy	3,776,521	0.47%
LHA Whitehouse Senior Village	3,741,587	0.46%
	$ 61,430,846	7.57%

TABLE 5 - 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 bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	Total Tax Debt	Estimated % Applicable	City's Overlapping Tax Debt As of 5/31/2025
City of Whitehouse	$ 33,178,000 (1)	100.00%	$ 33,178,000 (1)
Smith County	212,595,000	2.77%	5,888,882
Whitehouse ISD	92,780,000	17.21%	15,967,438
Total Direct and Overlapping Tax Debt			$ 55,034,320
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation			6.78%
Per Capita Overlapping Tax Debt			$ 5,627

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

DEBT INFORMATION

TABLE 6 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year Ending 9/30	Outstanding Debt[1] Principal	Outstanding Debt[1] Interest	Outstanding Debt[1] Total	The Certificates[2] Principal	The Certificates[2] Interest	The Certificates[2] Total	Less: Self-Supporting Debt	Tax-Supported Debt Requirements
2025	$ 2,067,000	$ 428,026	$ 2,495,026	$ -	$ -	$ -	$ 406,211	$ 2,088,815
2026	2,120,000	366,428	2,486,428	-	697,933	697,933	406,252	2,778,109
2027	2,049,000	303,449	2,352,449	-	709,763	709,763	196,172	2,866,040
2028	2,033,000	255,456	2,288,456	-	709,763	709,763	48,406	2,949,813
2029	1,963,000	214,607	2,177,607	20,000	709,363	729,363	47,757	2,859,213
2030	2,004,000	174,107	2,178,107	165,000	705,663	870,663	48,107	3,000,662
2031	2,049,000	132,693	2,181,693	325,000	695,863	1,020,863	47,443	3,155,113
2032	2,090,000	90,378	2,180,378	500,000	679,363	1,179,363	47,778	3,311,963
2033	2,131,000	47,149	2,178,149	690,000	655,563	1,345,563	48,099	3,475,613
2034	176,000	23,104	199,104	860,000	624,563	1,484,563	47,404	1,636,263
2035	182,000	18,510	200,510	895,000	589,463	1,484,463	47,710	1,637,263
2036	140,000	13,750	153,750	930,000	552,963	1,482,963	-	1,636,713
2037	150,000	9,375	159,375	970,000	511,931	1,481,931	-	1,641,306
2038	150,000	4,688	154,688	1,020,000	464,000	1,484,000	-	1,638,688
2039	-	-	-	1,075,000	411,625	1,486,625	-	1,486,625
2040	-	-	-	1,130,000	356,500	1,486,500	-	1,486,500
2041	-	-	-	1,185,000	298,625	1,483,625	-	1,483,625
2042	-	-	-	1,245,000	237,875	1,482,875	-	1,482,875
2043	-	-	-	1,310,000	174,000	1,484,000	-	1,484,000
2044	-	-	-	1,375,000	106,875	1,481,875	-	1,481,875
2045	-	-	-	1,450,000	36,250	1,486,250	-	1,486,250
	$ 19,304,000	$ 2,081,719	$ 21,385,719	$ 15,145,000	$ 9,927,939	$ 25,072,939	$ 1,391,339	$ 45,067,320

(1) The Series 2006, 2007 and 2020 Certificate of Obligations are calculated as 100% self-supporting. Excludes leases.
(2) Interest on the Certificates has been calculated as of the posted date of the Preliminary Official Statement for purposes of illustration. Preliminary, subject to change.

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TABLE 7 - INTEREST AND SINKING FUND BUDGET PROJECTION[1]

Estimated Debt Service Requirements, Fiscal Year Ending 9/30/2025		$ 2,495,026
Interest and Sinking Fund, 9/30/2024	$ 2,893,858	
2024 Interest and Sinking Fund Tax Levy @ 98% Collection	368,130	
Less Self-Supporting Debt	406,211	3,668,199
Estimated Balance, 9/30/2025		$ 1,173,173

(1) Projected. Includes the Certificates. Preliminary, subject to change.

TABLE 8 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Street	January 16, 1988	$ 2,000,000	$ 1,500,000	$ -	$ 500,000

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

OTHER OBLIGATIONS . . . See "E. Long-Term Debt" of the City's annual financial report attached hereto as APPENDIX B.

EMPLOYEE AND RETIREE BENEFITS

PENSION PLAN

PLAN DESCRIPTION . . . The City participates as a plan 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. TMRA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS. (For more detailed information concerning the retirement plan, see APPENDIX B, "Excerpts from the City's Annual Financial Report" – Note # 7).

CONTRIBUTIONS . . . The contribution rates for employees in TMRA 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 Whitehouse were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Whitehouse were 7.58% and 7.98% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were $298,668, and exceeded the required contributions by $30,497.

FINANCIAL INFORMATION

TABLE 9 - CHANGES IN NET ASSETS

	Fiscal Year Ending September 30,				
	2024	2023	2022	2021	2020
Revenues:					
Program Revenues:					
Charges for Services	$ 2,388,239	$ 2,257,370	$ 2,058,055	$ 1,929,082	$ 1,641,634
Capital Grants and Contributions	1,005,165	136,421	183,198	-	561,989
General Revenues:					
Property Taxes	4,405,740	3,783,834	3,508,223	3,130,854	3,132,425
Franchise taxes	331,002	299,553	303,841	278,757	267,998
Sales and use taxes	1,672,202	1,721,516	1,516,345	1,290,874	1,139,046
Gain on sale of assets	29,585	25,515	13,533	178,250	5,143
Miscellaneous revenues	-	-	(100,176)	-	-
Interest and rent	954,437	809,469	148,322	22,150	66,224
Total Revenues:	$ 10,786,370	$ 9,033,678	$ 7,631,341	$ 6,829,967	$ 6,814,459
Expenses:					
Governmental Activities:					
General Government and Administration	$ 1,321,930	$ 1,143,895	$ 1,236,981	$ 954,951	$ 645,412
Public safety	3,556,267	3,229,303	2,561,054	2,453,492	2,327,640
Community development	1,853,405	1,563,340	1,392,328	1,313,909	1,274,345
Parks and recreation	349,784	294,528	302,332	298,128	301,409
Interest	195,608	469,453	381,855	199,423	205,471
Total Expenses:	$ 7,276,994	$ 6,700,519	$ 5,874,550	$ 5,219,903	$ 4,754,277
Increase (Decrease) in Net Assets	$ 3,509,376	$ 2,333,159	$ 1,756,791	$ 1,610,064	$ 2,060,182
Internal Transfers	39,359	398,185	112,105	(24,939)	(307,845)
Net Assets-Beginning Balance	17,771,453	15,040,109	13,327,898	11,742,773	9,990,436
Adjustments	-	-	(156,685)	-	-
Net Assets-Ending Balance	$ 21,320,188	$ 17,771,453	$ 15,040,109	$ 13,327,898	$ 11,742,773

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TABLE 10 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Revenues:					
Current and delinquent taxes	$ 3,170,481	$ 2,481,658	$ 1,920,513	$ 1,518,286	$ 1,261,249
Fine and Forfeitures	337,080	334,665	296,714	275,678	126,200
Licenses and permits	56,799	68,394	100,960	89,631	104,593
Franchise taxes	331,002	299,553	303,841	278,757	267,998
Sales taxes-regular	1,032,699	1,084,239	965,917	815,387	726,862
Sales taxes-additional 1/2 cent	401,290	403,895	344,089	293,563	264,164
Sales tax fees	104,450	98,750	91,643	84,070	76,440
Donations	-	-	-	-	-
Solid Waste collections	1,307,465	1,253,404	1,172,509	1,099,775	1,023,805
Grant revenues	2,500	-	26,485	-	561,989
Zoning and platting fees	-	-	-	-	1,068
Splash pad	-	-	-	-	-
Sports Complex	-	-	-	-	-
Intergovernmental revenue	276,394	173,609	111,986	96,668	101,905
Interest and rent	165,563	130,514	37,700	19,689	30,751
Vehicle registration fees	205,037	207,907	196,935	172,826	180,848
Miscellaneous income	48,869	128,505	53,476	55,592	49,307
Total Revenues	$ 7,439,629	$ 6,665,093	$ 5,622,768	$ 4,799,922	$ 4,777,179
Expenditures:					
Legislative	$ 36,189	$ 3,248	$ 8,293	$ 6,605	$ 1,110
General administration	567,509	591,064	518,000	483,448	452,667
Treasury and Financial	139,384	130,225	98,872	123,238	91,143
Tax appraisal and collection	67,770	61,391	57,004	54,780	52,274
Municipal court	424,461	428,463	382,909	371,137	294,658
Library	199,594	-	-	-	-
Parks/recreation	241,575	189,577	191,921	213,220	185,352
Sports complex	-	-	-	-	-
Community development	91,238	119,081	93,699	70,400	67,612
Street and ground maintenance	237,924	223,311	182,427	173,442	171,270
Communication center	-	-	-	-	-
Police	1,874,940	1,510,012	1,151,709	1,250,419	1,184,088
Animal Control	-	-	-	-	-
Fire	1,038,748	984,371	783,818	815,305	748,146
Sanitation	853,720	854,036	794,699	727,104	691,694
Debt Service	-	-	-	-	-
Lease Payments and Fees	186,712	190,497	159,938		
Capital Outlay	1,343,871	381,688	2,042,455	509,101	88,808
Total Expenditures	$ 7,303,635	$ 5,666,964	$ 6,465,744	$ 4,798,199	$ 4,028,822
Other Financing Sources (Uses):					
Operating Transfers In	$ 225,000	$ 300,000	$ 360,000	$ 360,000	$ 333,071
Other Sources/(Uses)	-	-		-	-
Loan Proceeds	-	-	1,771,040	-	-
Operating Transfers Out	(318,834)	(273,466)	(238,871)	(171,405)	-
	$ (93,834)	$ 26,534	$ 1,892,169	$ 188,595	$ 333,071
Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other Uses	$ 42,160	$ 1,024,663	$ 1,049,193	$ 190,318	$ 1,081,428
Beginning Fund Balance	4,364,953	3,340,290	2,291,097	2,100,779	1,019,351
Ending Fund Balance	$ 4,407,113	$ 4,364,953	$ 3,340,290	$ 2,291,097	$ 2,100,779

TABLE 11 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2021	$ 1,174,252	28.05%	$ 0.2224	$ 142
2022	1,310,006	31.85%	0.2272	143
2023	1,488,134	31.88%	0.2149	155
2024	1,433,989	27.49%	0.1776	150
2025	1,204,545 (1)	20.67%	0.1484	123

Source: Municipal Advisory Council of Texas.
(1) Collections as of May 31, 2025.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting, and Financial Statement Presentation . . . The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both 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 be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recognized when due. Those revenues susceptible to accrual are property taxes, charges for services, interest and grant revenues. Sales and other taxes collected and held by the State at year end on behalf of the City are also recognized as revenue. Licenses and permits, and fines and forfeits are not susceptible to accrual because generally they are not measurable until received in cash.

