(See "Continuing Disclosure of Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated May 25, 2023

Ratings:
S&P: "AAA"
Fitch: "AAA"
See "OTHER INFORMATION – Ratings"

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

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

$13,840,000*
CITY OF LEWISVILLE, TEXAS
(Denton and Dallas Counties, Texas)
WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2023

Dated Date: June 1, 2023 **Due: February 15, as shown on Page 2**
Interest to accrue from Date of Delivery

PAYMENT TERMS . . . Interest on the $13,840,000* City of Lewisville, Texas, Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2023 (the "Bonds"), will accrue from the date of delivery to the Initial Purchaser thereof (the "Date of Delivery"), will be payable on February 15 and August 15 of each year commencing February 15, 2024, 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 Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of and interest on the Bonds 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 Bonds. See "THE BONDS - Book-Entry-Only System". The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the general laws of the State of Texas (the "State"), particularly Chapters 1371, 1207 and 1502, Texas Government Code, as amended, and an ordinance passed by the City Council authorizing the issuance of Bonds (the "Bond Ordinance") which delegated to an "Authorized Officer" of the City the authority to execute a pricing certificate (the "Pricing Certificate" and together with the Bond Ordinance, the "Ordinance") that will complete the final sale of the Bonds. The Bonds, together with outstanding parity revenue bonds (the "Previously Issued Bonds") and any additional parity revenue bonds (the "Additional Bonds"), are special obligations of the City of Lewisville, Texas (the "City"), payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the City's Waterworks and Sewer System (the "System"). **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, acquiring and installing improvements, additions and extensions to the City's waterworks and sewer system (the "System"), (ii) refunding a portion of the City's outstanding waterworks and sewer system debt (the "Refunded Bonds") in order to lower the overall debt service requirements of the City (see "SCHEDULE I – Schedule of Refunded Bonds"), and (iii) paying the costs of issuing the Bonds.

CUSIP PREFIX: 528835

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on June 28, 2023.

BIDS DUE WEDNESDAY, MAY 31, 2023, 10:30 A.M. CDT

* Preliminary, subject to change.

CUSIP Prefix: 528835 (1)

MATURITY SCHEDULE*

15-Feb Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix(1)
2024	$ 725,000			
2025	850,000			
2026	900,000			
2027	940,000			
2028	990,000			
2029	1,040,000			
2030	665,000			
2031	700,000			
2032	735,000			
2033	770,000			
2034	810,000			
2035	850,000			
2036	895,000			
2037	940,000			
2038	990,000			
2039	1,040,000			

(Interest to accrue from the Date of Delivery)

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® data herein provided is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Financial Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

OPTIONAL REDEMPTION OPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

CONCURRENT OFFERINGS…The Bonds are being offered by the City concurrently with the City's General Obligation Refunding and Improvement Bonds, Series 2023 (the "GO Bonds") but pursuant to a separate offering document. Such separate offering document should be reviewed and analyzed independently, including, without limitation, the types of obligations being offered, their respective terms for payment, the security for their payment, and the rights of the holders. Initial delivery of the GO Bonds through the facilities of DTC is expected to occur on or about June 28, 2023.

* Preliminary, subject to change.

This Official Statement, which includes the cover page and the Schedule and 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.

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

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Financial Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

In connection with this offering, the Initial Purchaser may over-allot or effect transactions which stabilize the market price of the issue at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. Neither the City, nor its Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

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

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

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

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or hyperlinks contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY.................................... The City of Lewisville, Texas (the "City"), is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Denton and Dallas Counties, Texas. The City encompasses approximately 48 square miles (see "INTRODUCTION - Description of the City").

THE BONDS................................. The Bonds are issued as $13,840,000* Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2023. The Bonds are expected to be issued as serial bonds maturing on February 15 in the years 2024 through 2039 (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of delivery to the Initial Purchaser thereof (the "Date of Delivery") and is payable February 15, 2024 and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS - Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the general laws of the State, including particularly Chapters 1371, 1207 and 1502 Texas Government Code, as amended an ordinance passed by the City Council authorizing the issuance of Bonds (the "Bond Ordinance") which delegated to an "Authorized Officer" of the City the authority to execute a pricing certificate (the "Pricing Certificate" and together with the Bond Ordinance, the "Ordinance") that will complete the final sale of the Bonds. (see "THE BONDS - Authority for Issuance").

SECURITY FOR THE BONDS .... The Bonds, together with the previously issued parity bonds (the "Previously Issued Bonds") and any additional bonds (the "Additional Bonds"), constitute special obligations of the City, payable, both as to principal and interest, solely from and secured by a lien on and pledge of the net revenues of the City's Waterworks and Sewer System. **The City has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS - Security and Source of Payment").

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

TAX EXEMPTION........................... In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used for the purpose of (i) constructing, acquiring and installing improvements, additions and extensions to the System, (ii) refunding a portion of the City's outstanding waterworks and sewer system debt (the "Refunded Bonds") in order to lower the overall debt service requirements of the City (see "SCHEDULE I – Schedule of Refunded Bonds"), and (iii) paying the costs of issuing the Bonds.

RATINGS .... The Bonds and the presently outstanding waterworks and sewer system revenue debt of the City are rated "AAA" by S&P Global Ratings, a division of Standard & Poor's Services LLC ("S&P") and "AAA" by Fitch Ratings ("Fitch"), without regard to credit enhancement (see "OTHER INFORMATION - Ratings").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Bonds 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 Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds 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 Bonds (see "THE BONDS - Book-Entry-Only System").

* Preliminary, subject to change.

PAYMENT RECORD .... The City has never defaulted in payment of its bonds.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population[(1)]	Water Volume (Thousand Gallons) Average Day	Peak Day	Annual Total	Net Revenue Available For Debt Service	Maximum Debt Service Requirements	Coverage of Maximum Debt Service Requirements
2018	104,780	16,400	27,614	5,984,984	$16,841,881	$ 6,562,570	2.57x
2019	105,640	14,800	27,631	5,414,123	18,150,538	7,001,141	2.59x
2020	107,120	16,300	26,386	5,959,484	20,121,481	8,163,504	2.46x
2021	109,270	16,943	26,144	6,184,194	22,079,533	9,430,329	2.34x
2022	127,008	20,408	35,281	7,448,967	23,878,102	10,087,250 (2)	2.37x

(1) Source: City Officials.
(2) Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

For additional information regarding the City, please contact:

David Erb Director of Finance City of Lewisville 151 W. Church Street Lewisville, Texas 75057 (972) 219-3775	or	Jason L. Hughes Managing Director Hilltop Securities Inc. 717 N. Harwood Street, Suite 3400 Dallas, Texas 75201 (214) 953-8707

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
TJ Gilmore Mayor	2 Years	May, 2024	Client Engagement Manager Isogent Data Services
Bob Troyer Councilmember	5 Years	May, 2023	Director of Customer Projects Autosig Systems
William J. Meredith Councilmember	2 Years	May, 2024	Senior Project Manager/Design Manager Jacobs
Ronni Cade Councilmember	2 Years	May, 2024	Self-Employed
Brandon Jones Deputy Mayor Pro-Tem	7 Years	May, 2025	CIP Senior Internal Auditor Dallas Independent School District
Kristin Green Mayor Pro-Tem	4 Years	May, 2025	President Placemakers Design, Inc.
Patrick Kelly Councilmember	1 Year	May, 2025	Chief Technology Officer MPOWERHealth

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service
Claire Powell	City Manager	12 Years
Gina McGrath	Deputy City Manager	23 Years
Shante Akafia	Assistant City Manager	1 Year
Jim Proce	Assistant City Manager	3 Months
David Erb	Director of Finance	4 Years
Julie Worster	City Secretary	22 Years
Lizbeth Plaster	City Attorney	17 Years
Marichelle Samples	Director of Economic Development	1 Year

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Auditors .... Weaver and Tidwell, LLP
Dallas, Texas

Bond Counsel .... Bracewell LLP
Dallas, Texas

Financial Advisor .... Hilltop Securities Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$13,840,000*
CITY OF LEWISVILLE, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2023

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $13,840,000* City of Lewisville, Texas, Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2023 (the "Bonds"). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance (the "Ordinance") authorizing the issuance of the Bonds (see "SELECTED PROVISIONS OF THE ORDINANCE").

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

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State and the City's Home Rule Charter. The City was incorporated in 1925, and first adopted its Home Rule Charter in 1963, and its Home Rule Charter was last amended in 2021. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers elected for three-year terms. 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 improvements, planning and zoning, tourism and general administrative services. The 2020 Census population for the City was 111,882; the City estimated 2023 population is 132,620. The City encompasses approximately 48 square miles.

PLAN OF FINANCING

PURPOSE . . . The Bonds are being issued for the purpose of (i) constructing, acquiring and installing improvements, additions and extensions to the City's waterworks and sewer system (the "System"), (ii) refunding a portion of the City's outstanding waterworks and sewer system debt (the "Refunded Bonds") in order to lower the overall debt service requirements of the City (see "SCHEDULE I – Schedule of Refunded Bonds"), and (iii) paying the costs of issuing the Bonds.

REFUNDED BONDS . . . The principal and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the redemption date of such Refunded Bonds, from funds to be deposited pursuant to a certain deposit agreement (the "Deposit Agreement") between the City and the paying agent for the Refunded Bonds (the "Refunded Bonds Paying Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters and other funds of the City, if any, the City will deposit with the Refunded Bonds Paying Agent an amount which, together with other funds of the City, if any, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date.

The City's financial advisor or the Refunded Bonds Paying Agent will execute a certificate verifying that the funds on deposit pursuant to the Deposit Agreement will be sufficient to pay, when due, the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their redemption date (the "Sufficiency Certificate"). By the deposit of the cash with the Refunded Bonds Paying Agent pursuant to the Deposit Agreement, the City will have effected the defeasance of all of the Refunded Bonds in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Sufficiency Certificate, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the Refunded Bonds Paying Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the City payable from the Net Revenues of the System nor for the purpose of applying any limitation on the issuance of debt, and the City will have no further responsibility with respect to amounts available pursuant to the Deposit Agreement for the payment of the Refunded Bonds.

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* Preliminary, subject to change

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated June 1, 2023, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the date of delivery to the Initial Purchaser thereof (the "Date of Delivery"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2024, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds 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 Bonds. See "Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the general laws of the State of Texas, particularly Chapters 1502, 1207 and 1371, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are special obligations of the City and, together with certain outstanding revenue bonds of the City (the "Previously Issued Bonds") and any additional parity bonds (the "Additional Bonds") which may be issued in the future, payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the System. The Ordinance defines Net Revenues as the gross revenues of the System less Maintenance and Operating expenses. The Net Revenues are pledged to the payment of the Bonds, the Previously Issued Bonds and any Additional Bonds (collectively, "Bonds Similarly Secured"). See "SELECTED PROVISIONS OF THE ORDINANCE."

The City has outstanding Previously Issued Bonds secured by and payable from Net Revenues on parity with the Bonds, as follows:

Dated Date	Outstanding Debt[(1)]	Issue Description
5/15/2012	$ 1,440,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2012
7/15/2015	4,460,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2015
6/1/2016	5,200,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2016
1/15/2017	5,650,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2017
9/1/2018	5,280,000	Waterworks and Sewer System Revenue Bonds, Series 2018
7/15/2019	8,305,000	Waterworks and Sewer System Revenue Bonds, Series 2019
10/1/2020	10,230,000	Waterworks and Sewer System Revenue Bonds, Series 2020
5/1/2021	13,715,000	Waterworks and Sewer System Revenue Refunding and Improvement Bonds, Series 2021
5/1/2022	12,030,000	Waterworks and Sewer System Revenue Bonds, Series 2022
	$ 66,310,000	

(1) As of March 31, 2023. Excludes the Bonds and the Refunded Bonds.

In addition to the above, the City has outstanding $1,280,000 in Contract Revenue Bonds, Series 2009, originally issued by Denton County Fresh Water Supply District #1-A. This debt was assumed by the City in conjunction with the annexation of the Castle Hills Development in November 2021.

The Bonds are not a charge upon any other income or revenues of the City and **shall never constitute an indebtedness or pledge of the general credit or taxing powers of the City**. The Ordinance does not create a lien or mortgage on the System, except the Net Revenues, and any judgment against the City may not be enforced by levy and execution against any property owned by the City.

RESERVE FUND . . . As additional security, a Reserve Fund is required to be maintained in an amount at least equal to the average annual debt service requirements of the outstanding Previously Issued Bonds, the Bonds and any Additional Bonds issued on a parity with the Bonds. Any additional amount required to be accumulated in the Reserve Fund by reason of the issuance of the Bonds will be funded over a sixty month period in accordance with the provisions of the Ordinance. The Reserve Fund may be funded in the amount of the Required Reserve by deposit of a Reserve Fund Surety Bond sufficient to provide such portion of the Required Reserve (see "SELECTED PROVISIONS OF THE ORDINANCE").

RATES . . . The City has covenanted in the Ordinance that it will at all times charge and collect amounts for services rendered by the System at rates sufficient to pay all operating, maintenance, replacement and improvement expenses, and any other costs deductible in determining Net Revenues, to pay interest on and the principal of the Bonds Similarly Secured (as defined in the Ordinance), to produce Net Revenues equal to at least 1.10 times the annual Debt Service for the Fiscal Year on the Outstanding Bonds Similarly Secured, and to pay all other indebtedness payable from the Net Revenues and/or secured by a lien on the properties or the revenues of the System.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar, or DTC while the Bonds are in Book-Entry-Only form), shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, 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 Bonds 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. In the Ordinance, the City reserves the right, in the case of an optional redemption, to give notice of its election to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding, and the rescission of such redemption shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and/or authorized securities available, in part or in whole, on or before the redemption date shall not constitute an Event of Default.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. SUBJECT TO THE RIGHT OF THE CITY TO GIVE A CONDITIONAL NOTICE OF REDEMPTION AS DESCRIBED IN THE IMMEDIATELY PRECEDING PARAGRAPH, NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DEFEASANCE . . . The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current State law, such discharge may be accomplished by either (i) depositing with the Paying Agent/Registrar or any other lawfully authorized entity a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient, together with the investment earnings thereon, to provide for the payment and/or redemption of the Bonds; provided, that under current law, such deposits may be invested and reinvested only in (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 the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, 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 are rated, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. Authorized City officials may limit these eligible securities as deemed necessary in connection with the sale of the Bonds. In the event the City restricts such eligible securities, the final Official Statement will reflect the new authorized eligible securities. The foregoing obligations may be in Book-Entry-Only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinance.