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

The Debt Service Fund . . . accounts for the repayment of the City's general obligation debt.

The Street Maintenance Project Fund . . . accounts for various street improvement projects.

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Investments

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

Legal Investments . . . Under State law, the City is authorized to make investments meeting the requirements of the PFIA, which currently include (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 is 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 City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City 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 City'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 City appoints as the City's custodian of the banking deposits issued for the City'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 (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) 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 (B) a depository institution that has its main office or 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, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC 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 secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with 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; (12) commercial paper with a stated maturity of 365 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; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

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

Political subdivisions such as the City are authorized to implement 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 (12) through (14) above, 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.

Under State 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 include a list of authorized investments for City funds, the 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 State law, the City's 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 City's investment officers must submit an investment report to the City Council 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 strategies and (b) State law. No person may invest City funds without express written authority from the City Council.

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

TABLE 12 - CURRENT INVESTMENTS

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

Description	Market Value	% of Total Market Value
Bank Pooled Cash	$ 5,235,763	70.01%
Texas Class Pooled Cash	2,242,349	29.99%
	$ 7,478,111	100.00%

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

Collateral Federal Income Tax Consequences . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 4 and 6 through 12 and in APPENDIX B, which is the City's annual audited financial report. The City will update and provide the information in the numbered tables referred to above within six months after the end of each fiscal year ending in and after 2025. The City will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2025. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial information of the type described in the numbered tables above by the required time and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by the Rule.

The City's current fiscal year end is September 30. Accordingly, it must provide updated financial and operating data by March 31 of each year and financial statements by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICES OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the obligations, 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, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material; (15) incurrence of a Financial Obligation (as defined herein) of the City, if material, or agreement to covenants, events of default, remedies, priority of rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports."

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For purposes of the events described in (15) and (16) above, "Financial Obligation" means 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 FROM MSRB . . . 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 may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City became obligated to file annual financial tables with their Series 2022 issues. For fiscal year 2021 the official statement served as the City's annual disclosure and was available to all bond holders. The City has complied it's continuing disclosure agreement for the last five years.

OTHER INFORMATION

RATINGS . . . The Certificates are rated "AA" with a stable outlook by S&P. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating company, if in the judgment of either or both 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.

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

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 SEC, nor has the SEC 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 . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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 for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL OPINION . . . The delivery of the Certificates is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City ("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 Internal Revenue Code, subject to the matters described under "TAX MATTERS" herein. The Form of Bond Counsel's Opinion are attached hereto as APPENDIX C.

Though it may represent the Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form or the Preliminary 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 respective 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.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. 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. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

INITIAL PURCHASER . . . After requesting competitive bids for the Certificates, the City accepted the bid of __________________ (the "Purchaser") to purchase the Certificates at the interest rates shown on the inside cover of the Official Statement at a price of % of par. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the 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 responsibility of the Purchaser.

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.

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

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

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

____
Mayor
City of Whitehouse, Texas

ATTEST:

____
City Secretary
City of Whitehouse, Texas

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

LOCATION

The City of Whitehouse is a residential suburb of Tyler located about seven miles to the southeast of Tyler, 100 miles east of Dallas, 100 miles west of Shreveport, Louisiana, 80 miles northwest of Lufkin and 192 miles north of Houston. The City lies within Smith County, in northeast Texas. Lake Palestine and Tyler Lake provide recreational activities for the City.

POPULATION

The United States Census Bureau population figures for the City are as follows:

2025 estimated population is 9,781
2020 population was 8,257
2010 population was 7,660

ECONOMY

Mineral: oil and gas.

Industry: tourism, petroleum, medical center, manufacturing, government, education, distribution center and agribusiness.

Agricultural: vegetables, nurseries, horticulture, horses, fruits, forage and beef cattle.

SMITH COUNTY LABOR FORCE ESTIMATES

		Annual Averages			
	April 2025	2024	2023	2022	2021
Civilian Labor Force	120,247	118,212	115,469	112,241	109,861
Total Employment	116,254	113,688	111,185	107,998	104,172
Unemployment	3,993	4,524	4,284	4,243	5,689
Percent Unemployment	3.3%	3.8%	3.7%	3.8%	5.2%

Source: Texas Labor Market Information.

APPENDIX B

EXCERPTS FROM THE

CITY OF WHITEHOUSE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2024

The information contained in this Appendix consists of excerpts from the City of Whitehouse, Texas Annual Financial Report for the Year Ended September 30, 2024, 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.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Whitehouse, Texas

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate blended component units, each major fund, and the aggregate remaining fund information of City of Whitehouse, Texas , as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise City of Whitehouse, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component units, each major fund, and the aggregate remaining fund information of City of Whitehouse, Texas , as of September 30, 2024 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Whitehouse, 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.

Management's Responsibility for the Financial Statements

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

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

Auditors' 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 from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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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 City of Whitehouse, Texas'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 City of Whitehouse, Texas's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8, the schedule of changes in net pension liability and related ratios, and the schedule of contributions, and the schedule of changes in total OPEB liability and related ratios, and the schedule of contributions 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Whitehouse, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and the Water & Sewer Fund budget and actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal and state awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State of Texas *Uniform Grant Management Standards* are also not a required part of the basic financial statements.

The additional supplementary information and the schedules of expenditures of federal and state awards 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 additional supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2025, on our consideration of City of Whitehouse, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Whitehouse, Texas' internal control over financial reporting and compliance.

Gollob Morgan Peddy PC

Certified Public Accountants

Tyler, Texas
February 13, 2025

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member of
CPAmerica International
Member Crowe Global™

Management's Discussion and Analysis

As management of the City of Whitehouse, 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, 2024.

Financial Highlights

- As of the end of the current fiscal year, the assets of the City exceed its liabilities by $37,783,357 (net position). Of this amount $8,442,110 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending unrestricted (unassigned) fund balance of $4,407,113.
- The total net position of $37,783,357 is made up of $21,436,551 in capital assets net of related debt and $10,346,806 in other net position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The financial statements are prepared using Governmental Accounting Statement No. 34 *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments.*

The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

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

> The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, other nonfinancial factors must also be considered.
>
> The *statement of activities* presents information showing how the City's net position changed during the 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 all of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City of Whitehouse that are principally supported by taxes and other governmental revenue (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 and streets and drainage. The business-type activities include water and sewer services.

The fund financial statements are presented using fund designations. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds can be divided into these categories: governmental funds, proprietary funds, and capital project funds.

Governmental funds. These 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 funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 City'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.

Proprietary funds. The City of Whitehouse maintains only one type of proprietary fund – an enterprise fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City used enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer.

Capital Projects funds. Capital projects funds are used for major undertakings that are beyond the scope of the regular annual operating budget, such as improvements and expansion of the City's water and wastewater systems, and streets and drainage.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. As the end of the fiscal year, September 30, 2024 the City's assets exceeded liabilities by $31,783,357.

By far the largest portion of the City's net position, $21,436,551, reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure), less any related debt used to acquire these assets that are still outstanding. This amount increased $3,242,381 during the current year primarily due to land acquired and continued construction and improvements on the East Main properties. 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 capital assets themselves cannot be used to liquidate these liabilities. The amount of net position that is unrestricted, $8,442,110, increased by $892,911 during the year.

City of Whitehouse's Net position

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	$ 17,202,657	$ 20,278,588	$ 2,391,410	$ 2,384,550	$ 19,594,067	$ 22,663,138
Capital assets	18,840,886	15,764,955	14,915,566	15,442,734	33,756,452	31,207,689
Total Assets	36,043,543	36,043,543	17,306,976	17,827,284	53,350,519	53,870,827
Deferred outflows of resources	475,654	596,779	263,323	352,287	738,977	949,066
Total Deferred Outflows of Resources	475,654	596,779	263,323	352,287	738,977	949,066
Current liabilities	1,597,314	1,525,553	1,943,930	1,797,060	3,541,244	3,322,613
Non current liabilities	13,663,242	14,987,066	5,046,256	6,481,608	18,709,498	21,468,674
Total Liabilities	15,260,556	16,512,619	6,990,186	8,278,668	22,250,742	24,791,287
Deferred outflows of resources	1,349,901	2,356,250	116,944	119,505	1,466,845	2,475,755
Total Deferred Outflows of Resources	1,349,901	2,356,250	116,944	119,505	1,466,845	2,475,755
Net invested in capital assets	12,868,961	10,308,755	8,567,590	7,885,415	21,436,551	18,194,170
Restricted	1,904,696	1,809,482	-	-	1,904,696	1,809,482
Unrestricted	6,546,531	5,653,216	1,895,579	1,895,983	8,442,110	7,549,199
Total Net Position	$ 21,320,188	$ 17,771,453	$ 10,463,169	$ 9,781,398	$ 31,783,357	$ 27,552,851

Governmental activities. During the current year the governmental activities had an increase in net position of $3,548,735 which represented a $817,3918 increase from the previous year. The increase comes mostly from an increase in tax revenue and an increase grant revenues used towards the City's East Main project.

Business-type activities. The City had a $681,771 increase in net position for its business-type activities during the year. This represents a $343,428 decrease from the previous year. This decrease from the prior year comes from increased operating costs for the City's water and wastewater distribution.

City of Whitehouse's Changes in Net position

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Charges for services	$ 2,388,239	$ 2,257,370	$ 3,543,534	$ 3,582,747	$ 5,931,773	$ 5,840,117
Grant revenues	1,005,165	136,421	-	-	1,005,165	136,421
General revenue:						
Property taxes	4,405,740	3,783,834	831,250	930,101	5,236,990	4,713,935
Franchise taxes	331,002	299,553	-	-	331,002	299,553
Sales taxes	1,672,202	1,721,516	-	-	1,672,202	1,721,516
Gain (loss) on sale of assets	29,585	25,515	-	-	29,585	25,515
Interest income	954,437	809,469	144,563	114,514	1,099,000	923,983
Total revenues	10,786,370	9,033,678	4,519,347	4,627,362	15,305,717	13,661,040
Expenses:						
General government	1,321,930	1,143,895	-	-	1,321,930	1,143,895
Public safety	3,556,267	3,229,303	-	-	3,556,267	3,229,303
Community development	1,853,405	1,563,340	-	-	1,853,405	1,563,340
Parks and recreation	349,784	294,528	-	-	349,784	294,528
Interest	195,608	469,453	373,035	215,048	568,643	684,501
Water and sewer operations	-	-	3,425,182	2,988,930	3,425,182	2,988,930
Total expenses	7,276,994	6,700,519	3,798,217	3,203,978	11,075,211	9,904,497
Transfers	39,359	398,185	(39,359)	(398,185)	-	-
Change in net position	3,548,735	2,731,344	681,771	1,025,199	4,230,506	3,756,543
Net position beginning of year	17,771,453	15,040,109	9,781,398	8,756,199	27,552,851	23,796,308
Net position end of year	$ 21,320,188	$ 17,771,453	$ 10,463,169	$ 9,781,398	$ 31,783,357	$ 27,552,851

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported an ending unrestricted fund balance of $4,407,113. The total unrestricted fund balance for the governmental funds increased by $42,160 during the year, which was primarily due to an increase in tax revenues and solid waste collections.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the proprietary fund amounted to $1,895,579 at year end as compared to $1,895,983 at the end of the prior year.

General Fund Budgetary Highlights

Over the year, the City of Whitehouse made several budget amendments to its original budget for its General Fund. Actual revenues were $378,678 over budget while expenditures were over budget by just $102,616. After considering operating transfers, the City had a favorable variance of $276,062 when comparing excess revenues over expenditures for the year which reflected effective management and a conscientious effort to maximize resources.

Capital Assets and Debt Administration

Capital Assets. The City of Whitehouse's investment in capital assets for the governmental and business-type activities as of September 30, 2023, amounts to $21,436,551 net of accumulated depreciation and related debt. This investment in capital assets includes land, buildings, parks, machinery and equipment, water and sewer systems and infrastructure. The biggest change during the current year was the City's land acquisition and continued improvements and construction along East Main. The total net increase in the City's investment in fixed assets for the current year (see Note 4C) amounted to $2,548,763.

City of Whitehouse's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	$ 2,242,946	$ 190,184	$ 25,000	$ 25,000	$ 2,267,946	$ 215,184
Easements	-	-	7,800	7,800	7,800	7,800
Construction in progress	1,879,846	448,440	58,337	-	1,938,183	448,440
Buildings and improvements	2,718,555	2,829,204	75,545	80,362	2,794,100	2,909,566
Parks	2,060,086	1,958,780	-	-	2,060,086	1,958,780
Water and sewer system	-	-	14,705,472	15,258,732	14,705,472	15,258,732
Infrastructure	8,004,689	8,188,582	-	-	8,004,689	8,188,582
Right-of-use assets	1,180,551	1,318,465	-	-	1,180,551	1,318,465
Machinery and equipment	754,213	831,300	43,412	70,840	797,625	902,140
Total	$ 18,840,886	$ 15,764,955	$ 14,915,566	$ 15,442,734	$ 33,756,452	$ 31,207,689

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt. After principal payments were made against debt and leases during the year, and the issuance of new leases for the City's vehicle fleet, the City had total debt and other long-term liabilities outstanding of $21,335,270 at the end of the fiscal year. The biggest change that occurred in the City's long term liabilities for the current year resulted from a decrease in the City's net pension liability which resulted from an improved market rates and valuation of the City's net plan assets in its TMRS program as of the measurement date of December 31, 2023. This resulted in a net pension asset now in the governmental activities of $42,412 and a small net pension liability of $10,074 under the business-type activities as of September 30, 2024.

City of Whitehouse's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	$ 13,257,642	$ 14,038,269	$ -	$ -	$ 13,257,642	$ 14,038,269
Notes Payable	397,234	490,449	13,455	26,348	410,689	516,797
Compensated absences	163,914	148,140	20,782	20,782	184,696	168,922
Lease liability	1,039,693	1,182,036	-	-	1,039,693	1,182,036
Net Pension Liability	-	259,188	10,074	89,304	10,074	348,492
OPEB Liability	70,406	62,966	27,549	25,595	97,955	88,561
Revenue bonds and Certificates of obligation	-	-	6,334,521	7,530,971	6,334,521	7,530,971
Total	$ 14,928,889	$ 16,181,048	$ 6,406,381	$ 7,693,000	$ 21,335,270	$ 23,874,048

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

Economic Factors and Next Year's Budgets and Rates

Economic trends in the City continue to reflect a more favorable outlook than the national average. New residential construction continues to recover and this year's outlook is expected to continue on a steady climb, the same as last year.

Proposed construction and development factors were not considered in the preparation of the City's budget and tax rate of $ 0.717855 per $100.00 property valuation for the 2024-2025 fiscal year which was the same as the prior year.

Request for Information

This financial report is designed to provide a general overview of the City of Whitehouse's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Whitehouse
Attn: Jennifer Lusk, Finance Director
PO Box 776
Whitehouse, TX 75791

Or call 903-510-7504

BASIC FINANCIAL STATEMENTS

EXHIBIT 1

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2024

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 4,853,217	$ 3,021,052	$ 7,874,269
Receivables (net of allowance for doubtful accounts)	657,116	618,142	1,275,258
Internal balances	1,896,644	(1,896,644)	-
Restricted Assets:			
Temporarily restricted			
Cash and cash equivalents	11,164,716	418,860	11,583,576
Water rights - Lake Columbia	-	230,000	230,000
Net pension asset	42,412	-	42,412
Capital Assets (net of accumulated depreciation):			
Land	2,242,946	25,000	2,267,946
Construction in progress	1,879,846	58,337	1,938,183
Easements	-	7,800	7,800
Buildings and improvements	2,718,555	75,545	2,794,100
Parks	2,060,086	-	2,060,086
Infrastructure	8,004,689	-	8,004,689
Machinery and equipment	754,213	43,412	797,625
Right-of-Use Asset	1,180,551	-	1,180,551
Water and sewer system	-	14,705,472	14,705,472
Total Assets	37,454,991	17,306,976	54,761,967
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding (net of amortization)	-	127,102	127,102
Deferred charge on TMRS pension	462,953	132,981	595,934
Deferred charge on other postemployment benefits	12,701	3,240	15,941
Total Deferred Outflows of Resources	475,654	263,323	738,977
LIABILITIES			
Accounts payable	190,275	105,958	296,233
Deposits and other refundable balances	-	418,860	418,860
Accrued interest	141,392	58,987	200,379
Non-current liabilities:			
Due within one year	1,265,647	1,360,125	2,625,772
Due in more than one year	13,663,242	5,046,256	18,709,498
Total Liabilities	15,260,556	6,990,186	22,250,742
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - grants	915,095	-	915,095
Deferred revenue - Lease	67,500	-	67,500
Deferred charge on TMRS pension	323,811	76,957	400,768
Deferred charge on other postemployment benefits	43,495	39,987	83,482
Total Deferred Inflows of Resources	1,349,901	116,944	1,466,845
NET POSITION			
Net investment in capital assets	12,868,961	8,567,590	21,436,551
Restricted for:			
Police forfeitures	27,705	-	27,705
Grants	95,488	-	95,488
Debt service	1,781,503	-	1,781,503
Unrestricted	6,546,531	1,895,579	8,442,110
Total Net Position	$ 21,320,188	$ 10,463,169	$ 31,783,357

The notes to the financial statements are an integral part of this statement.

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2024

		PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT		
PROGRAM ACTIVITIES	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
PRIMARY GOVERNMENT:						
Governmental activities:						
General government	$ 1,321,930	$ 356,608	$ 1,005,165	$ 39,843	$ -	$ 39,843
Public safety	3,556,267	662,292	-	(2,893,975)	-	(2,893,975)
Community development	1,853,405	1,369,339	-	(484,066)	-	(484,066)
Parks and recreation	349,784	-	-	(349,784)	-	(349,784)
Interest	195,608	-	-	(195,608)	-	(195,608)
Total governmental activities	7,276,994	2,388,239	1,005,165	(3,883,590)	-	(3,883,590)
Business-type activities:						
Water and sewer	3,425,182	3,543,534	-	-	118,352	118,352
Interest	373,035	-	-	-	(373,035)	(373,035)
Total business-type activities	3,798,217	3,543,534	-	-	(254,683)	(254,683)
Total primary government	$ 11,075,211	$ 5,931,773	$ 1,005,165	(3,883,590)	(254,683)	(4,138,273)
General revenues:						
Property taxes				4,405,740	831,250	5,236,990
Franchise taxes				331,002	-	331,002
Sales and use taxes				1,672,202	-	1,672,202
Gain on sale of assets				29,585	-	29,585
Interest and rent				954,437	144,563	1,099,000
Transfers				39,359	(39,359)	-
Total general revenues and transfers				7,432,325	936,454	8,368,779
Change in net position				3,548,735	681,771	4,230,506
Net Position, Beginning of year				17,771,453	9,781,398	27,552,851
Net position - end of year				$ 21,320,188	$ 10,463,169	$ 31,783,357

The notes to the financial statements are an integral part of this statement.