Under current State law, upon such deposit as described above, the Bonds shall no longer be regarded to be outstanding for any purpose other than the payment thereof. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds 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 Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

ADDITIONAL BONDS . . . The City may issue Additional Bonds payable from the Net Revenues which, together with the Previously Issued Bonds and the Bonds, shall be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the System, subject, however, to complying with certain conditions in the Ordinance. See "SELECTED PROVISIONS OF THE ORDINANCE" for terms and conditions to be satisfied for the issuance of Additional Bonds.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but 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 Bonds, or redemption, or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), 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 Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

The City may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, Bonds 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 Bonds 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 Bonds, 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, and is not to be construed as a representation by the City or the Financial Advisor.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued, printed certificates will be issued to the DTC Participants or the holder, as the case may be, and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. 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 Bonds are duly paid, and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

PAYMENT . . . Principal of the Bonds at stated maturity or earlier redemption will be paid to the registered owner at the stated maturity or earlier redemption, as applicable, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "Record Date for Interest Payment" herein), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

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

Transfer, Exchange and Registration . . . In the event the Book-Entry-Only System should be discontinued, printed bond certificates shall be delivered to the Owners and thereafter, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds 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 Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner not more than three business days after the receipt of the Bonds 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 Bonds 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 Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Record Date for Interest Payment . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date.

In the event of a nonpayment 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 Owner of a Bond 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.

Bondholders’ Remedies . . . The Ordinance authorizing the issuance of the Bonds establishes the following Events of Default with respect to the Bonds: (i) defaults in payments to be made to the Bond Fund and Reserve Fund as required by the Ordinance or (ii) defaults in the observance or performance of any other of the convenants, conditions or obligations set forth in the Ordinance. Upon any happening of any Event of Default and except as otherwise provided in the Ordinance, any Owner or an authorized representative, thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained in the Ordinance, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners under the Ordinance or any combination of such remedies. The Ordinance allows, but does not provide for a trustee to enforce the covenants and obligations of the City. **Upon an event of default under the Ordinance, in no event will registered owners have the right to have the maturity of the Bonds accelerated as a remedy.** The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. No assurance can be given that a mandamus or other legal action to enforce a default under the Ordinance would be successful.

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 Bonds may not be able to bring such a suit against the City for breach of the covenants in the Bonds 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 Bonds. 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 provide that holders of the Bonds may exercise the remedy of mandamus to enforce the obligations 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).

Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the City has not waived sovereign immunity in the proceedings authorizing the Bonds.

The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("*Chapter 9*"). Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the pledged Net Revenues, such provisions are subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that the rights of holders of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

SOURCES AND USES OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds are expected to be expended as follows:

	The Bonds
Principal Amount of Bonds	
Reoffering Premium(1)	
TOTAL SOURCES	$ -
Deposit to Project Construction Fund	
Deposit to Refunded Bonds Paying Agent	
Initial Purchaser's Discount	
Costs of Issuance	
TOTAL USES	$ -

(1) Includes Initial Purchaser's Discount, which is not part of the proceeds of the City.

THE SYSTEM

WATERWORKS SYSTEM

The City owns and operates a water treatment plant with a design capacity of 20.4 million gallons per day (MGD). The City obtains untreated surface water from Lewisville Lake under terms of a contract with the City of Dallas which was renewed for a 30-year term beginning in December 2016. Under the terms of the contract, the City takes as much water as needed from Lewisville Lake. Currently, the City pays $1.0598 per 1,000 gallons for untreated water.

The City also has a contract, which was renewed in May 2016, to purchase treated water from Dallas at a two-part rate of $320,750 per MGD per year demand fee and $0.4520 per 1,000 gallons volume rate. The City is connected to three transmission mains developed for service to neighboring cities of The Colony, Irving and Carrollton. The first delivery point provides a maximum of 12.4 MGD treated water to the City. The second delivery point from the City of Dallas was completed in June 2005 with a current capacity of 6 MGD and design capacity of 12 MGD. The third 15 MGD water supply from the City of Dallas was completed August 2012. The three treated water supplies along with the water treatment plant bring the City to a total current system capacity of 53.8 MGD.

The City also has an emergency reciprocal water connection with the City of Dallas to purchase water during system emergencies at a current flat rate of $2.4567.

The City is a supporting member of the Upper Trinity Regional Water District (the "District") and is a participating member and owner of the joint intake structure in Lewisville Lake. Upon annexation of Castle Hills, the City inherited an existing contract from Denton County Fresh Water Supply District 1-A for the purchase of water from the District.

The City intends to follow its capital improvement program which calls for the use of approximately $28,500,000 from reserves and the issuance of $76,428,000 of bonds, inclusive of the current issue, for waterworks system improvements over the next five years.

WASTEWATER SYSTEM . . . The City owns and operates a wastewater treatment plant and collection system. The wastewater treatment plant has a permitted flow of 12 MGD with a peak 2 hour flow of 30 MGD. The facility is a biological secondary treatment plant with average daily effluent flows of 9.376 MGD in fiscal year ended September 30, 2022.

TABLE 1 - HISTORICAL WATER CONSUMPTION (GALLONS)

Fiscal Year Ended 9/30	Average Day	Peak Day	Total Water Treated and Purchased
2018	16,400,000	27,614,000	5,766,536,000
2019	14,800,000	27,631,000	5,295,431,000
2020	16,300,000	26,386,000	5,959,484,000
2021	16,943,000	26,144,000	6,184,194,000
2022	20,408,000	35,281,000	7,448,967,000

TABLE 2 - TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)

Customer	Water Usage	% of Total Water Usage	Water Revenue	% of Total Water Revenue
Lewisville Independent School District	131,727,900	2.15%	$ 611,532	2.01%
BMF IV TX Chapel Hill LLC	72,763,000	1.19%	270,759	0.89%
YES Companies Exp	51,078,000	0.84%	191,763	0.63%
Digital Lewisville LLC	49,703,000	0.81%	193,466	0.64%
Bigelow Development Corporation	49,198,000	0.80%	178,602	0.59%
Bedrock Holdings II	42,862,500	0.70%	165,402	0.54%
ICS Oaks of Lewisville	37,290,500	0.61%	141,833	0.47%
Mary Kay, Inc	36,352,500	0.59%	136,500	0.45%
AGM Round Grove Property Owner, LP	34,063,000	0.56%	124,255	0.41%
Eastsky Hebron Phase I	34,466,500	0.56%	131,242	0.43%
	539,504,900	8.82%	$2,145,354	7.05%

TABLE 3 - MONTHLY WATER RATES (EFFECTIVE 10/1/22)

The City rates are reviewed annually with updates implemented October 1 of each year, effective for billings mailed in November.

Residential and Commercial

The following monthly rates or charges for retail service furnished by the city water works system apply within the City of Lewisville, except for properties which were annexed into the City on November 15, 2021:

First 2,000 gallons (Minimum bill varies with tap size):

Current Rates		Old Rates	
3/4" Meter	$ 22.16	3/4" Meter	$ 20.19
1" Meter	23.77	1" Meter	23.74
1 1/2" Meter	73.88	1 1/2" Meter	67.29
2" Meter	118.20	2" Meter	107.67
3" Meter	221.63	3" Meter	201.87
4" Meter	369.39	4" Meter	336.46
6" Meter	738.77	6" Meter	672.91
8" Meter	1,182.03	8" Meter	1,093.70
10" Meter	1,707.31	10" Meter	1,705.12
Residential Volumetric Charge		Residential Volumetric Charge	
Gallons		Gallons	
2,001 - 15,000	3.51	2,001 - 15,000	3.45
15,001 - 35,000	3.66	15,001 - 35,000	3.56
35,001 - 50,000	4.23	35,001 - 50,000	3.93
50,001 +	4.84	50,001 +	4.34
Commercial Volumetric Charge		Commercial Volumetric Charge	
2,001 +	3.51	2,001 +	3.45

Residential and Commercial

The following monthly rates or charges for retail service furnished by the city water works system apply to properties which were annexed into the City on November 15, 2021:

First 2,000 gallons (Minimum bill varies with tap size):

Current Rates	
3/4" Meter	$ 34.75
1" Meter	34.75
1 1/2" Meter	115.72
2" Meter	185.22
3" Meter	405.33
4" Meter	729.75
6" Meter	1,621.78
8" Meter	2,780.00
10" Meter	4,401.78

Residential Volumetric Charge		Commercial Volumetric Charge	
Gallons		Gallons	
2,001 - 15,000	3.74	2,001 - 15,000	4.00
15,001 - 25,000	4.24	15,001 - 25,000	4.50
25,001 - 35,000	5.06	25,001 - 35,000	5.71
35,001 - 45,000	6.06	35,001 - 45,000	6.71
45,001 - 55,000	7.06	45,001 - 55,000	7.71
55,001 +	8.06	55,001 +	8.71

WASTEWATER SYSTEM . . . The City owns and operates a wastewater treatment plant and collection system. The wastewater treatment plant has a permitted flow of 12 MGD with a peak 2 hour flow of 30 MGD. The facility is a biological secondary treatment plant with average daily effluent flows of 9.376 MGD in fiscal year ended September 30, 2022.

TABLE 4 - WASTEWATER USAGE (GALLONS)

Fiscal Year Ended 9/30	Average Day (GPD)	Maximum Day (GPD)
2018	8,646,000	19,875,000
2019	10,215,000	19,809,000
2020	9,723,000	18,512,000
2021	10,186,000	16,692,000
2022	9,376,000	13,700,000

TABLE 5 – TEN LARGEST SEWER CUSTOMERS (BASED ON GALLONS)

Customer	Sewer Gallons	% of Total Sewer Gallons	Sewer Revenue	% of Total Sewer Revenue
BMF IV TX Chapel Hill LLC	59,170,000	1.47%	249,339	1.43%
YES Companies Exp	51,078,000	1.27%	214,924	1.24%
Bigelow Development Corporation	49,198,000	1.22%	206,902	1.19%
Bedrock Holdings II (Dallas), LLC	38,049,000	0.95%	160,192	0.92%
ICS Oaks of Lewisville LLC	37,290,500	0.93%	157,208	0.90%
AMC Northwood	31,417,000	0.78%	132,145	0.76%
Mary Kay	29,886,600	0.74%	125,574	0.72%
Manor Multifamily	28,848,100	0.72%	121,445	0.70%
Westview Apartments	28,408,000	0.71%	119,519	0.69%
Lewisville Independent School District	27,378,900	0.68%	116,837	0.67%
	380,724,100	9.47%	$ 1,604,084	9.22%

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TABLE 6 - MONTHLY SEWER RATES (EFFECTIVE 11/1/22)

Single Family Dwelling:

Current customers' rates shall be based upon the four month winter average of monthly water consumption billed in the most recent December, January, February and March for such dwelling and charged:

Monthly Minimum Bill (2,000 gallons)	$	10.08
Volume charge per 1,000 (over 2,000 gallons)	$	4.44
For Dwellings Annexed 11/15/2021		
Monthly Minimum Bill (2,000 gallons)	$	10.70
Volume charge per 1,000 (over 2,000 gallons)	$	4.90

Non-Single Family Dwellings:

Rates shall be based upon on hundred percent of each month's water consumption and charged:

Monthly Minimum Bill (2,000 gallons)	$	10.08
Volume charge per 1,000 (over 2,000 gallons)	$	4.44
For Dwellings Annexed 11/15/2021		
Monthly Minimum Bill (2,000 gallons)	$	10.70
Volume charge per 1,000 (over 2,000 gallons)	$	4.90

Commercial / Industrial:

Rates shall be based upon one hundred percent of each month's water consumption and charged:

Monthly Minimum Bill (2,000 gallons)	$	11.17
Volume charge per 1,000 (over 2,000 gallons)	$	4.44
For Dwellings Annexed 11/15/2021		
Monthly Minimum Bill (2,000 gallons)	$	16.45
Volume charge per 1,000 (over 2,000 gallons)	$	5.38

New Sewer Customers:

All new residential customers shall be charged a flat fee of $27.19 per month until the winter average can be established at the new dwelling.

For dwellings annexed November 15, 2021, new residential customers shall be charged a flat fee of $54.35 per month until the winter average can be established.

All residential customers transferring their service to a new address in the City shall be charged based on their winter average at the prior service address until a new winter average is established at the new address.

Sewer Only Customers:

In instances where dwellings are not served by the City Waterworks System, the charge for services furnished by the City Sanitary Sewer Systems shall be a flat fee of $27.19 per dwelling unit per month.

For dwellings annexed November 15, 2021, and in instances where dwellings are not served by the City Waterworks System, the charge for services furnished by the City Sanitary Sewer Systems shall be a flat fee of $54.35 per dwelling unit per month.

Industrial Surcharge:

The factors per 1,000 gallons for the industrial surcharge ordinance are $0.003802 per mgl of BOD and $0.003214 per mgl of TSS for industrial/commercial customers whose sewage strengths exceed the maximum allowance of 240 mgl.

Transported Liquid Waste:

The rate for sewage transported by vehicle from within the corporate limits of the City is $10.85 for the first 2,000 gallons. Points of collection are restricted to portable sanitary units and septic system approved by the City. A volume charge of $4.24 per 1,000 gallon, in excess of 2,000 gallons, shall be in addition to the basic rate charged. The City may refuse any waste material if material is non-conforming with pretreatment standards as adopted by the City of Lewisville.

Treated Wastewater Effluent Rates:

Effluent customers shall be charged the posted price for wholesale interruptible raw water offered by the City of Dallas.