EXHIBIT 3
Page 1 of 2

CITY OF WHITEHOUSE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	MAJOR FUNDS						
	GENERAL	DEBT SERVICE	AMERICAN RESCUE PLAN FUND	2022 CITY IMPROVEMENTS FUND	OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash and investments	$ 4,051,696	$ -	$ -	$ -	$ 768,506	$ -	$ 4,820,202
Receivables:							
Property taxes	69,962	45,326	-	-	-	-	115,288
Fines	87,805	-	-	-	-	-	87,805
Sales taxes	246,165	-	-	-	-	-	246,165
Lease receivable	70,500						70,500
Charges for services (net)	180,836	-	-	-	-	-	180,836
Restricted Assets:							
Temporarily restricted							
Cash and cash equivalents	-	-	1,010,583	9,192,874	961,259	-	11,164,716
Due from other funds	115,139	1,956,933	-	-	-	(94,894)	1,977,178
Total Assets	4,822,103	2,002,259	1,010,583	9,192,874	1,729,765	(94,894)	18,662,690
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES:							
Accounts payable and accrued expenses	189,723	-	-	-	550	-	190,273
Due to other funds	-	175,430	-	-	-	(94,894)	80,536
Total Liabilities	189,723	175,430	-	-	550	(94,894)	270,809
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	69,962	45,326	-	-	-	-	115,288
Unavailable revenue - grants	-	-	915,095	-	-	-	915,095
Unavailable revenue - leases	67,500	-	-	-	-	-	67,500
Unavailable revenue - fines	87,805	-	-	-	-	-	87,805
Total Deferred Inflows of Resources	225,267	45,326	915,095	-	-	-	1,185,688
Fund Balances:							
Restricted:							
Police forfeitures/ expenditures	-	-	-	-	27,705	-	27,705
Grant expenditures	-	-	95,488	-	-	-	95,488
Debt Service	-	1,781,503	-	-	-	-	1,781,503
Total Restricted	-	1,781,503	95,488	-	27,705	-	1,904,696
Assigned:							
Capital Projects	-	-	-	9,192,874	1,701,510	-	10,894,384
Unassigned	4,407,113	-	-	-	-	-	4,407,113
Total Fund Balances	4,407,113	1,781,503	95,488	9,192,874	1,729,215	-	17,206,193
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,822,103	$ 2,002,259	$ 1,010,583	$ 9,192,874	$ 1,729,765	$ -	$ 18,662,690

The notes to the financial statements are an integral part of this statement.

CITY OF WHITEHOUSE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit 1)

	Total Governmental Funds
Total fund balances governmental funds (Exhibit 3 page 1)	$ 17,206,193
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	18,370,656
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	202,027
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.	475,654
Deferred inflows represent the consumption of net position that are applicable to a future reporting period.	(367,306)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet	(141,392)
Internal service funds are used by management to charge the costs of goods or services provided to other departments of the City. The assets and liabilties of the internal service funds are included in governmental activites in the statement of net position.	22,294
Long term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	(14,447,938)
Net position of governmental activities	$ 21,320,188

The notes to the financial statements are an integral part of this statement.

EXHIBIT 4

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2024

	MAJOR FUNDS						
	GENERAL	DEBT SERVICE	AMERICAN RESCUE PLAN FUND	2022 CITY IMPROVEMENTS FUND	OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
REVENUES							
Current and delinquent taxes	$ 3,170,481	$ 1,230,542	$ -	$ -	$ -	$ -	$ 4,401,023
Fines and forfeitures	337,080	-	-	-	12,400	-	349,480
Licenses and permits	56,799	-	-	-	14,580	-	71,379
Franchise taxes	331,002	-	-	-	-	-	331,002
Sales taxes - regular	1,032,699	-	-	-	133,763	-	1,166,462
Sales taxes - additional 1/2 cent	401,290	-	-	-	-	-	401,290
Sales tax fees	104,450	-	-	-	-	-	104,450
Solid waste collections	1,307,465	-	-	-	-	-	1,307,465
Intergovernmental revenue	276,394	-	-	-	-	-	276,394
Grant revenue	2,500	-	1,002,665	-	-	-	1,005,165
Street and maintenance fee	-	-	-	-	61,874	-	61,874
Interest and rent	165,563	114,545	71,177	520,674	82,478	-	954,437
Vehicle registration fees	205,037	-	-	-	-	-	205,037
Miscellaneous income	48,869	-	-	-	-	-	48,869
Total Revenues	7,439,629	1,345,087	1,073,842	520,674	305,095	-	10,684,327
EXPENDITURES							
Legislative	36,189	-	-	-	-	-	36,189
General administration	567,509	-	42,106	-	103,715	-	713,330
Treasury and financial	139,384	-	-	-	-	-	139,384
Tax appraisal and collections	67,770	-	-	-	-	-	67,770
Municipal court	424,461	-	-	-	-	-	424,461
Library	199,594						199,594
Parks/recreation	241,575	-	-	-	-	-	241,575
Community development	91,238	-	-	-	-	-	91,238
Street and ground maintenance	237,924	-	-	-	109,447	-	347,371
Police	1,874,940	-	-	-	-	-	1,874,940
Fire	1,038,748	-	-	-	-	-	1,038,748
Sanitation	853,720	-	-	-	-	-	853,720
Debt service:							
Bond principal	-	745,000	-	-	-	-	745,000
Note principal	-	93,215	-	-	-	-	93,215
Lease payments	186,712	-	-	-	-	-	186,712
Interest and fees	-	138,742	-	-	-	-	138,742
Capital outlay	1,343,871	-	1,031,736	1,431,406	35,725	-	3,842,738
Total Expenditures	7,303,635	976,957	1,073,842	1,431,406	248,887	-	11,034,727
Revenues Over (Under) Expenditures	135,994	368,130	-	(910,732)	56,208	-	(350,400)

The notes to the financial statements are an integral part of this statement.

EXHIBIT 4

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2024

	MAJOR FUNDS						
	GENERAL	DEBT SERVICE	AMERICAN RESCUE PLAN FUND	2022 CITY IMPROVEMENTS FUND	OTHER GOVERNMENTAL FUNDS	ELIMINATIONS	TOTAL GOVERNMENTAL FUNDS
OTHER FINANCING SOURCES (USES)							
Transfers in	225,000	647,719	-	-	-	-	872,719
Transfers out	(318,834)	(924,999)	-	-	-	-	(1,243,833)
Total Other Financing Sources (Uses)	(93,834)	(277,280)	-	-	-	-	(371,114)
Net Change in Fund Balances	42,160	90,850	-	(910,732)	56,208	-	(721,514)
Fund Balance, October 1, 2023	4,364,953	1,690,653	95,488	10,103,606	1,673,007	-	17,927,707
Fund Balance, September 30, 2024	$ 4,407,113	$ 1,781,503	$ 95,488	$ 9,192,874	$ 1,729,215	$ -	$ 17,206,193

The notes to the financial statements are an integral part of this statement.

EXHIBIT 5

CITY OF WHITEHOUSE, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2024

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	$	(721,514)
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. This is the amount by which capital outlay exceeded depreciation in the current period.		3,032,951
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government wide statements.		41,135
Internal service funds are used by management to charge the costs of certain activites, such as fleet management, to individual funds. The net revenue of the internal service fund is reported with governmental activites.		(5,835)
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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas the 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.		971,511
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		230,487
Change in net position of governmental activities	$	3,548,735

The notes to the financial statements are an integral part of this statement.

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2024

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/(NEGATIVE)
REVENUES				
Current and delinquent taxes	$ 2,712,435	$ 3,170,285	$ 3,170,481	$ 196
Fines and forfeitures	242,000	242,000	337,080	95,080
Licenses and permits	26,000	26,000	56,799	30,799
Franchise taxes	280,000	330,272	331,002	730
Sales taxes - regular	900,000	1,070,106	1,070,106	-
Sales taxes - additional (3/8 of 1%)	337,500	401,290	401,290	-
Sales tax fees	81,000	81,000	96,507	15,507
Mixed beverage taxes	-	-	7,943	7,943
Solid waste collections	1,310,000	1,310,000	1,307,465	(2,535)
Zoning and platting fees	250	250	-	(250)
Intergovernmental revenue	101,500	101,500	276,394	174,894
Contributions and donations	500	500	24,953	24,453
Grant revenue	23,500	2,500	2,500	-
Interest and rent	48,000	151,475	164,063	12,588
Vehicle registration fees	170,000	194,365	205,037	10,672
Miscellaneous income	15,315	15,315	23,916	8,601
Total Revenues	6,248,000	7,096,858	7,475,536	378,678
EXPENDITURES				
Legislative	32,500	32,500	36,189	(3,689)
General administration	511,440	1,673,102	1,731,281	(58,179)
Treasury and financial	145,846	138,037	138,732	(695)
Tax appraisal and collections	67,907	67,907	67,770	137
Municipal court	370,593	412,815	430,986	(18,171)
Library	316,288	238,020	206,761	31,259
Parks/recreation	293,428	293,428	310,027	(16,599)
Community development	91,100	91,100	91,238	(138)
Street and ground maintenance	252,193	273,794	245,379	28,415
Police	2,289,735	2,344,735	2,401,123	(56,388)
Fire	1,045,198	1,092,086	1,093,971	(1,885)
Sanitation	877,000	877,000	883,683	(6,683)
Total Expenditures	6,293,228	7,534,524	7,637,140	(102,616)
Revenues Over (Under) Expenditures	(45,228)	(437,666)	(161,604)	276,062
OTHER FINANCING SOURCES (USES)				
Transfers in	225,000	225,000	225,000	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	225,000	225,000	225,000	-
Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	179,772	(212,666)	63,396	276,062
Budget Basis to GAAP Basis Adjustments (Note A)	-	-	(21,236)	(21,236)
Revenues and Other Sources Over (Under) Expenditures and Other Uses - GAAP Basis	179,772	(212,666)	42,160	254,826
Fund Balance, October 1, 2023	4,364,953	4,364,953	4,364,953	-
Fund Balance, September 30, 2024	$ 4,544,725	$ 4,152,287	$ 4,407,113	$ 254,826

The notes to the financial statements are an integral part of this statement.

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(NON-GAAP BUDGET BASIS)
GENERAL FUND
FISCAL YEAR ENDED SEPTEMBER 30, 2024

Note A - Explanation of Differences Between Budget Basis Presentation and GAAP Basis Presentation:		
Sources/Inflows of Resources:		
Differences - Budget to GAAP		
Increase in rent income for change in receivable under GASB 87		1,500
Increase in revenues recognized for non-exchange transactions occurring during current year but received in following year		(37,407)
Uses/Outflows of Resources:		
Differences - Budget to GAAP		
Decrease in accrued expenses		14,671
Net Change in Budget Basis Presentation and GAAP Basis Presentation	$	(21,236)

The notes to the financial statements are an integral part of this statement.

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	UTILITY FUND	INTERNAL SERVICE FUND
Current Assets:		
Cash and certificates of deposit	$ 3,021,052	$ 33,015
Accounts receivable (Net)	618,142	-
Total Current Assets	3,639,194	33,015
Restricted Current Assets:		
Temporarily Restricted		
Customer deposits	418,860	-
Total Restricted Current Assets	418,860	-
Noncurrent Assets:		
Water rights - Lake Columbia	230,000	-
Total Noncurrent Assets	230,000	-
Capital Assets:		
Land	25,000	-
Construction in progress	58,337	-
Easements	7,800	-
Buildings	379,264	-
Water and sewer system	27,005,660	-
Machinery & equipment	822,856	-
Right-of-use asset	-	861,894
Less: Accumulated depreciation/ amortization	(13,383,351)	(391,664)
Total Capital Assets Net of Accumulated Depreciation	14,915,566	470,230
Total Noncurrent Assets:	15,145,566	470,230
Total Assets	19,203,620	503,245
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding (net of amortization)	127,102	-
Deferred charge on other post employment benefits	3,240	-
Deferred charge on TMRS pension	132,981	-
Total Deferred Outflows of Resources	263,323	-

(continued)

The notes to the financial statements are an integral part of this statement.

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2024

	UTILITY FUND	INTERNAL SERVICE FUND
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 105,958	$ -
Compensated absences	2,077	-
Due to other funds	1,896,644	-
Total Current Liabilities	2,004,679	-
Current liabilities payable from restricted assets:		
Customer deposits	418,860	-
Accrued interest	58,987	-
Notes payable	13,455	-
Lease liability - current portion	-	178,023
Revenue bonds payable	1,344,593	-
Total current liabilities payable from restricted assets	1,835,895	178,023
Noncurrent Liabilities:		
Revenue bonds payable	4,989,928	-
Lease liability	-	302,928
Compensated absences	18,705	-
Net pension liability	10,074	-
Other post employment benefits	27,549	-
Total Noncurrent Liabilities	5,046,256	302,928
Total Liabilities	8,886,830	480,951
DEFERRED INFLOWS OF RESOURCES		
Deferred charge on other postemployment benefits	39,987	-
Deferred charge on TMRS pension	76,957	-
Total Deferred Inflows of Resources	116,944	-
NET POSITION		
Net investment in capital assets	8,567,590	-
Unrestricted	1,895,579	22,294
Total Net Position	$ 10,463,169	$ 22,294

The notes to the financial statements are an integral part of this statement.

EXHIBIT 8

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2024

	UTILITY FUND	INTERNAL SERVICE FUND
OPERATING REVENUES		
Water sales	$ 2,370,967	$ -
Sewer charges	986,987	-
Property taxes	831,250	-
Charges for other services	185,580	-
Total Operating Revenues	4,374,784	-
OPERATING EXPENSES		
Utility administration	692,036	-
Customer service	180,626	-
Water operations	764,684	-
Sewer operations	695,255	-
Water supply	485,499	-
Fuel	-	80,531
Maintenance	-	197,894
Amortization of leases	-	179,567
Depreciation	607,082	-
Total Operating Expenses	3,425,182	457,992
Operating Income	949,602	(457,992)
NON-OPERATING REVENUES (EXPENSES)		
Interest and fiscal charge expense	(373,035)	(19,224)
Sale of assets	-	29,585
Revenue reimbursement for claims	-	31,323
Interest income	144,563	-
Total non-operating revenue (expenses)	(228,472)	41,684
Income before transfers	721,130	(416,308)
Transfers in	699,999	410,473
Transfers out	(739,358)	-
Total Transfers	(39,359)	410,473
Change in Net Position	681,771	(5,835)
Net Position, October 1, 2023	9,781,398	28,129
Net Position, September 30, 2024	$ 10,463,169	$ 22,294

The notes to the financial statements are an integral part of this statement.

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2024

	UTILITY FUND	INTERNAL SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers and users	$ 4,378,201	$ -
Cash paid to suppliers for goods and services	(1,940,554)	(278,425)
Cash paid to employees for services	(932,481)	-
Net cash provided by (used in) operating activities	1,505,166	(278,425)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers in	798,850	410,473
Transfers out	(838,209)	-
Net cash provided by non-capital financing activities	(39,359)	410,473
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases or construction of capital assets	(79,914)	(222,547)
Proceeds on sale of assets	-	29,585
Proceeds from claims	-	31,323
Proceeds on capital leases	-	234,800
Principal paid on notes	(12,893)	-
Interest paid	(384,501)	(19,224)
Principal paid on leases	(90,850)	(190,432)
Principal paid on bonds	(1,158,000)	-
Net cash used in capital and related financing activities	(1,726,158)	(136,495)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned on investments	144,563	-
Net cash provided by investing activities	144,563	-
Net increase in cash	65,912	(4,447)
Cash, beginning of period	3,374,000	37,462
Cash, end of period	$ 3,439,912	$ 33,015
Reconciliation of cash to Exhibit 7:		
Cash - current asset	$ 3,021,052	$ 33,015
Cash - restricted current asset	418,860	-
Total cash, end of period	$ 3,439,912	$ 33,015
Summary on non-cash investing and financing activities:		
Vehicle fleet acquired through lease agreements	$ -	$ 234,800

The notes to the financial statements are an integral part of this statement.

CITY OF WHITEHOUSE, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2024

		UTILITY FUND		INTERNAL SERVICE FUND
Reconciliation of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities:				
Operating income	$	949,602	$	(457,992)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization expense		607,082		179,567
Insurance proceeds		-		-
Decrease in deferred outflows of resources		31,819		-
Decrease in accounts payable		(6,917)		-
Increase in accounts receivable		(13,103)		-
Increase in net pension liability		(79,230)		-
Increase in other post employee benefit liability		1,954		-
Increase in customer deposits		16,520		-
Total adjustments		555,564		179,567
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	1,505,166	$	(278,425)

The notes to the financial statements are an integral part of this statement.

NOTE 1: — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Whitehouse, Texas (City) operates under a Council-Manager form of government and provides the following services: general administration, police, fire, planning and zoning, street, solid waste, and water and sewer services.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental and financial reporting. On June 15, 1987, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

B. The Reporting Entity

These financial statements present all of the funds of the City.

The financial statements of the City of Whitehouse, Texas include all funds and account groups and other organizations for which the City is financially accountable. Financial accountability is determined on the basis of appointment of a voting majority of the respective governing board, imposition of will, financial benefit or burden and financial accountability as a result of fiscal dependency. In determining the financial reporting entity, the City complies with the provisions of Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and Government Accounting Standards Board Statement No. 39 "Determining Whether Certain Organizations are Component Units – an amendment of GASB No. 14", and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

C. Blended Component Unit

In April of 2018, the City authorized the creation of an Economic Development Corporation pursuant to Chapters 501 and 505 of the Texas Local Government Code. Whitehouse Economic Development Corporation (WEDCO) is a nonprofit corporation organized to promote and develop new or expanding employment roles within the City of Whitehouse. The City plans to fund this new entity by dedicating one-eighth of a percent of sales tax revenue to economic development activities such as attracting new businesses and encouraging the expansion of existing ones, acquiring properties to be redeveloped, and completing infrastructure improvements that would assist in new development. In determining the financial reporting entity, the City complies with the provisions of Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and Government Accounting Standards Board Statement No. 39, "Determining Whether a Certain Organization are Component Units – an amendment of GASB No. 14," and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by the taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

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

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

> The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The Debt Service Fund accounts for the repayment of the City's general obligation debt.
>
> American Rescue Program Fund is used to account for the expenditures of the funds received in response to the American Rescue Program Act in March of 2021.
>
> 2022 City Improvements Capital Project Fund is used to account for the expenditures of funds from the 2022 series certificates of Obligations for city improvements.

The City reports the following major proprietary funds:

> The Utility Fund is used to account for sale of water and wastewater treatment by the City to businesses and residential customers, as well as the construction of related construction projects and the payment of the debt on these projects.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivery goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system.

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

F. Assets, Liabilities, and Net Position or Equity

1. Cash and cash equivalents – the City considers all cash in demand deposit accounts and petty cash accounts to be cash and cash equivalents, as well as certificates of deposit and funds maintained in external investment pools that can be readily converted to cash on a daily basis.

2. Receivables and Payables

   Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (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.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balance between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

   All receivables are shown net of an allowance for uncollectible.

   The City provides an allowance for doubtful accounts based upon the anticipated collectability of each specific account, as determined by experience.

   Property taxes are levied October 1 on the assessed value of property at January 1 and are due by January 31 of the following year. Unpaid taxes attach as an enforceable lien on property as of January 31. Revenue from taxes assessed is recorded as deferred revenue on October 1. The deferred revenue from taxes is then recognized as revenue during the year as the taxes are actually received.

3. Due from Other Funds

   Current portions of long-term interfund loans receivable (reported in “Due from” asset accounts) are considered “available spendable resources”.

4. Capital Assets – includes property, plant and equipment, are reported 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 (amount not rounded) and an estimated life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

F. Assets, Liabilities, and Net Position or Equity - Continued

Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Assets	Years
Buildings and improvements	25-40
Machinery and equipment	5-10
Infrastructure	40

5. Construction in progress – Expenditures on incomplete capital projects have been capitalized as construction in progress. The assets resulting from these projects will be transferred from the construction in progress accounts to the appropriate asset account as the projects are completed.

6. Bond issue costs – The City has implemented GASB Statement No. 65. Under GASB Statement No. 65, bond issue costs are expensed when incurred.

7. Compensated Absences - A liability for unused vacation and sick time for all full time employees is calculated and reported in the proprietary fund and government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

   - Leave or compensation is attributable to services already rendered
   - Leave or compensation is not contingent on a specific event (such as illness)

   Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the proprietary fund and government-wide statements.