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DEBT INFORMATION

TABLE 7 - PRO-FORMA WATERWORKS AND SEWER SYSTEM REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service[1] Principal	Interest	Total	The Bonds [2] Principal	Interest	Total	Total Debt Service Requirements	% of Principal Retired
2023	$ 6,630,000	$ 2,743,596	$ 9,373,596	$ -	$ -	$ -	$ 9,373,596	
2024	6,690,000	2,299,529	8,989,529	425,000	672,721	1,097,721	10,087,250	
2025	6,225,000	2,033,385	8,258,385	550,000	550,725	1,100,725	9,359,110	
2026	5,505,000	1,793,935	7,298,935	575,000	522,600	1,097,600	8,396,535	
2027	5,720,000	1,575,060	7,295,060	605,000	493,100	1,098,100	8,393,160	38.12%
2028	5,235,000	1,367,419	6,602,419	640,000	461,975	1,101,975	7,704,394	
2029	5,130,000	1,165,823	6,295,823	670,000	429,225	1,099,225	7,395,048	
2030	5,325,000	968,285	6,293,285	700,000	398,475	1,098,475	7,391,760	
2031	5,450,000	778,182	6,228,182	730,000	369,875	1,099,875	7,328,057	
2032	4,900,000	603,885	5,503,885	760,000	340,075	1,100,075	6,603,960	72.31%
2033	4,460,000	454,380	4,914,380	790,000	309,075	1,099,075	6,013,455	
2034	3,475,000	331,675	3,806,675	830,000	270,450	1,100,450	4,907,125	
2035	3,580,000	229,775	3,809,775	875,000	223,563	1,098,563	4,908,338	
2036	2,840,000	141,900	2,981,900	925,000	174,063	1,099,063	4,080,963	
2037	1,975,000	73,350	2,048,350	980,000	121,675	1,101,675	3,150,025	96.31%
2038	1,080,000	21,600	1,101,600	1,030,000	71,550	1,101,550	2,203,150	
2039	-	-	-	1,075,000	24,188	1,099,188	1,099,188	100.00%
	$ 74,220,000	$ 16,581,779	$ 90,801,779	$ 12,160,000	$ 5,433,333	$ 17,593,333	$ 108,395,112	

(1) Includes the Contract Revenue Bonds, Series 2009, originally issued by Denton County Fresh Water Supply District #1-A. This debt was assumed by the City in conjunction with the annexation of the Castle Hills Development in November 2021. Excludes the Refunded Bonds.
(2) Average life of the Bonds is 8.304 years. Interest is calculated at an average rate for purposes of illustration only. Preliminary, subject to change.

TABLE 8 - AUTHORIZED BUT UNISSUED REVENUE BONDS

As of March 31, 2023, the City has no authorized but unissued revenue debt. Under State law, the City is not required to obtain voter approval for water and sewer system revenue bonds.

ANTICIPATED ISSUANCE OF REVENUE BONDS . . . The City does not anticipate the issuance of additional revenue debt in the next twelve months.

PENSION PLAN . . . The City participates as one of 901 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677. In addition, the report is available on TMRS' website 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 actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

In addition, the City granted on annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount, which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity.

The City elected to increase the annuities (annuity increases) of its retirees, either annually or on an annually repeating basis, effective January 1 of a calendar year. The City has adopted annuity increases at the rate of 70% of the increase (if any) in the Consumer Price Index—all Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement Eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	75% Repeating
Annuity Increase to retirees	70% of CPI Repeating

The City does not participate in Social Security.

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	531
Inactive employees entitled to but not yet receiving benefits	457
Active employees	788
	1,776

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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Lewisville were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2022, the City made contributions of 16.71% for the months in 2021 and 16.35% for the months in 2022 which were the actuarially required contributions.

Net Pension Liability - The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%, net of pension investment expense, including inflation
Actuarial Cost Method	Entry Age Normal
Amoritization Method	Level percentage of payroll; closed

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. Actuarial assumptions used in the December 31, 2020 valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31,2014 to December 31, 2018. They were first adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The postretirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Retu (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
	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 contributions will remain at the current 7% 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 sufficient 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 (Asset) (a) - (b)
Balance at 12/31/20	$351,957,614	$320,705,960	$ 31,251,654
Changes for the year:			
Service cost	10,584,157	-	10,584,157
Interest	23,600,844	-	23,600,844
Difference between expected and actual experience	5,465,407	-	5,465,407
Changes of assumptions	-	-	-
Contributions-employer	-	10,129,508	(10,129,508)
Contributions-employees	-	4,243,362	(4,243,362)
Net investment income	-	41,825,439	(41,825,439)
Benefit payments, including refunds of employee contributions	(15,215,108)	(15,215,108)	-
Administrative expense	-	(193,447)	193,447
Other changes	-	1,327	(1,327)
Net changes	24,435,300	40,791,081	(16,355,781)
Balance at 12/31/21	$376,392,914	$361,497,041	$ 14,895,873

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

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Primary Government	$ 69,878,357	$ 14,978,641	$ (29,915,968)
Component Unit	(386,083)	(82,758)	165,288
Total	$ 69,492,274	$ 14,895,883	$ (29,750,680)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended September 30, 2022, the City recognized pension expense of $2,479,300 related to the Primary Government. For the same period, the City recognized pension expense of $34,183 related to a component unit, Lewisville Parks and Library Development Corporation (LPLDC).

At September 30, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Primary Government		LPLDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions after measurement date	$ 7,977,107	$ -	$ 109,984	$ -
Differences in expected and actual pension experience	5,635,230	2,365,232	79,185	14,394
Differences in projected and actual earnings on pension assets	-	20,131,998	-	374,571
Total	$ 13,612,337	$ 22,497,230	$ 189,169	$ 388,965

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $8,087,091 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2022 (i.e., recognized in the city's financial statements September 30, 2023). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31	Primary Government	LPLDC	Total Net Deferred Outflows (Inflows) of Resources
2022	$ (2,547,723)	$ (46,805)	$ (2,594,528)
2023	(7,831,114)	(143,869)	(7,974,983)
2024	(3,653,482)	(67,120)	(3,720,602)
2025	(3,016,170)	(55,412)	(3,071,582)
2026	186,489	3,426	189,915
Total	$ (16,862,000)	$ (309,780)	$ (17,171,780)

OTHER POSTEMPLOYMENT BENEFITS

The City provides $15,000 in life insurance upon retirement for employees with ten years of service with the City of Lewisville. Prior to October 1, 2013, the City purchased fully paid life insurance policies upon retirement for eligible employees. Beginning October 1, 2013, the City began purchasing life insurance through the City's group life insurance vendor. Premiums are now paid monthly for the coverage at a rate of $1.36 per $1,000 of coverage or $20.25 per month. The City had 192 eligible retirees in fiscal year 2021-22 resulting in an annual expenditure of $44,935.

Lewisville OPEB Liability Trust Fund

Plan Description—Plan Administration, Benefits Provided, Contributions, and Membership

The City established an irrevocable trust in 2008 for the systematic funding of postemployment health benefits (OPEB) as a single-employer, defined benefit plan. Plan assets may be used only for the payment or reimbursement of benefits provided to retirees, in accordance with the terms of the plan. The City Manager is the benefit administrator of the plan.

The City provides comprehensive group medical benefits for employees at retirement who meet the eligibility requirements for postretirement benefits. Eligibility requirements are (1) age 60 and 5 years of service with the City, or (2) 20 years of service with Texas Municipal Retirement System, the City's pension provider. Election must be made at time of retirement to remain in the plan. Continuation of coverage is subject to the payment of required contributions by participating retirees and dependents. The City contributes a fixed amount toward each retiree's monthly premium, based on the tenure with the City. The City's substantive plan places a zero percent (0%) cap on future contribution increases. The employee remains on the plan until age 65 when they are moved to a fully insured Medicare supplement plan. The City contributes a flat $50 per month toward the retiree's fully insured premium.

Management of the trust is vested with the City's Investment Committee, which consists of the Director of Finance, Fiscal Services Manager, an Assistant City Manager, and three other members designated by the City Manager.

At the September 30, 2021 measurement date, plan membership consisted of the following:

Inactive plan members (retirees) and beneficiaries currently receiving benfit payments	117
Active plan members	691

Investments – Investment Policy and Directive

The City has established an investment policy and directive for the OPEB plan assets. The policy may be amended by the City Council by a majority vote at any time. The directive is more detailed and may be amended by the City Manager at any time. The directive's stated objective is to achieve long-term growth of trust assets by maximizing long-term rates of return on investments and minimizing risk of loss to fulfill the City's current and long-term OPEB obligations. An investment strategy is pursued that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following is the adopted asset allocation table as of the measurement date, September 30, 2021:

Asset Class	Range Allocation	Target Allocation
Growth Assets		
Domestic Equity	19-59%	44%
International Equity	1-41%	21%
Other (ex Real Estate)	0-20%	0%
Income Assets		
Fixed Income	20-60%	35%
Other	0-20%	0%
Real Return Assets	0-20%	0%
Cash Equivalents	0-20%	0%
		100%

Investments – Rate of Return

For the year ended September 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was 18.28 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the City

The components of the net OPEB liability of the City at the measurement date of September 30, 2021, were as follows:

Total OPEB liability	$ 4,140,301
Plan fiduciary net position	6,186,868
City's net OPEB liability	$ (2,046,567)
Plan fiduciary net position as a percentage of the total OPEB liability	149.43%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of October 1, 2021 and a measurement date of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Salary Inreases	3.00%, including inflation
Investment Rate of Return	7.0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	None assumed since the benefits provided are not subject to medical inflation

Mortality rates for general employees: PubG.H-2010 Employee, Retiree and Disabled Retiree, Generational with Projection Scale MP-2021 for males or females, as appropriate.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash & Equivalents	0.00%	0.00%
Equity - Domestic	44.00%	7.60%
Equity - International	21.00%	7.40%
Fixed Income	35.00%	4.20%
Real Estate	0.00%	N/A
Other	0.00%	N/A
Total	100.00%	6.37%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that City future contributions will be made at rates equal to 60% of the annual benefit payments expected to be paid from the trust. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 9/30/2020	$ 5,574,328	$ 5,313,959	$ 260,369
Changes for the year			
Service cost	81,902	-	81,902
Interest	388,411	-	388,411
Difference between expected		-	-
and actual experience	(472,341)	-	(472,341)
Changes in assumptions	(1,216,999)	-	(1,216,999)
Contributions-employer	-	164,150	(164,150)
Net investment income	-	954,662	(954,662)
Benefit payments, including refunds			-
of employee contributions	(215,000)	(215,000)	-
Other changes	-	(30,903)	30,903
Net changes	(1,434,027)	872,909	(2,306,936)
Balance at 9/30/2021	$ 4,140,301	$ 6,186,868	$ (2,046,567)

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

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates would not be applicable to the City's plan since the contribution amounts are set at a fixed rate and, therefore, not affected by healthcare cost increases.

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
Net OPEB liability (asset)	$(1,696,671)	$(2,046,567)	$(2,357,093)

The net OPEB liability (asset) is shown below as it would be if it were calculated using healthcare cost trend rates 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability (asset)	$(2,303,705)	$(2,046,567)	$ 1,747,545

For the year ended September 30, 2021, the City recognized OPEB income of $($103,721).

At September 30, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions after measurement date	$ 117,530	$ -
Difference in expected and actual OPEB experience	39,777	947,452
Changes in actuarial assumptions used to determine pension liability	-	1,082,375
Difference in projected and actual earnings on pension assets	-	576,086
Total	$ 157,307	$ 2,605,913

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of $117,530 will be recognized as a reduction of the total OPEB liability for the measurement year ending September 30, 2022 (i.e. recognized in the City's financial statements September 30, 2023). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Sept 30	Net Deferred Outflows (Inflows) of Resources
2022	$ (486,703)
2023	(415,625)
2024	(436,267)
2025	(387,041)
Thereafter	(840,500)
Total	$ (2,566,136)

The Lewisville OPEB Liability Trust Fund does not issue a separate financial report. Additional information can be found in the Required Supplement Information (RSI) and Financial (Fiduciary statements) Sections of this report.

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FINANCIAL INFORMATION

TABLE 9 - CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2022	2021	2020	2019	2018
Revenues:					
Waterworks Sales	$30,420,737	$20,873,979	$19,741,991	$18,343,902	$19,323,720
Sewer Sales	17,395,621	13,588,921	12,509,272	12,211,825	12,140,940
Tap Fees	23,800	22,135	13,055	14,615	16,560
Industrial Charges	161,209	157,856	122,495	103,961	103,961
Wholesale Water/Sewage Treatment	304,183	2,799,341	2,360,989	2,969,888	2,182,397
Reconnect and Sample Fees	256,060	231,388	170,793	198,828	220,260
Capital Recovery Fees	5,070,382	3,891,390	2,394,719	2,797,057	4,035,817
Miscellaneous / Other	224,822	72,280	48,875	62,586	86,000
Interest Revenues	(3,368,892)	101,752	1,587,701	2,310,877	425,391
Total Revenues	$50,487,922	$41,739,042	$38,949,890	$39,013,539	$38,535,046
Expenses:					
Cost of Sales and Services	$19,029,284	$12,643,490	$10,887,765	$12,552,345	$13,960,472
Administration	7,580,536	6,996,399	7,940,644	8,310,656	7,732,893
Total Expenses	$26,609,820	$19,639,889	$18,828,409	$20,863,001	$21,693,365
Net Available for Debt Service	$23,878,102	$22,099,153	$20,121,481	$18,150,538	$16,841,681
Water Customers	29,503	24,486	23,988	23,602	23,267
Sewer Customers	28,363	23,000	22,670	22,340	22,050

TABLE 10 - COVERAGE AND FUND BALANCES(1)

Average Annual Principal and Interest Requirements, 2022 - 2039	$ 6,376,183
Coverage of Average Annual Requirements by 9/30/22 Net Available for Debt Service	3.745x
Maximum Principal and Interest Requirements, 2024	$ 10,087,250
Coverage of Maximum Requirements by 9/30/22 Net Available for Debt Service	2.367x
Waterworks and Sewer System Revenue Bonds Outstanding, 9/30/22	$ 76,510,000
Interest and Sinking Fund, 9/30/22	$ 5,359,169
Utility Revenue Reserve Fund, 9/30/22	$ 4,311,647

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(1) Projected. Excludes the Refunded Bonds and includes the Bonds being offered herein and the Contract Revenue Bonds, Series 2009, originally issued by Denton County Fresh Water Supply District #1-A. This debt was assumed by the City in conjunction with the annexation of the Castle Hills Development in November 2021. Preliminary, subject to change.

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TABLE 11 - VALUE OF THE SYSTEM

	Fiscal Year Ended September 30,				
	2022	2021	2020	2019	2018
Waterworks and Sewer System	$366,357,467	$349,760,823	$347,843,731	$345,579,393	$341,296,691
Building and Land	11,229,683	5,149,776	5,149,776	5,149,776	5,149,776
Machinery and Equipment	7,300,611	8,272,061	5,024,951	4,638,100	4,753,139
Construction in Progress	42,716,052	32,769,324	27,351,545	19,468,644	9,324,434
Total Value	$427,603,813	$395,951,984	$385,370,003	$374,835,913	$360,524,040
Less: Depreciation	144,563,137	136,245,322	128,943,511	121,590,569	114,659,327
Net System Value	$283,040,676	$259,706,662	$256,426,492	$253,245,344	$245,864,713

TABLE 12 - CITY'S EQUITY IN SYSTEM

	Fiscal Year Ended September 30,				
	2022	2021	2020	2019	2018
Resources:					
Net System Value	$283,040,676	$259,706,662	$256,426,492	$253,245,344	$245,864,713
Cash and Investments	125,811,450	113,399,330	86,504,508	85,635,491	69,455,960
Other Resources	8,914,032	7,222,643	7,446,693	8,456,870	6,595,799
Total Resources	$417,766,158	$380,328,635	$350,377,693	$347,337,705	$321,916,472
Obligations:					
Revenue Bonds Payable	$ 75,065,000	$ 68,160,000	$ 61,825,000	$ 55,090,000	$ 42,665,000
Other Obligations	21,969,735	16,249,576	4,665,044	16,602,599	14,182,938
Total Obligations	$ 97,034,735	$ 84,409,576	$ 66,490,044	$ 71,692,599	$ 56,847,938
City's Equity in System	$320,731,423	$295,919,059	$283,887,649	$275,645,106	$265,068,534
Percentage City's Equity in System	76.77%	77.81%	81.02%	79.36%	82.34%

CAPITAL IMPROVEMENT PROGRAM – REVENUE BOND PROJECTS

The following is the City's Capital Improvement Plan for proposed capital expenditure relating to the System over a five year period. The Capital Improvement Plan is subject to change by the City at any time.

Water and Sewer Capital Improvement Projects	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27
	$13,100,000	$16,745,000	$15,178,000	$15,519,000	$15,886,000

FINANCIAL POLICIES

Basis of Accounting . . . The City's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability occurred, if measurable, except for unmatured interest on general long-term debt.

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

Fund Balances . . . The City Council has adopted a policy that the General Fund will maintain working capital resources at a minimum of 20% of operating expenditure budget and the City Manager is authorized by the governing body to establish other funds' reserve balances as operations dictate.

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

Budgetary Procedures . . . The City operates on an October through September fiscal year. Each year in July, the City Manager submits a budget of estimated revenues and expenditures to the City Council. Subsequently, the City Council will hold work sessions to discuss and amend the budget to coincide with their direction of the City. Various public hearings may be held to comply with state and local statutes. The City Council will adopt a budget prior to the start of the fiscal year. If the Council fails to adopt a budget then the existing budget will continue to be in effect.

During the fiscal year, budgetary control is maintained by verification of appropriation availability prior to all purchases. Actual operations are compared to the amounts set forth in the budget. Departmental appropriations that have not been expended lapse at the end of the fiscal year. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

INVESTMENTS

The City invests its investable 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 invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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

INVESTMENT POLICIES . . . Under 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 includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' 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, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an 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 said ordinance or resolution; (3) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; (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 13 - CURRENT INVESTMENTS

As of March 31, 2023, the City's investable funds were invested in the following categories:

Description	Market Value	% of Portfolio	Book Value	% of Portfolio
TexPool	$ 46,022,809	9.12%	$ 46,022,809	8.93%
Governmental Securities	458,480,744	90.88%	469,113,818	91.07%
Total	$504,503,552	100.00%	$515,136,627	100.00%

SELECTED PROVISIONS OF THE ORDINANCE

Selected provisions of the Ordinance are set forth below. Reference is hereby made to the Ordinance as adopted by the City Council for the complete terms and provisions pertaining to the Bonds.

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, in the Ordinance, the following terms shall have the meanings specified below:

"Additional Parity Bonds" means revenue bonds or other evidences of indebtedness which the City reserves the right to issue or enter into, as the case may be, in the future in accordance with the terms and conditions provided in the Ordinance and which are equally and ratably secured by a first lien on and pledge of the Net Revenues.

"Average Annual Debt Service" means that amount which, at the time of computation, is derived by dividing the total amount of Debt Service to be paid over a period of years as the same is scheduled to become due and payable by the number of years taken into account in determining the total Debt Service. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

"Bond Fund" means the "City of Lewisville Interest and Sinking Revenue Bond Fund" described in Section 8.03 of the Ordinance.

"Bonds Similarly Secured" means, collectively, the Previously Issued Bonds, the Bonds and Additional Parity Bonds.

"Business Day" means any day which is not a Saturday, Sunday or legal holiday, or day on which banking institutions in the State of Texas or the city in which the Designated Payment/Transfer Office is located are generally authorized or obligated by law or executive order to close.

"Debt Service" means, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the City as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear, or would have borne, interest at the highest rate reached, or that would have been applied to such obligations (using the index or measure for computing interest applicable to such obligations) during the twenty-four (24) month period next preceding the date of computation, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

"Fiscal Year" or "Year" means the twelve month account period used by the City in connection with the operation of the System which may be any twelve consecutive month period established by the City.

"Fund" means any fund established pursuant to this Ordinance or any ordinance authorizing the issuance of Bonds Similarly Secured.

"Gross Revenues" means all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts and grants in aid of construction) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established by the City for the payment and security of the Bonds Similarly Secured and other obligations payable solely from and secured only by a lien on and pledge of the Net Revenues.

"Interest Payment Date" means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being February 15 and August 15 of each year, commencing February 15, 2024.

"Maintenance and Operating Expenses" means all current expenses of operating and maintaining the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair obligations payable from Net Revenues shall be deducted in determining "Net Revenues." Depreciation charges shall not be considered Maintenance and Operating Expenses. Maintenance and Operating Expenses shall include payments under contracts for the purchase of water supply, treatment of sewage or other materials, goods, services or facilities for the System to the extent authorized by law and the provisions of such contracts.

"Net Earnings" means Gross Revenues of the System after deducting the Maintenance and Operating Expenses, but not depreciation charges or other expenditures which, under generally accepted accounting principles, should be treated as capital expenditures.

"Net Revenues" means the Gross Revenues, with respect to any period, after deducting Maintenance and Operating Expenses during such period.

"Outstanding" when used in the Ordinance, means, as of the date of determination, all Bonds Similarly Secured theretofore sold, issued and delivered by the City, except:

(i) those Bonds Similarly Secured canceled or delivered by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation in connection with the exchange or transfer of such obligations;

(ii) those Bonds Similarly Secured paid or deemed to be paid in accordance with the provisions hereof; and

(iii) those Bonds Similarly Secured that have been mutilated, destroyed, lost, or stolen and replacement bonds have been registered and delivered in lieu thereof.

"Previously Issued Bonds" means the City's presently Outstanding and unpaid revenue bonds payable from and secured by a first lien on and pledge of the Net Revenues.

"Prior Ordinances" means the ordinances that authorized the issuance of the Previously Issued Bonds.

“Required Reserve” means the amount required to be accumulated and maintained in the Reserve Fund under the provisions of the Ordinance.

“Reserve Fund” means the “City of Lewisville Revenue Bond Reserve Fund,” described in the Ordinance.

“System” means all properties, facilities and plants currently owned, operated and maintained by the City for the supply, treatment and transmission of treated potable water and the collection, treatment and disposal of water-carried wastes, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term “System” shall not mean or include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the City with the proceeds from the issuance of “Special Facilities Bonds,” which are hereby defined as being special revenue obligations of the City which are not Bonds Similarly Secured but which are payable from and secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Bonds Similarly Secured including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

“System Fund” means the “City of Lewisville Water and Sewer System Fund,” described in the Ordinance.

Section 2.01. Pledge. The City hereby covenants and agrees that the Net Revenues of the System, with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are hereby irrevocably pledged, equally and ratably, to the payment and security of the Bonds Similarly Secured including the establishment and maintenance of the special funds created and established for the payment and security thereof, all as hereinafter provided, and it is hereby ordained that the Bonds Similarly Secured, and the interest thereon, shall constitute a first lien on the Net Revenues in accordance with the terms and provisions hereof and be valid and binding without further action by the City and without any filing or recording except for the filing of the Ordinance in the records of the City.

Section 2.02. Bonds Similarly Secured as Special Obligations. The Bonds Similarly Secured are special obligations of the City payable solely from the Net Revenues of the System, and the Owners thereof shall never have the right to demand payment thereof out of any other funds raised or to be raised by taxation.

Section 8.01. Special Funds. The City covenants and agrees that all revenues derived from the operation of the System shall be kept separate from other funds of the City. To that end, the establishment of the following special Funds is hereby confirmed and such Funds shall be maintained in an official depository bank of the City so long as any of the Bonds Similarly Secured are outstanding and unpaid, to-wit:

(a) “City of Lewisville Water and Sewer System Fund,” herein called the “System Fund”;

(b) “City of Lewisville Interest and Sinking Revenue Bond Fund,” herein called the “Bond Fund”; and

(c) “City of Lewisville Revenue Bond Reserve Fund,” herein called the “Reserve Fund.”

Section 8.02. System Fund. The City hereby covenants and agrees that Gross Revenues of the System (excluding earnings and income derived from investments held in the Bond Fund and Reserve Fund) shall be deposited as collected to the credit of the System Fund maintained at an official depository of the City, and such revenues of the System shall be kept separate and apart from all other funds of the City. All revenues deposited in the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

(a) To the payment of all necessary and reasonable Maintenance and Operating Expenses or required by statute to be a first charge on and claim against the Gross Revenues thereof.

(b) To the payment of the amounts required to be deposited in the Bond Fund established and maintained for the payment of Debt Service on the Bonds Similarly Secured as the same becomes due and payable.

(c) To the payment of the amounts required to be deposited in the Reserve Fund to accumulate and maintain therein the Required Reserve in accordance with the provisions of the Ordinance or any other ordinance relating to the issuance of Bonds Similarly Secured.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other City purpose now or hereafter permitted by law.

Section 8.03. Bond Fund. For purposes of providing funds to pay the principal of and interest on the Bonds Similarly Secured as the same becomes due and payable, the City agrees to maintain at a depository bank of the City the Bond Fund as a separate and special account. In addition to the deposits to the Bond Fund for the payment of the Previously Issued Bonds, the City covenants that there shall be deposited into the Bond Fund prior to each principal payment date and Interest Payment Date from the Net Revenues an amount equal to one hundred per centum (100%) of the amount required to fully pay the interest on and the principal of the Bonds then falling due and payable by reason of maturity or redemption, and such deposits to pay principal of and accrued interest on the Bonds shall be made in substantially equal monthly installments on or before the last day of each month, beginning on or before the last day of the month next following the delivery of the Bonds to the initial purchaser thereof. If the Net Revenues in any month are then insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in the payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until (i) the total amount on deposit in the Bond Fund and the Reserve Fund is equal to the amount required to fully pay and discharge all Outstanding Bonds Similarly Secured (principal and interest) or (ii) the Bonds are no longer Outstanding.

Accrued interest received from the Initial Purchaser, as well as any excess proceeds of the Bonds not required to complete the improvements and extensions to be made to the System and any earnings derived from the investment of moneys in the Bond Fund, shall be deposited to the credit of the Bond Fund and taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited in the Bond fund from the Net Revenues.

Section 8.04. Reserve Fund. For purposes of accumulating and maintaining funds as a reserve for the payment of the Bonds Similarly Secured, the City reaffirms its covenant with the owners of the Previously Issued Bonds and agrees with the Owners to maintain the Reserve Fund, and all funds deposited therein (excluding earnings and income derived or received from deposits or investments which may be transferred to the System Fund during such periods as there is on deposit in the Reserve Fund the Required Reserve) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured when (whether at maturity, upon a mandatory redemption date or any interest payment date) other funds available for such purposes are insufficient, and, in addition, may be used to the extent not required to maintain the "Required Reserve," to pay, or provide for the payment of the final principal amount of a series of Bonds Similarly Secured so that such series of Bonds Similarly Secured is no longer deemed to be "Outstanding" as such term is defined herein.

In accordance with the provisions of the ordinances authorizing the issuance of the Previously Issued Bonds, the total amount ultimately required to be accumulated and maintained in the Reserve Fund is $______________ (the "Old Reserve"). By reason of the issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund is hereby determined to be $__________ (the "Required Reserve") which amount is hereby found to equal or exceed the Average Annual Debt Service for the Bonds and the Previously Issued Bonds (calculated on a Fiscal Year basis as of the date the Bonds are to be delivered). In addition to the monthly deposits currently being made to accumulate the Old Reserve, the City agrees that beginning on or before the last day of the month next following the month the Bonds are delivered to the initial purchasers and on or before the last day of each following month until the Required Reserve has been fully accumulated, there shall be deposited into the Reserve Fund from the Net Revenues an amount equal to at least 1/60th of the difference between the Required Reserve and the Old Reserve.