   Vacation time is earned based on years of service. Regular full-time employees up to four years of service earn ten days of vacation, regular full-time employees with five to nine years of service earn fifteen days of vacation, and regular full-time employees with ten or more years of service earn twenty days of vacation. The maximum amount an employee may accumulate is thirty days.

   The regular workweek is based on 40 hours actually worked. Overtime, unless required to be paid by Federal statutes, is accumulated as compensatory (comp) time and earned at time and a half for non-exempt employees and at straight time for exempt employees. Comp time is accumulated and may be taken off with approval.

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

9. Deferred Outflows / Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has two items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide statement of net position.

10. **F. Assets, Liabilities, and Net Position or Equity - Continued**

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. The second is a deferred charge on the TMRS pension and other postemployment benefit.

The TMRS pension and OPEB expense and net pension and OPEB liability are reported as of the date of the last actuarial study, which was December 31, 2022. The deferred outflow shows the difference in contributions to the TMRS retirement plan that occurred between December 31, 2023 and September 30, 2024.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources (revenue) until that time. 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 City has one item that qualify for reporting under this category, deferred inflow of resources related to pensions.

11. Fund Balance Classification – In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes any budgeted reserve account.

Assigned – Amounts that are designated by City Council for a specific purpose but are not spendable until a budget ordinance is passed.

Unassigned – All amounts not included in other spendable classifications.

When more than one classification of fund balance is available for use, it is the City's policy to use the most restricted resources first.

12. Net Position – The City has adopted GASB Statement No. 63, which redefines how net assets are presented in the financial statements. The Statement of Net Assets is now the Statement of Net Position. Net position represents the difference between assets and liabilities, and is divided into three components.

Net investment in capital assets - This component consists of the City's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets and adjusted for any deferred outflows or inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.

Restricted – This component consist of those amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors or other laws and regulations, reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component consist of the net amount of the assets, deferred outflows and inflows of resources, and liabilities not included in net investment in capital assets or restricted components of net position.

13. Capitalized interest – The City has capitalized interest on construction projects when material.

F. Assets, Liabilities, and Net Position or Equity – Continued

14. Tax Abatements – The City adopted GASB Statement No. 77, Tax Abatement Disclosures. The City has evaluated the total tax abatements issued for the year and has determined that the amount is not material to the financial statements.

15. 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

16. Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported 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.

17. Other Postemployment Benefits – For purposes of measuring the other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by TMRS. Benefit payments are treated as being equal to the City's yearly contributions for retirees.

18. Future Implementation of New Standards

In June 2022, GASB issued Statement No. 100 *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62* which defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The City implemented this statement as applicable for the fiscal year ending September 30, 2024. The implementation did not have a material effect of the City's financial statements.

In June 2022, GASB issued Statement No. 101 *Compensated Absences* requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The requirements of this statement are effective for reporting periods beginning after December 15, 2023. The City is evaluating the impact of this statement on its financial statements.

NOTE 2 — 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

An element of that reconciliation states that "Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet." The details of this $18,370,656 difference are as follows:

Capital assets, October 1, 2023, net of accumulated depreciation	$	15,337,705
Capital asset additions, net of retirements		3,842,738
Depreciation of capital assets, net of retirements		(809,787)
	$	18,370,656

Another element states that "Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds." The details of these 202,027 differences is as follows:

Allowance account for uncollectible property taxes	$	(43,478)
Net pension asset		42,412
Unavailable revenue - property taxes		115,288
Unavailable revenue - fines		87,805
	$	202,027

Also, another element states that "Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet." The details of this $(14,447,938) difference are as follows:

Long-term liabilities, October 1, 2023	$	(15,744,466)
Principal paid on debt in current year		1,024,927
Debt incurred during current year		-
Amortization of bond premium		35,627
Increase in other postemployment benefit liability		(7,440)
Decrease in net pension liability		259,188
Change in compensated absences		(15,774)
	$	(14,447,938)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities

An element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated to their estimated useful lives and reported as depreciation expense." The difference of $3,032,951 was related to fixed asset additions exceeding current year depreciation expense as follows:

Capital outlay, asset additons	$	3,842,738
Depreciation expense		(809,787)
	$	3,032,951

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance and the Government-Wide Statement of Activities (continued)

Another element states "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the government-wide statements." The details of this $41,135 are as follows:

Change in allowance for uncollectible taxes	$ (4,040)
Change in deferred revenue	45,175
	$ 41,135

Also, another element states "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. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, the 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." The details of this $971,511 difference are as follows:

Principal payments on debt	$ 1,024,927
Change in accrued interest	(2,015)
Amortization on bond premium	(35,627)
Change in compensated absences	(15,774)
	$ 971,511

NOTE 3 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

1. The budget for the General Fund and Water and Sewer Fund are adopted essentially on the cash basis. The budgetary comparisons for these funds are on this non-GAAP budgetary basis.

2. Appropriations lapse at year end.

3. Encumbrance accounting is not used.

NOTE 4 — DETAILED NOTES ON ALL FUNDS

B. Deposits and Investments

Cash and investments as of September 30, 2024 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:		
Primary Government		
Cash and cash equivalents	$	7,874,269
Restricted cash and cash equivalents		11,583,576
Total Cash and cash equivalents	$	19,457,845
Cash on hand	$	1,300
Savings and checking accounts		10,896,204
External investment pools		8,560,341
Total Cash and Investments	$	19,457,845

At September 30, 2024, the carrying value of the City's bank deposits was $10,896,204 while the bank balance was $11,607,345. All bank balances not covered by federal depository insurance, were covered by collateral held in the pledging financial institutions' trust department in the City's name.

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

During the year ended September 30, 2024, the City invested a public funds investment pool. The City's investment in the public funds investment pool as of September 30, 2024, is shown below.

External Investment Pool	Fair Value	Weighted Average Maturity (Years)	Credit Risk
Texas Class	$ 8,560,341	0.23	AAAm
	$ 8,560,341		

B. Deposits and Investments (continued)

GASB Statement No. 77, Fair Value Measurement and Application, establishes a fair value hierarchy for inputs used in the measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available, of how the market would price the asset or liability. The fair value hierarchy is categorized into three levels based on the inputs as follows:

> Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
>
> Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability.
>
> Level 3 – Unobservable inputs for the asset or liability (supported by little or no market activity). Level 3 inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk.)

The asset's or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

A summary of the City's investments under the requirements of the fair value hierarchy as of September 30, 2024 are as follows:

	Assets at Fair Value as of September 30, 2024			
	Level 1	Level 2	Level 3	Total
Primary Government				
Texas Government Investment Pool	$ -	$ 8,560,341	$ -	$ 8,560,341
Total Promary Government	$ -	$ 8,560,341	$ -	$ 8,560,341

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

At September 30, 2023, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

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

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

<u>Concentration of Credit Risk</u>
This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy limits the concentration of its investments by investment type. The City was not exposed to concentration of credit risk.

<u>Interest Rate Risk</u>
This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City was not exposed to interest rate risk.

B. Deposits and Investments – (continued)

Foreign Currency Risk
This is the risk that exchange rates will adversely affect the fair value of an investment. The City does not engage in foreign currency transactions. The City was not exposed to foreign currency risk.

Public Funds Investment Pools
Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code.

In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940.

Texas CLASS (Texas Cooperative Liquid Assets Security System) is an external investment pool measured at its net asset value. Texas CLASS' strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to the investment pool. Texas CLASS has a redemption notice period of one day and may redeem daily. Authority over the investment pool may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. Texas CLASS was organized in March 1996 under a trust agreement executed by and among Texas local governmental entities in accordance with the Public Funds Investment Act, and the Texas Government Code and remains in full compliance with Government Code Chapter 2256. The fund is administered by Public Trust Advisors, LLC and is rated AAAm by Standard & Poor's Rating Services.

C. Receivables

Receivables at year end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Utility Operating Fund	Total
Receivables:					
Taxes	$ 316,127	$ 45,326	$ -	$ -	$ 361,453
Assessments	-	-	-	45,223	45,223
Accounts (services)	417,038	-	-	645,099	1,062,137
Leases	70,500	-	-	-	70,500
Gross receivables	803,665	45,326	-	690,322	1,539,313
Less: Allowance for Uncollectibles	(191,875)	-	-	(72,180)	(264,055)
Net Receivables	$ 611,790	$ 45,326	$ -	$ 618,142	$ 1,275,258

D. Capital Assets

Capital asset activity for the year ended September 30, 2024 was as follows:

PRIMARY GOVERNMENT	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 190,184	$ 2,052,762	$ -	$ 2,242,946
Construction in Progress	448,440	1,431,406	-	1,879,846
Total Capital Assets, Not Being Depreciated	638,624	3,484,168	-	4,122,792
Capital Assets, Being Depreciated				
Buildings and Improvements	4,314,755	-	-	4,314,755
Parks	2,571,986	176,640	-	2,748,626
Infrastructure	12,859,392	128,791	-	12,988,183
Machinery and Equipment	2,918,153	53,139	-	2,971,292
Right of Use Asset	1,811,946	234,800	(97,357)	1,949,389
Total Capital Assets, Being Depreciated	24,476,232	593,370	(97,357)	24,972,245
Less Accumulated Depreciation For:				
Buildings and Improvements	(1,485,551)	(110,649)	-	(1,596,200)
Parks	(613,206)	(75,334)	-	(688,540)
Infrastructure	(4,670,810)	(312,684)	-	(4,983,494)
Machinery and Equipment	(2,086,853)	(130,226)	-	(2,217,079)
Right of Use Asset	(493,481)	(372,714)	97,357	(768,838)
Total Accumulated Depreciation	(9,349,901)	(1,001,607)	97,357	(10,254,151)
Net Total Assets Being Depreciated	15,126,331	(408,237)	-	14,718,094
Governmental Activities Capital Assets, Net	$15,764,955	$ 3,075,931	$ -	$18,840,886

D. Capital Assets – (continued)

Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 25,000	$ -	$ -	$ 25,000
Construction in Progress	-	58,337	-	58,337
Easements	7,800	-	-	7,800
Total Capital Assets, Not Being Depreciated	32,800	58,337	-	91,137
Capital Assets, Being Depreciated				
Water and Sewer System	26,984,083	21,577	-	27,005,660
Buildings	379,264	-	-	379,264
Machinery and Equipment	822,856	-	-	822,856
Total Capital Assets, Being Depreciated	28,186,203	21,577	-	28,207,780
Less Accumulated Depreciation For:				
Water and Sewer System	(11,708,351)	(591,837)	-	(12,300,188)
Buildings	(298,902)	(4,817)	-	(303,719)
Machinery and Equipment	(769,016)	(10,428)	-	(779,444)
Total Accumulated Depreciation	(12,776,269)	(607,082)	-	(13,383,351)
Net Total Assets Being Depreciated	15,409,934	(585,505)	-	14,824,429
Business-Type Activities Capital Assets, Net	$15,442,734	$ (527,168)	$ -	$14,915,566

Right-of-Use assets

A lease is defined as a contract that conveys control of the right of use of another entity's nonfinancial asset as specified in a contract for a period of time in an exchange or exchange-like transaction. The City is party to a variety of lease contracts as lessee for which this right-of-use (ROU) has been recognized as an asset on the balance sheet.