As and when Additional Parity Bonds are delivered or incurred, the Required Reserve shall be increased, if required, to an amount equal to not less than the Average Annual Debt Service (calculated on a Fiscal Year basis) for all Bonds Similarly Secured then Outstanding, as determined on the date each series of Additional Parity Bonds are delivered or incurred, as the case may be. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit in the Reserve Fund of all or any part thereof in cash immediately after the delivery of the then proposed Additional Parity Bonds, or, at the option of the City, by the deposit of monthly installments, made on or before the last day of each month following the month of delivery of the then proposed Additional Parity Bonds, of not less than 1/60th of the additional amount to be maintained in said Fund by reason of the issuance of the Additional Parity Bonds then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash).

When and so long as the cash and investments in the Reserve Fund total not less than the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve (other than as the result of the issuance of Additional Parity Bonds as provided in the preceding paragraph), the City covenants and agrees to cure the deficiency in the Required Reserve by resuming monthly deposits to said Fund from the Net Revenues; such monthly deposits to be in amounts equal to not less than 1/60th of the then total Required Reserve to be maintained in said Fund and to be made on or before the last day of each month until the total Required Reserve then to be maintained in said Fund has been fully restored. The City further covenants and agrees that, subject only to the payments to be made to the Bond Fund, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amounts as required by the terms of the Ordinance and any other ordinance pertaining to the issuance of Additional Parity Bonds.

During such time as the Reserve Fund contains the total Required Reserve, the City may, at its option, withdraw all surplus in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the System Fund.

Section 8.05. Deficiencies in Funds. If on any occasion there shall not be sufficient Net Revenues to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available Net Revenues, or from any other sources available for such purpose.

Section 8.06. Excess Revenues. Subject to making the required deposits to the Bond Fund and the Reserve Fund when and as required by the Ordinance, or any ordinance authorizing the issuance of Additional Parity Bonds, the excess Net Revenues may be used by the City for any lawful purpose.

Section 8.07. Security of Funds. All moneys on deposit in the funds referred to in this Article shall be secured in the manner and to the fullest extent required by the laws of the State for the security of public funds, and moneys on deposit in such funds shall be used only for the purposes permitted by the Ordinance.

Section 8.08. Investment of Certain Funds. Money deposited to the credit of any Fund referenced in the Ordinance may, at the option of the City, be placed in time deposits or certificates of deposit secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, or may be invested, including investments held in book-entry form, in direct obligations of the United States of America and obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by the full faith and credit or represent its general obligations; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments (except

State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within forty-five (45) days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within thirty (30) days of the date of passage of each ordinance authorizing the issuance of Additional Parity Bonds. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses shall be debited to, the Bond Fund. All interest and income derived from deposits and investments of the Reserve Fund shall, subject to the limitations provided in Section 8.04, be credited to and deposited in the System Fund. All such investments shall be sold promptly, when necessary, to prevent any default in connection with the Bonds.

Money deposited to the credit of any of the Funds referenced in the Ordinance, to the extent not invested, shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds.

Section 9.01. Additional Parity Bonds. Subject to the provisions hereinafter appearing as to conditions precedent which must be satisfied, the City reserves the right to issue, from time to time as needed, Additional Parity Bonds for any lawful purpose. Such Additional Parity Bonds may be issued in such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences of indebtedness or other instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the City reserves the right to employ the same in its financing arrangements provided only that the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

(a) The Director of Finance of the City (or other officer of the City then having the primary responsibility for the financial affairs of the City) shall have executed a certificate stating (i) that, to the best of his or her knowledge or belief, the City is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceedings relating to any obligations of the City payable from and secured by a lien on and pledge of the Net Revenues that would materially affect the security or payment of such obligations and (ii) either (A) payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (B) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.

(b) The Additional Parity Bonds shall be scheduled to mature or be payable as to principal on February 15 or August 15 (or both) in each year the same are to be outstanding or during the term thereof.

(c) The City has secured a certificate or opinion of a Certified Public Accountant to the effect that, according to the books and records of the City, the Net Earnings for the last completed Fiscal Year, or for twelve consecutive months out of the fifteen months, immediately preceding the month the ordinance authorizing the issuance of such Additional Parity Bonds is adopted, are at least equal to (i) 1.25 times the Average Annual Debt Service for all Outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Bonds then being issued and (ii) 1.10 times the maximum annual Debt Service payment to be paid in a Fiscal Year for the Outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Bonds then being issued. In making a determination of the Net Earnings, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net Earnings are determined and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings of the System for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion.

Section 9.02. Refunding Bonds. The City reserves the right to issue refunding bonds to refund all or any part of the Bonds Similarly Secured (pursuant to any law then available) upon such terms and conditions as the City Council of the City may deem to be in the best interest of the City and its inhabitants, and if less than all such Bonds Similarly Secured then outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Parity Bonds) in Section 9.01(c) shall be satisfied and the Accountant's certificate or opinion required in Section 9.01(c) shall give effect to the Debt Service of the proposed refunding bonds (and shall not give effect to the Debt Service of the Bonds Similarly Secured being refunded following their cancellation or provision being made for their payment).

Section 9.03. Obligations of Inferior Lien and Pledge. The City hereby reserves the right to issue obligations payable from and secured by a lien on and pledge of the Net Revenues, junior and subordinate in rank and dignity to the lien and pledge securing the payment of the Bonds Similarly Secured, as may be authorized by the laws of the State.

Section 10.01. Payment of Bonds and Additional Parity Bonds. While any of the Bonds are Outstanding, the City's Director of Finance (or other designated financial officer of the City) shall cause to be transferred to the Paying Agent/Registrar, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures or comes due by reason of redemption prior to maturity; such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the Business Day next preceding the date of payment for the Bonds.

Section 10.02. Rates. For the benefit of the Owners and in addition to all provisions and covenants in the laws of the State of Texas and in the Ordinance, the City hereby expressly stipulates and agrees, while any of the Bonds are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

(a) To pay Maintenance and Operating Expenses, depreciation charges and replacement and betterment costs;

(b) To produce Net Revenues sufficient to pay the principal of and interest on the Bonds Similarly Secured and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Bonds Similarly Secured, and other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on and pledge of the Net Revenues;

(c) To produce Net Revenues equal to at least 1.10 times the annual Debt Service for the Fiscal Year on the Outstanding Bonds Similarly Secured; and

(d) To pay all other indebtedness payable from the Net Revenues and/or secured by a lien on the properties or the revenues of the System.

Section 10.03. Maintenance and Operation; Insurance. The City shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost. While any Bonds are Outstanding, the City agrees to maintain casualty and other insurance on the System of a kind and in an amount which usually would be carried by municipal corporations owning and operating similar properties. Nothing in the Ordinance shall be construed as requiring the City to expend any funds which are derived from sources other than operation of the System, but nothing herein shall be construed as preventing the City from doing so.

Section 10.04. Records; Accounts; Accounting Reports. (a) The City hereby covenants and agrees that so long as any of the Bonds are Outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Chapter 1502, Texas Government Code, as amended. The Owners of any of the Bonds or any duly authorized agent or agents of such Owners shall have the right at all reasonable times to inspect such records, accounts and data relating thereto, and to inspect the System and all properties comprising same. The City further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Each such audit, in addition to whatever other matters may be thought proper by the accountant, shall particularly include the following:

(i) A statement of the income and expenses of the System for such Fiscal Year;

(ii) A balance sheet for the System as of the end of such Fiscal Year;

(iii) A statement describing the sources and application of funds of the System for such Fiscal Year; and

(iv) Accountant's comment regarding the manner in which the City has carried out the requirements of the Ordinance and any other ordinance authorizing the issuance of Additional Parity Bonds and his recommendations for any changes or improvements in the operations, records or accounts of the System.

(b) Expenses incurred in making an annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses. Copies of each annual audit shall be furnished to the Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, and, upon request, to the initial purchasers of the Bonds and subsequent Owners of any of said Bonds. The audits herein required shall be made within one hundred twenty (120) days following the close of each Fiscal Year insofar as is possible.

Section 10.05. Sale or Lease of Properties. The City, to the extent and in the manner authorized by law, may sell or exchange for consideration representing the fair market value thereof, as determined by the City Council of the City, any property not necessary or required in the efficient operations of the System, or any equipment not necessary or useful in the operations thereof or which is obsolete, damaged or worn out or otherwise unsuitable for use in the operation of the System. The proceeds of any sale of properties of the System shall be deposited in the System Fund.

Section 10.06. Further Covenants. The City hereby further covenants and agrees as follows:

(a) It has the lawful power to pledge the Net Revenues to the payment of the Bonds to the extent provided herein and has lawfully exercised said power under the Constitution and laws of the State; that the Bonds, Previously Issued Bonds and Additional Parity Bonds shall be ratably secured under such pledge in such manner that one bond shall have preference over any other bond of said issues.

(b) No free service of the System shall be allowed, and should the City or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the City out of funds from sources other than the revenues and income of the System.

(c) To the extent that it legally may and so long as any of the Bonds are Outstanding, no franchise shall be granted for the installation or operation of any waterworks or sewer system other than those owned by the City, and the operation of any such system by anyone other than this City if hereby prohibited.

(d) The City will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the City has or will obtain and keep in full force and effect all franchises, permits, authorizations and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

Section 10.07. Amendments. (a) The Ordinance shall constitute a contract with the Owners from time to time, be binding on the City, and shall not be amended or repealed by the City so long as any Bond remains outstanding, except as permitted in this Section.

(b) The City may, without the consent of or notice to any Owners of Bonds, from time to time and at any time, amend the Ordinance in any manner not detrimental to the interests of the Owners of any Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein.

(c) In addition, the City may, with the written consent of Owners of Bonds owning a majority in aggregate principal amount of the Bonds Similarly Secured then Outstanding and affected thereby, amend, add to or rescind any of the provisions of the Ordinance; provided that, without the consent of all Owners of outstanding Bonds, no such amendment, addition or rescission shall (i) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds or Bonds Similarly Secured, as the case may be, required for consent to any such amendment, addition or rescission.

Section 11.01. Remedies in Event of Default. (a) In addition to all the rights and remedies provided by the laws of the State of Texas, the City covenants and agrees particularly that in the event the City (i) defaults in payments to be made to the Bond Fund and Reserve Fund as required by the Ordinance or (ii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Ordinance, each an "Event of Default,", the Owner of any Bond shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the City Council and other officers of the City to observe and perform any covenant, condition or obligation prescribed in the Ordinance.

(b) No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive. Notwithstanding any other provision of the Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under the Ordinance.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

TAX EXEMPTION . . . In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the City and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the City and such other parties, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinance upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems 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 as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

COLLATERAL TAX CONSEQUENCES . . . Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

For tax years beginning after December 31, 2022, an "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM . . . The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS . . . The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner 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 Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the caption "TAX MATTERS – Tax Exemption" and "TAX MATTERS – Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "–Tax Legislative Changes" generally applies, and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond 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 Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) each Initial Purchaser has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues 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 Bonds 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 Bond 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

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

Tax Legislative Changes . . . Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports . . . The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the City, beginning with the City's fiscal year ending in 2023, financial information and operating data with respect to the City of the general type included in the final Official Statement, being information of the type described in Tables 1 through 13, including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles appended to the Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "*SEC*").

The City's current fiscal year end is September 30. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

Certain Event Notices . . . The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Bonds: (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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) Defeasances; (10) Release, substitution, or sale of property securing repayment of the Bonds, if material; (11) Rating changes; (12) Bankruptcy, insolvency, receivership or similar event of the City; (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. In addition, the City will provide 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 the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets of business of the City. The Ordinance defines "Financial Obligation" as (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 . . . All information and documentation filings required to be made by the City in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided by the MSRB, without charge to the general public, at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds 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 Bonds 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 Initial Purchaser to purchase or sell Bonds 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 Bonds 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 Bonds. 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 Initial Purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

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OTHER INFORMATION

RATINGS

The Bonds and the presently outstanding waterworks and sewer system revenue debt of the City are rated "AAA" by S&P and "AAA" by Fitch, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. 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 of such rating companies, if in the judgment of any such company, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

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 BONDS FOR SALE

The sale of the Bonds 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 Bonds have not been approved or disapproved by the Securities and Exchange Commission, not has the United States Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds 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 Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds 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 Bonds be assigned a rating of at least "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 Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish to the Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bonds and to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Bonds will also be furnished. Though it represents the Financial Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Hilltop Securities 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 Bonds, 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.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. 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.

INITIAL PURCHASER

After requesting competitive bids for the Bonds, the City accepted the bid of ______________________ (the "Initial Purchaser") to purchase the Bonds at the prices shown on page 2 of the Official Statement. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

INFECTIOUS DISEASE OUTBREAK-COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and has affected many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. Under executive orders in effect as of the date of the Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the authority to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Bonds, the City will furnish a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions 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, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, 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 the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

FORWARD-LOOKING STATEMENTS

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

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

MISCELLANEOUS

The financial data and other information continued in this Official Statement 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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. 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 Bond Ordinance will delegate to the Authorized Officer the authority to approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Initial Purchaser. The Official Statement will be approved by the Authorized Officer for distribution in accordance with the provisions of Rule 15c2-12.

Schedule I

SCHEDULE OF REFUNDED BONDS*

Waterworks and Sewer System Revenue Bonds, Series 2013

Original Dated Date	Original Maturity Date		Interest Rates	Amount	Redemption Date
5/15/2013	2/15/2024		4.000%	$ 340,000	7/6/2023
	2/15/2025		4.000%	350,000	7/6/2023
	2/15/2026	(1)	5.000%	370,000	7/6/2023
	2/15/2027	(1)	5.000%	390,000	7/6/2023
	2/15/2028	(2)	5.000%	410,000	7/6/2023
	2/15/2029	(2)	5.000%	430,000	7/6/2023
				$2,290,000	

* Preliminary, subject to change.
(1) Represents a portion of a Term Bond maturing on February 15, 2027.
(2) Represents a portion of a Term Bond maturing on February 15, 2029.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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The City

The City of Lewisville was incorporated in 1925. The current charter was adopted in 1963 and amended as recently as May 2021. Lewisville is a home-rule city and operates under the Council-Manager form of government. The City Council is comprised of the Mayor and five members and is responsible for enacting ordinances, resolutions and regulations governing the City. In addition, the City Council appoints the members of various boards and commissions, the City Manager, City Attorney, City Judge, and City Secretary. As chief administrative officer, the City Manager is responsible for implementing Council policies, overseeing municipal operation, and appointing and supervising the various department directors.