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

Governmental Activities:	
General Government	$ 276,290
Public Safety	131,538
Community Development	311,740
Transportation Fleet (ISF)	191,820
Parks and Recreation	90,219
Total depreciation expense, governmental activities	$ 1,001,607
Business-Type Activities:	
Water and Sewer Operations	$ 607,082

The City has the following construction projects as of September 30, 2024:

Project	Spent To-Date	Estimated Remaining Construction
110 E Main Street Remodel	$ 1,879,846	$ 4,366,554
SH 110 Water Plant Generator	58,337	250,000
	$ 1,938,183	$ 4,616,554

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2024 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Utility Operating fund	$ 993
General Fund	Utility Debt Service Fund	19,253
Debt Service Fund	Utility Operating fund	38,692
Debt Service Fund	Utility Debt Service Fund	1,837,706
		$ 1,896,644

Interfund transfers are made in accordance with the City's adopted budget or through approvals to meet unexpected operating needs.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund transfers as of September 30, 2024, is as follows:

	Transfers In						
Transfers Out:	Utility Operating Fund	Utility Debt Service Fund	Debt Service Fund	General Fund	Other Governmental Funds	Internal Service Fund	Total
Utility Operating Fund	$ -	$ -	$ 647,719	$ 225,000	$ -	$ 91,639	$ 964,358
Utility Debt Service Fund	1,396,246	-	-	-	-	-	1,396,246
General Fund	-	-	-	-	-	318,834	318,834
Debt Service Fund	-	924,999	-	-	-	-	924,999
Total transfers out /in	$ 1,396,246	$ 924,999	$ 647,719	$ 225,000	$ -	$ 410,473	$ 3,604,437

E. Long-term Debt

The following is a summary of bond and certificates of obligation transactions of the City for the year ended September 30, 2024:

	GENERAL OBLIGATION	REVENUE	TOTAL
Bonds payable - October 1, 2023	$ 14,038,269	$ 7,530,971	$ 21,569,240
Additions	-	-	-
Retirements	(780,627)	(1,196,450)	(1,977,077)
Bonds payable - September 30, 2024	$ 13,257,642	$ 6,334,521	$ 19,592,163

E. Long-term Debt –(continued)

Outstanding bonds at September 30, 2024 are comprised of the following issues:

Governmental Activities:	
$3,140,000 Series 2006 Refunding Bonds; maturing serially in varying amounts through 2-15-26 at 4.80%.	$ 440,000
$5,190,000 Series 2018 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts beginning 2-15-19 through 8-15-38. Interest at 3.0% to 3.12%.	2,775,332
$9,880,000 Series 2022 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts beginning 2-15-26 through 2-15-33. Interest at 2.0%.	10,042,310
Total Governmental Bonded Debt	$ 13,257,642

Business-Type Activities:	
$2,800,000 Series 2006 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts beginning 2-15-07 through 2-15-26. Interest at 4.2%.	$ 400,000
$4,359,000 Series 2007 Tax Refunding; maturing annually in varying amounts through 2-15-27 at 4.52%.	207,000
$2,000,000 Series 2007 Combination Tax and Revenue Certificates of Obligation; maturing annually in varying amounts beginning 2-15-08 through 2-15-26 at 4.32%.	420,000
$635,000 series 2020 Tax Note; maturing serially in varying amounts through 8-15-2035 at 1.51%.	482,000
$5,575,000 series 2022 Refunding Bonds; maturing serially in varying amounts through beginning 2-15-23 through 2-15-28 at 2%	4,825,521
Total Business-Type Bonded Debt	$ 6,334,521

E. **Long-term Debt –(continued)**

The funding requirements to amortize all bonds outstanding as of September 30, 2024, including interest, are as follows:

	GOVERNMENTAL		BUSINESS-TYPE		
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL
2025	$ 755,000	$ 298,900	$ 1,312,000	$ 129,126	$ 2,495,026
2026	775,000	272,962	1,345,000	93,465	2,486,427
2027	430,000	246,750	1,619,000	46,699	2,342,449
2028	375,000	233,900	1,658,000	21,556	2,288,456
2029	1,920,000	209,850	43,000	4,756	2,177,606
2030-2034	8,225,000	453,600	225,000	13,832	8,917,432
2035-2038	575,000	45,613	47,000	710	668,323
	$ 13,055,000	$ 1,761,575	$ 6,249,000	$ 310,144	$ 21,375,719

Each bond issue has a respective bond ordinance authorizing (a) creation of an interest and sinking fund for the bond issue and (b) establishment of a required minimum balance to be held by each issue in order to pay the next interest and sinking requirement due.

The bond ordinances also require that the following information concerning insurance coverage as of September 30, 2024 be disclosed.

		Limit of Liability			
INSURER	**POLICY**	**Each Occurrence**	**Annual Aggregate**	**Deductible**	**COVERAGE DATE**
Texas Municipal League	General Liability	$ 1,000,000	$ 2,000,000	$ -	10/1/2023 to 10/01/2024
	Law Enforcement	1,000,000	2,000,000	$ 2,500	10/1/2023 to 10/01/2024
	Errors & Ommissions	1,000,000	2,000,000	$ 5,000	10/1/2023 to 10/01/2024
	Auto Liability	1,000,000	n/a	$ -	10/1/2023 to 10/01/2024
	Auto Physical Damage	per schedule & endorsements	n/a	$500/$10,000	10/1/2023 to 10/01/2024
Texas Municipal League	Information Security & Privacy Liability	10,000	1,000,000	$ -	10/1/2023 to 10/01/2024
	Regulatory Defense & Penalties	-	25,000	$2,500/ $5,000	10/1/2023 to 10/01/2024
Texas Municipal League	Real & Personal Property	26,075,889	n/a	$ 1,000	10/1/2023 to 10/01/2024
	Mobile Equipment	566,275	n/a	$ 500	10/1/2023 to 10/01/2024
	Boiler & Machinery	100,000	n/a	$ 1,000	10/1/2023 to 10/01/2024
Texas Municipal League	Workers Comp	complies with state statutes	n/a		10/1/2023 to 10/01/2024
	TOTAL	$ 30,752,164			

E. Long-term Debt – Continued

The funding requirements to amortize all notes outstanding as of September 30, 2024, including interest, are as follows:

	GOVERNMENTAL		BUSINESS TYPE		
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	TOTAL
2025	$ 95,612	$ 10,069	$ 13,455	$ 614	$ 119,750
2026	98,035	7,645	-	-	105,680
2027	100,520	5,160	-	-	105,680
2028	103,067	2,619	-	-	105,686
	$ 397,234	$ 25,493	$ 13,455	$ 614	$ 436,796

Changes in long-term liabilities

Long term liability activity for the year ended September 30, 2024 was as follows:

	Beginning Balance 10/1/23	Additions	Reductions	Ending Balance 9/30/24	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 13,800,000	$ -	$ 745,000	$ 13,055,000	$ 755,000
Bond Premium	238,269	-	35,627	202,642	33,879
Notes Payable	490,449	-	93,215	397,234	95,612
Lease Liability	1,182,036	234,800	377,143	1,039,693	364,765
Net Pension Liability	259,188	-	259,188	-	-
Other Postemployment Benefits	62,966	7,440	-	70,406	-
Compensated Absences	148,140	15,774	-	163,914	16,391
Governmental Activity Long-Term Liabilities	16,181,048	258,014	1,510,173	14,928,889	1,265,647
Business-type Activities:					
Revenue Bonds	7,407,000	-	1,158,000	6,249,000	1,312,000
Bond Premium	123,971	-	38,450	85,521	32,593
Notes Payable	26,348	-	12,893	13,455	13,455
Net Pension Liability	89,304	-	79,230	10,074	-
Other Postemployment Benefits	25,595	1,954	-	27,549	-
Compensated Absences	20,782	-	-	20,782	2,077
Business-type Activity Long-Term Liabilities	$ 7,693,000	$ 1,954	$ 1,288,573	$ 6,406,381	$ 1,360,125

The liabilities listed above for compensated absences will be liquidated by the City's General and Proprietary Funds.

E. Long-term Debt – Continued

Some of the City's notes payable are secured with collateral. As of September 30, 2024, the City had the following outstanding notes have the following collateral:

	Borrowing Amount	Collateral Description
Governmental activities:		
2022 Note Payable	$ 397,234	Fire Truck Compressor
Total Governmental activities	397,234	
Total	$ 397,234	

F. Leases

The City is involved in various leasing arrangements for equipment, vehicles, and buildings which are leased mainly to commercial customers. With the implementation of GASB Statement No. 87 Leases, effective the fiscal year ended September 30, 2022, all leases were analyzed and classified as either qualified or non-qualified leases, for both lessor and lessee positions.