The City provides the full range of municipal services as authorized by statute or charter. This includes public safety (police and fire), streets, water and sewer utilities, sanitation, health and social services, parks and leisure services, public improvements, community development with planning and zoning, tourism and general administrative services.

The following list includes the major employers in the City:

Employer	Number of Employees	Percentage of Total City Employment
Lewisville Independent School District (Lewisville employment only)	3,292	4.75%
Hoya Vision Care	1,568	2.26%
Wal-Mart (all City locations)	900	1.30%
City of Lewisville	894	1.29%
Medical City of Lewisville	670	0.97%
Mary Kay	553	0.80%
SYSCO	476	0.69%
Caliber Collission	437	0.63%
ABC Home and Commercial	400	0.58%
Overhead Door Company	346	0.50%
	9,536	13.77%

Source: City of Lewisville Economic Development and Budget Departments, Texas Workforce Commission and North Central Texas Council of Governments.

Economic Conditions and Outlook

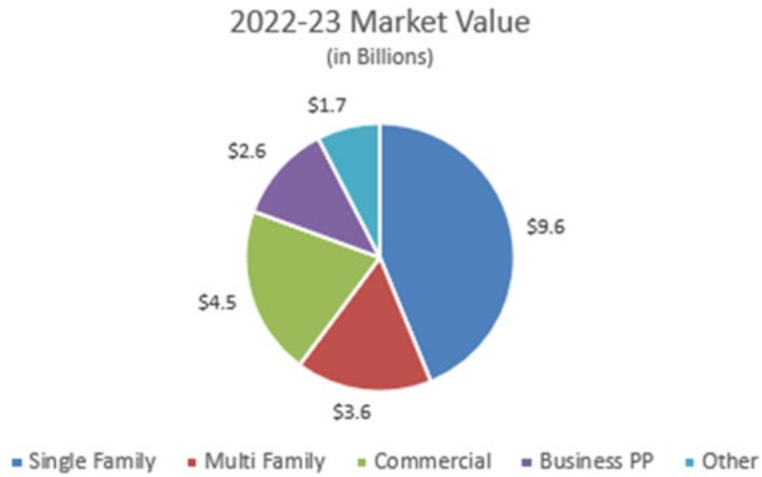
Lewisville is located in Denton County, one of the top 20 fastest-growing counties in the country per the U.S. Census. The City continues to add a tremendous number of infill development and redevelopment projects that have aided in the rejuvenation from the northern gateway to the southern gateway of the City. Lewisville continues to experience a positive annual population and new residential and commercial growth. The 2023 total population for Lewisville is 133,304. Lewisville is largely developed with limited vacant land available.

The Economic Development Department continues to regularly monitor performance indicators for all sub-markets across Lewisville by utilizing CoStar, a commercial real estate information group. Costar's 2022 report showed a fluctuation of occupancy rates over the year but with 18.8 million SF of space, Lewisville is the largest retail submarket in the metroplex with the average asking rent in line with Dallas-Fort Worth metro's average. Fundamentals in Lewisville for the industrial market continued to strengthen as the leasing momentum of 2021 carried into 2022 as completed projects have leased up quickly. In the Office sector, the annexation of Castle Hills has provided over 360,000 SF of additional Class A office space to Lewisville. Over the coming years, the trend shows that occupancy will stay roughly between 79-80%.

The Marketbeat report from Cushman and Wakefield stated that the Dallas-Fort Worth (DFW) maintained its employment and population growth trajectory in Q4 2022. The region again exceeded previous employment levels and hit an all-time high of 4.2 million people employed in the metroplex.

DIVERSIFIED TAX BASE

The City of Lewisville has made an effort to maintain a diverse composition in its tax base as illustrated on the chart below. This diversity provides stability among economic cycles as well as spreads the tax burden between commercial and residential.



MAJOR INITIATIVES

Lewisville 2025 Vision Plan - Lewisville City Council unanimously adopted the Lewisville 2025 plan on July 14, 2014. The plan was developed during more than a year of public input and discussion that garnered hundreds of ideas and suggestions. That input was studied extensively by the Lewisville 2025 Committee, working with City staff and professional consultants. The resulting Lewisville 2025 plan sets a clear shared vision for the kind of community Lewisville wants to be when it turns one hundred years old in 2025 and sets out dozens of action steps that can be taken to make that vision a reality. Many accomplishments have been made since plan adoption.

In 2019, after five years of implementation, City leaders decided that it was time to review and refine the vision plan. The original Lewisville 2025 vision plan was structured around Big Moves. Those Big Moves presented the major initiatives that could have the biggest impact on Lewisville's future. The original nine Big Moves have been modified and combined based on progress since 2014. After further input from residents, there are now seven Big Moves and three Strategic Moves. Together, the Big and Strategic Moves provide direction for the City's internal operations, community programs and decisions about development and redevelopment efforts.

Big Moves

Green Centerpiece - The vision for the Green Centerpiece is to promote and protect the area as a public amenity. It will provide a distinguishable natural feature that differentiates Lewisville in the region. The City should uphold this Green Centerpiece to position Lewisville as a unique community within the DFW Metroplex. This will serve to enhance the quality of life for residents, and to establish Lewisville as a regional attraction for recreation. The area's opportunities are recreation-focused but represent much more than simply open space and recreation. It is about sustainability, community identity, preservation, research, restoration, health, education, volunteerism, and connection with the natural environment.

Extending the Green - Extending the Green is envisioned as expanding the Green Centerpiece both physically and visually, to connect it with other parts of the City. By connecting the Green Centerpiece to Lewisville's neighborhoods and businesses, everyone who lives or works in Lewisville can enjoy the benefits of this distinctive center. As a key Big Move focus, City investments should emphasize and provide aesthetic and health benefits throughout the city through enhancements to the City's public spaces and parks and recreation system. Special emphasis will be placed on creating parks and connections to the trail system in areas of Lewisville where residents do not have access to a public open space within a 10-minute walk of their home

Old Town - Downtown Lewisville, the City's historic center, is also the core of Lewisville's identity for the future, offering the choice of urban living in Lewisville and including lively restaurants, entertainment, and a walkable environment. Transformative redevelopment is occurring and efforts to maintain the momentum should be a top priority for the City. Lewisville will expand its competitive position with more destination dining, new walkable neighborhoods, and unique retail offerings. Old Town can maintain a historic charm and character while enhancing its image as a new, refreshed, and exciting place to be.

Diverse and Thriving Neighborhoods - Rather than considering existing and future neighborhoods separately (as was done in the initial Lewisville 2025 Vision Plan), this Big Move now establishes the same objectives for all neighborhoods – that they should be thriving and remain sustainable and desirable places to live over time. Together, Lewisville's neighborhoods should offer a diverse range of housing choices that meet residents' needs throughout their lives. It is imperative that all neighborhoods in Lewisville be successful and vibrant whether they be new neighborhoods or neighborhoods that have existed for many decades.

Economic Vitality - Lewisville recognizes that the success of its business community begins with the success of its residents and that both are needed to secure long-term economic vitality. Lewisville holds the distinction of having a higher share of its residents in the workforce than any other city in the state of Texas. Economic vitality must ensure that Lewisville's residents continue to have the knowledge, skills, and abilities that local employers need and want while also ensuring they are well-paid for their work and have opportunities to pursue their own interests and entrepreneurial goals.

Identity, Place and Communications - Lewisville is a community with many great stories that are worth preserving, celebrating, and sharing. New stories are being created every day by the increasingly diverse people and businesses who have chosen to live and invest in this special community. The city's rich history combines with a thriving present and a bright future to create a vibrant identity and a strong sense of place. Telling those stories effectively requires informed and engaged residents and stakeholders. For many of those stories, there is also an important connection to a specific geographic location in Lewisville or to an event that took place in a certain setting. The focus of this Big Move is on these places and the tools for outreach by the City, its residents, and stakeholders, to communicate this identity to the rest of the region, state, nation, and world.

Sustainability - For Lewisville, sustainability means that limited resources (such as land, water, energy, clean air, natural assets, and public funds) are used efficiently to provide a desirable quality of life and business climate that today's residents and businesses need and want, without reducing Lewisville's ability to provide that same quality of life and business climate so future generations of residents and businesses can succeed here, too. This Big Move recognizes that a holistic approach to sustainability will create a community that is resilient, desirable, and equitable both now and in the future.

Strategic Moves

Values-Driven Organization - The 'Values-Driven Organization' Strategic Move includes objectives and action priorities that further the City's commitment to being a values-driven organization. These include being diverse, equitable, and representative of the community. "The Lewisville Way", a set of adopted operating principles that guide operations, is now ingrained into the daily activities of all City departments. It is included in the evaluation of City employees, the annual departmental and citywide SWOT (strengths, weaknesses, opportunities, and threats) analysis, and in new employee orientations. It is also displayed in City buildings and presented in City documents.

Data-Driven Organization - The City is committed to having the right processes, policies, and resources in place to enable the city-wide use of data in decision making. Good decision-making leads to better overall organizational performance. Real-time data results in prompt and informed responses to new issues and challenges. There is also a need to ensure data is being collected today to identify and understand the trends shaping the future.

Connected City - The City provides and facilitates access to people, services, and information. These connections improve the lives of those working, playing, and living in Lewisville. Inclusiveness and ensuring access to everyone is critical to being a connected city. This strategic move includes objectives and action priorities that enhance the City's efforts to be a connected city including transportation (roads, sidewalks, trails, etc.), technology infrastructure, global thinking, and multi-modal connections in and around the Lewisville area.

The complete Lewisville 2025 Vision Plan Update can be viewed by going to Lewisville 2025 Vision Plan Update. There you will find details on the process taken to update the 2025 plan, the resulting Big Moves and Strategic Moves, the latest Lewisville 2025 Annual Report, and the Objectives and Action Priorities to be taken to achieve the stated goals.

Major Roadway Projects

Corporate Drive, a $77 million roadway project, encompasses several segments from Waters Ridge to Trinity Drive. This is the largest roadway project in the City's history and is being funded with City, Denton County, and Regional Toll Revenues (RTR). Segments 1 & 7 (Waters Ridge to Railroad Street and Josey to Trinity Drive) are complete; Segment 6 from FM544 to Josey is complete except for the Kansas City Southern (KCS) railroad underpass. Segment 6 construction began in May, 2022 and is proceeding on schedule with an expected completion date of December, 2024. The design has been completed for Segment 5, Holford's Prairie to Old Denton Road and right of way acquisition is underway. Because of complicated and prolonged right-of-way negotiations, construction bidding has been delayed. Bidding will proceed once right of way acquisition is completed. Corporate Drive, Segment 5 must be completed before the construction of Holford's Prairie Road (detailed below) can begin. Finally, Segments 2-4, Railroad Street to Holford's Prairie, design is also completed. Right-of-way acquisition underway. The City is currently negotiating a contract with a third party Right of Way Agent to obtain right of way. Corps of Engineers permitting has been completed and construction bidding will occur once the ROW acquisition is completed.

Holford's Prairie Road, an estimated $5.7 million roadway project extends from Business 121 south to the Corporate Drive Extension. The roadway will be a major link between Corporate Drive and Business 121 and will provide enhanced access to both industrial and residential properties. The project is 90% designed and includes significant bridge and drainage improvements for Midway Branch Creek, sidewalks, and wider paving. The project includes significant right of way acquisition and property owner relocation. The City is currently negotiating a contract with a third party Right of Way Agent to obtain right of way. Right-of-way acquisition will begin in the spring of 2023. The project is funded with a combination of City and Denton County bond funds.

College Street, an estimated $10.3 million roadway project is being designed and will be constructed in two segments. The project includes the reconstruction of pavement and utilities with the addition of sidewalks, traffic calming features, and some drainage improvements. The west segment, funded with GO bonds, extends from North Cowan Avenue east to Mill Street and the design is complete. Right-of-way acquisition is underway. The City is currently negotiating a contract with a third party Right of Way Agent to obtain right of way. The anticipated construction start is late 2023. The east segment extends from Mill Street east to Railroad Street and is 90% designed. The east segment also includes several "complete streets" elements and additional parking to enhance multimodal transportation. Design completion is expected in mid-2023. The east segment is funded by a combination of City bond funds and Regional Toll Revenues (RTR).

South Kealy Avenue, an estimated $5 Million roadway project is 90% designed. The project extends from Main Street south to Purnell Street. The street will be widened, have bike lanes, and will include sidewalks on both sides. A right of way agent has been contracted to obtain right of way and easements. Construction is expected to begin in late 2023.

North Mill Street, an estimated $7 Million roadway project is design complete and will be advertised construction bids in summer of 2023. The street extends from Hedgerow Lane, north to Tennie Drive. The asphalt pavement will be replaced with concrete pavement and will include a bike lane on each side as well as sewer & water utility replacement under the roadway.