Lessor Leases Receivables

The City has entered into a lease agreement to lease a building and land to UT Health EMS. No new leases were entered into during the year. Annual payments are $18,000, interest free. Future annual lease receivables as of September 30, 2024, are as follows:

Year	Principal	Interest	Total Receipts
2025	$ 18,000	-	$ 18,000
2026	18,000	-	18,000
2027	18,000	-	18,000
2028	18,000		18,000
Total Future Receipts	$ 72,000	-	$ 72,000

Lessee Leases Payable

The City was party to several leases for office equipment and vehicles. Lease payables additions for the year ended September 30, 2024 were $234,800 and lease payments for the year then ended were $377,143. Annual payments range from $485 to $155,000. Interest rates were varied between 0.00% and 24.90%. Future annual lease receivables as of September 30, 2024 are as follows:

Year	Principal	Interest	Total Payments
2025	$ 364,765	$ 7,390	$ 372,155
2026	257,839	2,694	260,533
2027	228,398	1,210	229,608
2028	188,691	857	189,548
Total Future Payments	$ 1,039,693	12,151	$ 1,051,844

NOTE 5 — DEFEASED BONDS OUTSTANDING

The City has defeased certain bonds by placing the proceeds of the new bond issues in an irrevocable trust for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2024, $4,675,000of bonds outstanding are considered defeased. The issue amounts of outstanding defeased bonds are as follows:

Bond Issue	Year Refunded	Outstanding
Series 2012 Refunding Bonds	2022	$ 4,675,000
Total Bonds Defeased (Refunded)		$ 4,675,000

NOTE 6 — GROUP CONCENTRATIONS OF CREDIT RISK

The City provides water, sewer and sanitation services to its residents. Residents are provided with these services and are billed each month for usage in the prior month. The credit granted by the City for usage of these services is all with residents of the City. As of September 30, 2024, the City had $843,305 in net receivables from its residents for the usage of these services.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Whitehouse participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

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

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 payment options. Members may also choose to receive 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.

Benefits Provided – (continued)

Plan provisions for the City were as follows:

	Plan Year 2023	Plan Year 2022
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Year 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	100% Repeating
Annuity Increase (to retirees)	70% of CPI	70% of CPI

Employees covered by benefit terms

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

	12/31/2023	12/31/2022
Inactive employees or beneficiaries currently receiving benefits	23	21
Inactive emplyees entitled to but not yet receiving benefits	54	56
Active employees	51	48
	128	125

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 Whitehouse were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Whitehouse were 7.58% and 7.98% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were $298,668, and exceeded the required contributions by $30,497.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. For smaller cities, more conservative methods and assumptions are used; lower termination rates are used for smaller cities, with maximum multipliers of 115% for employers with less than 100 members. 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 Disabled Retiree Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 13% 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.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, 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 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
Total	100.00%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2022	$ 6,668,647	$ 6,320,155	$ 348,492
Changes for the year:			
Service cost	409,443	-	409,443
Interest	456,884	-	456,884
Change of benefit terms	-	-	-
Difference between expected and actual experience	(31,249)	-	(31,249)
Changes of assumptions	(50,900)	-	(50,900)
Contributions - employer	-	256,354	(256,354)
Contributions - employee	-	181,169	(181,169)
Net investment income	-	732,171	(732,171)
Benefit payments, including refunds of employee contributions	(209,428)	(209,428)	-
Administrative expense	-	(4,654)	4,654
Other changes	-	(32)	32
Net changes	574,750	955,580	(380,830)
Balance at 12/31/2023	$ 7,243,397	$ 7,275,735	$ (32,338)

Sensitivity of the net pension liability to changes in the discount rate

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

Sensitivity of the net pension liability to changes in the discount rate (continued)

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 1,148,230	$ (32,338)	$ (984,645)

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, 2024, the City recognized pension expense of $98,432.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 196,779
Changes in actuarial assumptions	-	37,882
Difference between projected and actual investment earnings	570,931	401,918
Contributions subsequent to the measurement date	226,493	-
Total	$ 797,424	$ 636,579

The City had $226,493 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2025. 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	
2024	$ (56,343)
2025	(31,783)
2026	83,587
2027	(61,109)
2028	-
Thereafter	-
	$ (65,648)

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The City of Whitehouse participates in a single-employer defined benefit group-term life insurance plan. Texas Municipal Retirement System (TMRS) administers this defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). Like the Defined Benefit Pension Plan, the OPEB Plan is under 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.

This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. 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.

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

Benefits Provided

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

Employees covered by benefit terms

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

	12/31/2023	12/31/2022
Inactive employees or beneficiaries currently receiving benefits	13	13
Inactive emplyees entitled to but not yet receiving benefits	14	13
Active employees	51	48
	78	74

Contributions

The member cities contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. The 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 life insurance during employee's entire careers.

As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

For calendar year 2023, the total SDB contribution rate for the City of Whitehouse was 0.34% while the retiree portion of the SDB contribution was 0.14%. The City's contributions for the year ended September 30, 2024, were $3,040 for the retiree portion and $9,762 for the total SDB rate. Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Net OPEB Liability

The City's Net OPEB Liability was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Net OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	3.50% to 11.50% including inflation
Discount rate*	4.05%
Retiree's 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.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

The actuarial cost method being used is known as the Entry Age Normal Method. This method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation through their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the City. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.

These 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. The post-retirement mortality assumption for health annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2001 and dated December 31, 2013.

Changes in the Net OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance at 12/31/2022	$ 88,561
Changes for the year:	
Service cost	6,341
Interest	3,630
Change of benefit terms	-
Difference between expected and actual experience	(2,104)
Changes of assumptions	5,754
Benefit payments, including refunds of employee contributions	(4,227)
Net changes	9,394
Balance at 12/31/2023	$ 97,955

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability if the City, calculated using the discount rate of 3.77%, would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate:

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability	$ 121,751	$ 97,955	$ 80,119

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

For the year ended September 30, 2024, the City recognized OPEB expense of $4,755.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 325	$ 21,379
Changes in actuarial assumptions	21,130	41,864
Contributions subsequent to the measurement date	1,850	-
Total	$ 23,305	$ 63,243

The City had $1,850 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2025.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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

Year Ended December 31		
2024	$	(6,153)
2025		(6,784)
2026		(9,235)
2027		(9,701)
2028		(8,933)
Thereafter		(982)
	$	(41,788)

NOTE 9 – DEFICIT NET POSITION OR FUND BALANCE

At September 30, 2024, the Enterprise Debt Service Fund had a deficit net position of $109,672

NOTE 10 – COMMITMENTS

Effective May 1, 2015, the City signed a contract with Republic Services for the collection and disposal of garbage for residents within the city limits. The service will be paid for in accordance with the rates set forth in the contract. The contract is for a five year period ending September 30, 2020. This contract was renewed for an additional five year period ending September 30, 2025.

In January 1996, the City signed a Water Collection and Resource Recovery Agreement with the Angelina and Neches River Authority. The services provided include collection of wood waste, grinding of wood waste, disposal of wood waste, and dewatering of sludge. The rate for fiscal year ending September 30, 2024 was $7,234 per month.

Effective October 1, 2008, the City entered into a water delivery contract with the City of Tyler (Tyler) to purchase treated water on an "as need" basis. The contract calls for a monthly demand fee to be paid each month regardless of consumption and a volume rate per each 1,000 gallons consumed. The contract is for a 25 year period and calls for an increase in the demand rate and the volume rate equal to any increase in Tyler's residential rate plus 1%. During the fiscal year ended September 30, 2024, the City paid a demand fee of $31,346 per month as outlined in the agreement and notarized by the City of Tyler. The contract contains termination clauses including Whitehouse taking delivery of untreated water from either Lake Striker or Lake Columbia.

The City entered into an interlocal agreement for computer support services with the City of Tyler on October 24, 2018. Tyler and the City agree that the services to be provided by Tyler pursuant to the agreement will be provided by employees of Tyler's Information Technology Services Division. The computer support services include: installation, incident-based troubleshooting, regular backups of data and applications, liaison for software and hardware purchasing, system administration and network monitoring services, drafting a master equipment replacement schedule, and administration of system improvements. The initial term ends on September 30, 2019; the agreement automatically renews each year for up to five additional one-year terms unless terminated earlier. Tyler will bill the City on a monthly basis for services provided outside the scope of the agreement; the rate billed for such services will be $60 per hour per Tyler employee in addition to the annual contract cost.

The City has a contract with Smith County for use of its jail facility. Under this agreement, the City will pay $35 per prisoner for each day of confinement in the jail. The original agreement, which ended September 30, 2017, has been renewed annually through September 30, 2024.

Effective October 16th 2015, the City signed a contract with Smith County for emergency and non-emergency dispatch services. Under this agreement, the City agrees to pay an annual dollar amount. The contract automatically renews annually. For the year ended September 30, 2024, the City paid Smith County $85,264 under the agreement.

NOTE 10 – COMMITMENTS (continued)

Effective September 1, 2017, the City entered into a contract with The Rec for the operation of the previous YMCA facility. The City does not pay the Rec to operate this facility; the Rec pays for all upkeep, maintenance, and insurance. This agreement ends on September 30, 2022, with an option for an extended term of two years. Effective January 1, 2019, the City entered into a Youth Sports and Entertainment Programs Agreement with the Rec, to end on December 31, 2023. The Rec agrees to operate and management youth baseball and softball programs, full operation of all concession stands, and operate and manage the Splash Pad. The City provides financial assistance to the Rec concerning these programs for the first two years of the agreement as follows: $30,000 for year one and $15,000 for year two.

NOTE 11 – 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 carries commercial insurance and insurance with TML Intergovernmental Risk Pool.

There were no settlements in the prior three fiscal years which exceeded insurance coverage carried by the City. Thus, no contingent liability was recorded at the time.

As of September 30, 2024, the City did not have any liability for unpaid claims or adjustments under policies carried with TML. During the year ended September 30, 2024, there was no reduction in insurance coverage from the prior year.

NOTE 12 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2024, expenditures exceeded appropriations in the following departments of the General Fund: General Administration, Treasury and financial, Municipal Court, Fire Operations, and Sanitation. These over expenditures were funded by lower expenditures in other categories and higher than expected revenues.

Expenditures exceeded appropriations in the following departments of the Utility Fund: Water Operations and Utility Debt Service. These over expenditures were funded by excess fund balance.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events were evaluated through February 13, 2025, the date on which the financial statements were available to be issued.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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

CITY OF WHITEHOUSE, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2025, DATED JULY 15, 2025,
IN THE AGGREGATE PRINCIPAL AMOUNT OF $__________

AS BOND COUNSEL FOR THE ISUER (the "Issuer") of the Certificates described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Certificates, including executed Certificate Number T-1.

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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

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

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

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

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

Respectfully,