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Residential Growth— A significant number of new residential subdivisions are either underway or planned in Lewisville. These projects include:

PROJECT	LOCATION	RESIDENCE TYPE	PLANNED UNITS	STATUS AT YEAR END 2021
Wyndale Meadows	East of FM 544 and south of SH 121	Single-family	231	Completed
Crescent Estates	Summit Ln south of College Pkwy	Single-family	62	Completed
Vista Del Lago	North Side of State Highway 121, Approximately 1,150 feet east of MacArthur Blvd	Single-Family (Attached)	149	130 units completed
Lakewood Hills	Josey Ln and Windhaven Pkwy	Single-family	525	366 completed
South Village	Elm St & Mill St	Single-family	63	56 completed
Legacy Pointe	East Side of Kealy Ave., east of rodeo grounds, north of College St	Single-family	97	89 completed
Willowbrook	Southeast corner of Denton Tap Rd and Vista Ridge Mall Dr	Single-family	75	Completed
Windhaven Crossing	SH 121 and is bisected by the Atchison, Topeka, and Santa Fe Railroad	Townhomes	367	289 units completed
Hebron 121 Station	Hebron Pkwy and Lakeside Circle	Multi-family	1875	Completed
Uptown Village	S Kealy and Lily Ln	Townhomes	70	Completed
Walters Street	125 S. Walters	Townhomes	19	7 units completed
Highland Terraces	Northside of Highland Dr, East of Denton	Townhomes	32	Completed
Normandy Village	College Pkwy and Summit Ave	Townhomes	85	29 units completed
Archer Way	Moccasin Trail and Archer Way	Townhomes	38	Completed
Oakbend Estates	Oak Bend Dr and Rockbrook Dr	Multi-family	24	14 units completed
Heritage Towers	Summit Ave	Multi-family	282	Under Construction
Heritage Trails	Summit Ave	Townhomes	250	Completed

EDUCATION

The Lewisville Independent School District ("LISD") encompasses 13 communities and 127 square miles. LISD presently has 39 elementary schools, one early childhood center, 15 intermediate schools, five high schools, three ninth grade campuses, two ninth and tenth grade campuses, two career centers, one learning centers, a night high school, and a virtual learning academy. All LISD campuses received the "Met Standard" accountability rating by the Texas Education Agency in the areas of student achievement, student progress, closing performance gaps, and postsecondary readiness. Serving nearly 53,000 students, LISD experienced a period of rapid growth adding over 23,000 students within the last twenty years.

School Year	School Enrollment District Wide
2013-14	52,696
2014-15	52,989
2015-16	53,400
2016-17	53,200
2017-18	52,462
2018-19	52,104
2019-20	52,189
2020-21	52,368
2021-22	53,000
2022-23	54,900

APPENDIX B

EXCERPTS FROM THE

CITY OF LEWISVILLE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2022

The information contained in this Appendix consists of excerpts from the City of Lewisville, Texas Annual Financial Report for the Year Ended September 30, 2022, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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Independent Auditor's Report

To the Honorable Mayor,
City Council, and City Manager of
City of Lewisville, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the (the City), as of and for the year ended 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented components, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the grant special revenue fund 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 the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

New Accounting Standard
As discussed in Note 1 to the basic financial statements, during the year ended September 30, 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Restatements
As discussed in Note 16 to the basic financial statements, the City restated beginning fund balances/ net position for the following: the annexation of the Castle Hills community with the dissolution of eight Denton County Fresh Water Supply Districts accounted for as a merger in accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and an adjustment to reflect proper recognition of intergovernmental revenue. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

The Honorable Mayor,
City Council, and City Manager of
City of Lewisville, Texas

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules and other post-employment benefits (OPEB) schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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.

The Honorable Mayor,
City Council, and City Manager of
City of Lewisville, Texas

Supplementary Information

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

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

Other Information Included in the Annual Comprehensive Financial Report (ACFR)

Management is responsible for the other information included in the ACFR. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
March 30, 2023

LEWISVILLE

Deep Roots. Broad Wings. Bright Future.

This discussion and analysis of the City of Lewisville's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the accompanying transmittal letter and the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Lewisville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ending September 30, 2022 by $833,989,172 (net position). Of this amount, $139,892,051 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The City of Lewisville's total net position decreased by $73,728,449 for the year ended September 30, 2022 which was due to a decrease in governmental activities net position of $87,191,001 and an increase in business-type activities net position of $13,462,552.

- As of September 30, 2022, the City of Lewisville's governmental funds reported combined ending fund balances of $250,583,538, an increase of $23,445,105 in comparison with the prior fiscal year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $58,523,542 or approximately 59.4 percent of total general fund expenditures.

- The City's total outstanding debt increased by $169,324,000 during the current fiscal year primarily due to issuance of debt to refund Castle Hills Public Improvement District bonds for capital projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Lewisville's finances, in a manner similar to private-sector business. The statement of net position presents information on all of the City of Lewisville's assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 of Lewisville is improving or deteriorating. The statement of net position combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, bridges, drainage improvements, alleys, etc.), to assess the overall health or financial condition of the City.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; for example, uncollected taxes and earned but not used vacation leave. Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, library, community development and public services, information technology services, parks and recreation, municipal court, tourism, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.

- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

- *Discretely – presented component units* – The City includes four separate legal entities in its report as discretely – presented component units–Lewisville Housing Finance Corporation, Lewisville Industrial Development Authority, Inc., Lewisville Parks and Library Development Corporation, Tax Increment Reinvestment Zone Number 1 (Lewisville Old Town). Although legally separate, these component units are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, or other money. The City's two types of funds – Governmental and Proprietary – utilize different accounting approaches.

Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Lewisville maintains twenty-four governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, General Capital Projects Fund, and Castle Hills PID Capital Projects Fund, all of which are considered to be major funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the City's other programs and activities. Because these services benefit both governmental as well as business type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

The City of Lewisville maintains two enterprise funds to account for water, sewer, and stormwater drainage services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis are financed through user charges in a manner similar to a private business enterprise.

The City of Lewisville maintains three internal service funds to account for funds accumulated to self-insure for health, liability, property and casualty losses, worker compensation claims, life insurance, long-term disability, vehicle, technology, and equipment replacement and fleet maintenance. Individual fund data for each of these non-major business-type funds is provided in the form of combining statements elsewhere in this report.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for its intended purpose.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information and a statistical section that is intended to assist users in assessing the economic condition of the City.

THE CITY AS A WHOLE – Government-Wide Financial Analysis

The City's combined net position was $833,989,172 as of September 30, 2022. Analyzing the net position of governmental and business-type activities separately, the business type activities net position is $362,714,951. This analysis focuses on the net position (Table 1) and changes in general revenues (chart) and significant expenses of the City's governmental and business-type activities.

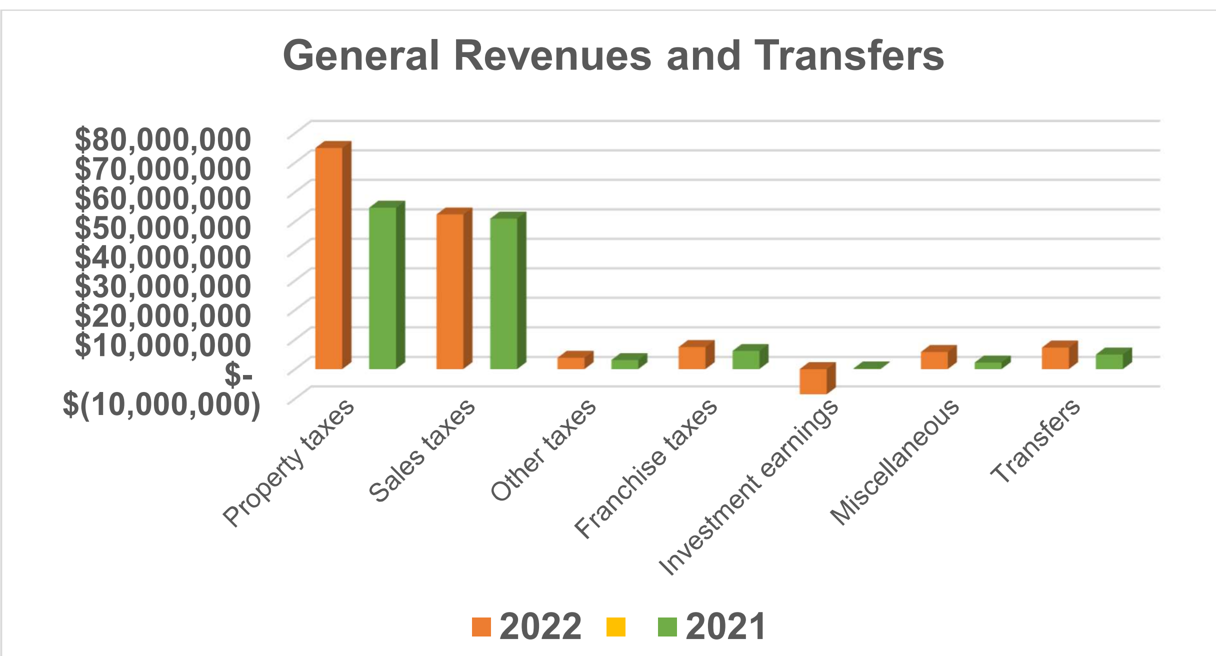
By far the largest portion of the City's net position (75.1 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. $67,701,597 or 8.1 percent of net position was restricted for specific purposes.

Table 1: Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Current and other assets	$ 370,912,309	$ 297,066,089	$ 144,069,964	$ 130,026,008	$ 514,982,273	$ 427,092,097
Capital assets	529,880,613	487,999,640	314,689,589	281,688,095	844,570,202	769,687,735
Total assets	900,792,922	785,065,729	458,759,553	411,714,103	1,359,552,475	1,196,779,832
Deferred outflows	13,021,987	8,854,406	1,291,968	1,014,426	14,313,955	9,868,832
Noncurrent liabilities	337,150,586	187,394,236	87,076,473	78,920,562	424,227,059	266,314,798
Other liabilities	82,289,211	51,725,137	8,257,845	5,469,073	90,547,056	57,194,210
Total liabilities	419,439,797	239,119,373	95,334,318	84,389,635	514,774,115	323,509,008
Deferred inflows	23,100,891	9,564,983	2,002,252	892,735	25,103,143	10,457,718
Net position:						
Net investment in capital assets	326,784,366	414,439,687	299,611,158	270,339,884	626,395,524	684,779,571
Restricted	58,412,112	63,767,668	9,289,485	7,326,864	67,701,597	71,094,532
Unrestricted	86,077,743	67,028,424	53,814,308	49,779,411	139,892,051	116,807,835
Total net position	$ 471,274,221	$ 545,235,779	$ 362,714,951	$ 327,446,159	$ 833,989,172	$ 872,681,938

Governmental Activities

The City's general revenues and transfers increased when compared to the prior year by 17.1 percent or $20,900,563. The primary reasons for this increase were property tax revenues from assessed values of property, sales taxes, and gain on sale of assets. Taxable assessed valuation of properties in the City increased by $402.9 million or 3.4% as compared to the prior year while the tax rate remained the same at $0.443301 per $100 assessed valuation.



Governmental activities decreased the City's net position by $87,191,001. The key elements of this increase are as follows:

Table 2: Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for service	$ 17,130,253	$ 18,798,172	$ 53,115,709	$ 42,054,745	$ 70,245,962	$ 60,852,917
Operating grants and contributions	4,028,678	17,727,042	-	-	4,028,678	17,727,042
Capital grants and contributions	14,123,306	5,014,951	10,201,835	10,210,855	24,325,141	15,225,806
General revenues:						
Property taxes	74,938,126	54,686,839	-	-	74,938,126	54,686,839
Other taxes	63,649,263	60,140,312	-	-	63,649,263	60,140,312
Other	(2,770,022)	2,436,772	(3,453,994)	134,967	(6,224,016)	2,571,739
Total revenues	171,099,604	158,804,088	59,863,550	52,400,567	230,963,154	211,204,655
Expenses:						
General government	18,855,187	21,569,128	-	-	18,855,187	21,569,128
Culture, parks and recreation	14,581,550	11,778,483	-	-	14,581,550	11,778,483
Public safety	64,765,896	59,224,979	-	-	64,765,896	59,224,979
Public and development services	15,696,812	20,472,172	39,129,343	30,040,342	54,826,155	50,512,514
Interest on long-term debt	9,746,345	4,439,899	-	-	9,746,345	4,439,899
Total expenses	123,645,790	117,484,661	39,129,343	30,040,342	162,775,133	147,525,003
Increase in net position before transfers and special item	47,453,814	41,319,427	20,734,207	22,360,225	68,188,021	63,679,652
Transfers	7,271,655	4,924,536	(7,271,655)	(4,924,536)	-	-
Special item	(141,916,470)	-	-	-	(141,916,470)	-
Increase (decrease) in net position	(87,191,001)	46,243,963	13,462,552	17,435,689	(73,728,449)	63,679,652
Net position - beginning, as previously stated	545,235,779	498,991,816	327,446,159	310,010,470	872,681,938	809,002,286
Prior period adjustment	13,229,443	-	21,806,240	-	35,035,683	-
Net position - beginning, as restated	558,465,222	498,991,816	349,252,399	310,010,470	907,717,621	809,002,286
Net position - ending	$ 471,274,221	$ 545,235,779	$ 362,714,951	$ 327,446,159	$ 833,989,172	$ 872,681,938

General revenues and operating grants and contributions increased $4.0 million over the previous year and is discussed in more detail below under the General Fund sections. Capital grants and contributions increased $9.1 million from 2021 mainly due to an increase in contributions related to Castle Hills and contributions received through Texas Department of Transportation.

The most significant governmental expense for the City is payroll and personnel-related cost. For the year, these costs were $81.6 million or 66.0 percent of total expenses. This was an increase in payroll cost from prior year of $3.8 million due to an increase in personnel and merit salary increases. Payroll costs are closely monitored to ensure they fall in line with budgeted amounts. This regular monitoring, along with vacancies throughout the year, payroll costs came in $2,702,706 less than originally budgeted.

For activities, public safety incurred expenses of $64,765,896. These expenses were offset by program revenues of $8,134,364, which were collected from a variety of sources, with the largest being from fines, forfeitures, and ambulance fees. The largest portion of public safety is the cost of personnel which is $56,442,014. Other significant governmental expenses for the City include blic and development services which incurred $15,696,812 in expenses, of which $9,205,839 represents personnel charges and the general government activity which incurred $18,855,187 in expenses, of which $10,062,643 represents personnel charges. General government encompasses mayor and council, administration, legal, finance, human resources, information technology services, community relations and tourism departments. The Parks and Recreation Department incurred $14,581,550 in expenses, of which $5,943,022 represents personnel charges.

Business-type Activities

Business-type activities increased the City's net position by $13,462,552. The increase in net position is the result of several factors, including the following:

- The City's water and sewer system recorded charges for services of $48,649,986. This revenue source increased $10,937,912 from the prior fiscal year. Revenues for the stormwater utility in fiscal year 2022 amounted to $4,465,723. This was a slight increase in stormwater utility of $123,052. Non-cash capital contributions from developers and cash receipts in the form of development impact fees amounted to $10,201,835. This was a decrease of $9,020 from 2021 as a result of minor changes up or down among various activities. Developer contributions are public improvement infrastructure projects that are completed by the developer and dedicated to the City. The charges for services exceeded expenses by $13,986,366.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022, the City had $844.6 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines.

Table 3
Capital Assets at Year-end
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Improvements	$ 225,976,138	$ 228,539,297	$ 5,902,939	$ 141,745	$ 231,879,077	$ 228,681,042
Land	81,119,035	78,198,477	2,502,137	2,502,137	83,621,172	80,700,614
Buildings	89,851,706	45,065,951	1,169,704	1,224,132	91,021,410	46,290,083
Machinery & equipment	11,248,195	13,261,318	2,725,643	2,502,136	13,973,838	15,763,454
Construction in progress	120,959,164	122,934,597	54,879,092	44,937,490	175,838,256	167,872,087
Right-to-use assets *	726,375	852,943	-	-	726,375	852,943
Water system	-	-	139,004,364	134,354,315	139,004,364	134,354,315
Sewer system	-	-	89,054,589	86,212,870	89,054,589	86,212,870
Stormwater system	-	-	19,451,121	9,813,270	19,451,121	9,813,270
Totals	$ 529,880,613	$ 488,852,583	$ 314,689,589	$ 281,688,095	$ 844,570,202	$ 770,540,678

* restated to reflect implementation of GASB Statement No. 87, Leases.

Major capital asset additions for fiscal year 2022 include:

Thrive Multigenerational Recreation Center	$ 47,392,324
Midway Road	5,593,154
2022 Donated Developer ROW	2,920,559
2022 Developer Dedicated I/S - Street Paving	2,483,262
2022 Developer Dedicated I/S - Stormwater	2,353,279
2022 Developer Dedicated I/S - Water	1,685,407
Metro Park and Purnell Drainage	1,674,626
West Drainage Improvements-Discovery at the Realm	1,668,227
Castle Hills, Phase 8, Section A Paving Project	1,612,080
Landscape Improvements-Discovery at the Realm Phase	1,554,259
Castle Hills Lift Station	1,428,095
Castle Hills, Phase 8, Drainage System Project	1,102,240
2022 Developer Dedicated I/S - Sewer	1,092,767
	$ 72,560,279

The City's fiscal year 2022 capital improvement program authorizes it to spend $217.8 million for capital projects. These improvements are in the following categories: water and sewer, streets, drainage, park, municipal/technology, facility, and public safety. The aforementioned amount of $217.8 million is made up of both current year appropriations, as well as carryover amounts appropriated but not yet expended.

To support the capital improvement program, funds are obtained from the issuance of bonds, interest earnings, transfers from operating funds, developer contributions, or a combination of these sources. Additional information on the City of Lewisville's capital assets can be found in Note 5 of the Notes to Financial Statements included in this report.

Debt

At year end, the City had $393.9 million in general obligation, tax notes, certificates of obligation, leases, and revenue bonds outstanding as compared to $224.6 million at the end of the prior fiscal year, an increase of $169.3 million or 75.4 percent as shown in Table 4.

Table 4
Outstanding Debt at Year End
(in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
General obligation bonds, tax notes and certificates of obligation (backed by the City)	$ 288,430	$ 136,690	$ -	$ -	$ 288,430	$ 136,690
General obligation and revenue bonds (backed by fee revenues)	-	-	76,510	68,160	76,510	68,160
Premium	21,103	12,431	7,119	6,455	28,222	18,886
Leases *	751	853	-	-	751	853
Totals	$ 310,284	$ 149,974	$ 83,629	$ 74,615	$ 393,913	$ 224,589

* Restated to reflect implementation of GASB Statement No. 87, Leases.

For more detailed information on long-term debt activity, refer to Note 11 in the Notes to Financial Statements.

The City's General Obligation Bonds and Water and Sewer Revenue Bonds carry a AAA rating from Standard and Poor's and Fitch Ratings. Both of these entities are national rating agencies. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to assessed value of all taxable property is 1.9 percent.

THE CITY'S FUNDS

At the close of the City's fiscal year on September 30, 2022, the governmental funds of the City reported a combined fund balance of $250.6 million, a $57.6 million increase from the previous year, inclusive of the $34.2 million restatement due to the Castle Hills annexation. The increase is primarily due to General Fund growth and bond proceeds from two separate bond sales.

The City's General Fund balance was $60.4 million which was $8.5 million more than the prior year fund balance, exclusive of a $4.3 million adjustment to beginning fund balance due to the annexation of Castle Hills. The increase was primarily attributable to a $6.7 million increase in revenues. Property and other taxes exceeded the prior year by $3.5 million. Of this amount, sales taxes accounted for $2.2 million, while property taxes accounted for $1.7 million, the result of increased assessed valuations. Several other General Fund revenues came in over the prior year amount, including License and Permits ($1.7M), Miscellaneous Revenue ($1.2M), and Recreation revenues ($1.5M). Current year's activity resulted in a positive variance from budget of $11.3 million when compared to a projected positive variance of $2.6M. Final budgeted reserves were projected to come in at $48.7 million. Stronger than expected activity resulted in reserves coming in at $60.4 million. The Debt Service Fund balance decreased by $22.7 million, inclusive of a $21.0 million adjustment due to the Castle Hills annexation, as a result of contributed debt payments being lower than budget. Fund balance in the Castle Hills PID Capital Projects funds decreased by $4.0 million, exclusive of a $2.0 million adjustment due to the annexation, as a result of spending down of bond proceeds for ongoing capital projects. Fund balance in the General Capital Projects funds increased $39.7 million, exclusive of a $6.9 million adjustment due to the annexation, as result of the previously mentioned bond sales took place during the fiscal year. Significant budgetary variances between the final amended budget and the actual results for the General Fund can be summarized as follows:

- Property and Other Tax revenue was $4,907,519 more than estimated. The primary reason was sales tax revenue, which was $5.3 million more than budgeted due to strong economy and conservative budgeting policy that sets the budget at the prior year estimated amount. Net changes, both positive and negative, in other Tax revenues resulted in a negative variance from budget of $141,000.

- Revenue from License and Permits was $459,925 higher than budgeted primarily due to activity higher than projected. Projections for this revenue were intentionally conservative due to the unknown impacts resulting from the Castle Hills annexation.

- Every department in the General Fund realized savings to expenditures when compared to the Final budget. This resulted in a favorable variance of $6.6 million. Payroll savings as a result of open positions was one factor in the favorable variance in expenditures.

The City's Water and Sewer Fund net position of $320.7 million reflects an increase of $9.0 million over the prior year net position balance, exclusive of a $15.8 million adjustment due to the annexation. The increase is primarily due to operating revenues, contributions from developers and impact fees continuing to remain well above operating expenses.

The Stormwater Fund experienced an increase in net position of $4.6 million, exclusive of a $6.0 million adjustment due to the annexation, bringing ending net position in this fund to $40.9 million. Revenues continue to be accumulated for stormwater and drainage projects planned in the next several years.

The City's Internal Service Funds net position of $24.0 million decreased by $2.1 million from the prior year net position balance. This decrease was mainly the result of claims in excess of premium collections and other expenses for the Health Benefit Trust Fund. The Self-Insurance Risk Fund experienced a $0.8 million decrease in net position mainly due to planned capital replacement items.

General Fund Budgetary Highlights

During fiscal year 2022, the City Council amended the budget for the General Fund on seven occasions. A percentage of these appropriations included the routine supplements completed each year for prior year encumbrances (purchases) that overlap into the next fiscal year and to address operational needs that emerged during the year. In November, a supplemental was requested to account for the revenues and expenditures related to the annexation of Castle Hills. Budgets of the eight Fresh Water Supply Districts (FWSD) that made up Castle Hills were transferred to the City upon annexation. In June, a supplemental request was made as part of the mid-year review to account for payments related to an existing economic development agreement. In 2021, the State Comptroller initiated new rules related to online sales – moving towards destination sourcing rather than origin. This ruling would have eliminated the sales tax that the City of Lewisville receives from on-line distribution centers within its boundaries for items delivered outside of the city. Therefore, sales tax revenue and corresponding Economic Development (ED) incentive payments were not budgeted in the FY2022 budget. However, this ruling was put on hold pending litigation, therefore, the city has unexpectedly received the sales tax revenue this fiscal year. In turn, payments are required related to an existing ED agreement.

A final supplement was requested to cover additional expenses related to the Castle Hills bond refunding. Existing bonds outstanding with the FWSD at annexation were refunded at reduced rates to lower interest costs. Total net amendments to expenditures for the year were $154,166,865.

Staff reviewed the supplemental appropriations and determined that there was sufficient revenue to cover all supplements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2023 budget, tax rates, and fees that will be charged for the business-type activities. Included in these factors are the impacts related to the Castle Hills annexation. The budget also considers the economic climate of Lewisville. The city has experienced growth in local business and development activity, even though the pandemic years.

Fiscal year 2022 was a year of accomplishment, change, and challenge. After navigating the challenges of the pandemic in FY 2020 and 2021, FY 2022 introduced some new opportunities, signs of recovery, and economic impacts of its own. The fiscal year 2023 budget is reflective of these changes and highlights not only the potential impacts of a decline in the global economy, but also the continued growth of Lewisville and the increased cost to maintain the infrastructure of the city because of this growth. City staff utilized both the implementation of Lewisville 2025 and the City Council Priorities created during the 2022 Council retreat to guide us through the 2023 budget process. This year's budget also encompasses items from the departmental business plans that were introduced at the Council Retreat. Action items from these plans were used to create budget packages that are explained throughout this document.

These factors were taken into consideration when adopting the General Fund budget for fiscal year 2022. The combined budget appropriation for fiscal year 2023 totals $260,663,837 for twenty-eight operating funds. Another $21,979,689 is appropriated in the City's internal service and retirement trust funds. In addition, $298,340,227 is budgeted in the city's capital improvement program.

Ad valorem tax revenue is determined by two major factors: the total assessed value established by the Denton County and Dallas County Central Appraisal Districts and the tax rate established by the Lewisville City Council. The Lewisville City Council chose to hold the tax rate steady for the current fiscal year at 0.443301 cents per $100 assessed valuation. The final certified roll showed property values increasing $4.8 billion or 39.8 percent from the prior year. The significant increase in values is due to the annexation of the FWSD making up Castle Hills and overall increases to property values. This brings the property tax revenue budgeted for fiscal year 2023 to $56.3 million, making it the single largest General Fund revenue source.

The General Fund's second-largest revenue source in fiscal year 2023 is sales tax receipts. Due to the volatility of the sales tax revenue source, the city has been very conservative in projecting sales tax revenue. This conservative philosophy was formalized in the City's written Revenue Policy adopted by the City Council. Under this policy sales tax revenue budget for subsequent fiscal years is limited to the estimated receipts for the current fiscal year. This practice effectively mitigates, to a large degree, the volatile nature of the sales tax revenue source. The City's budgeted sales tax revenue is $36.7 million.

Budgeted operating expenditures in the General Fund are expected to increase by $13.7 million from the fiscal year 2022 re-estimated budget. The increase in expenditures is offset by expected increases in revenue. The only change in fund balance is the $18.3 million in transfers out for planned, one-time expenditures ($5.1 million last fiscal year).

As for the City's business-type activities, budgeted operating expenditures in the Water and Sewer Fund are expected to increase $1.6 million from the fiscal year 2022 re-estimated budget. The increase considers regular increases in operating expenses and additional costs related to the Castle Hills annexation. This increase is on top of the $7.1 million in water and sewer related expenditures that were transferred to the City upon annexation. The City budgeted a decrease in the net position for fiscal year 2023 of $3.2 million for transfers related to capital improvement projects as well as for economic development agreement liabilities. During fiscal year 2020, the city conducted a multi-year water rate study to determine what were the funding needs to support ongoing operations and current and future anticipated capital needs. Results of the study indicated a need to increase the combined water/sewer rate by 4.3 percent in year three of the plan. The rate increase supports an increase in the level of cash funding for capital projects and covers the annual increase from Dallas Water Utility. This rate change equates to an increase of $3.20 per month ($38.40 per year) for the typical water customer.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and reflect the City's accountability for the resources it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Lewisville, 151 West Church Street, Lewisville, Texas 75057.

BASIC FINANCIAL STATEMENTS

LEWISVILLE

Deep Roots. Broad Wings. Bright Future.

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash	$ 23,385,038	$ 3,707,321	$ 27,092,359	$ 1,333,717
Investments	308,500,065	49,672,916	358,172,981	17,962,179
Receivables (net of allowance for uncollectibles)				
Accounts	6,985,961	7,008,894	13,994,855	-
Taxes	11,733,017	-	11,733,017	1,826,676
Interest	471,258	95,536	566,794	26,718
Other	527,494	1,183,545	1,711,039	-
Internal balances	(907,626)	907,626	-	-
Note receivable from component units	16,100,000	-	16,100,000	-
Inventory of supplies	268,905	-	268,905	-
Prepaid items	1,953,637	94,195	2,047,832	9,670
Restricted assets				
Cash	-	5,607,954	5,607,954	-
Investments	-	75,538,318	75,538,318	-
Interest receivable	-	101,652	101,652	-
Net pension asset	-	-	-	82,758
Net OPEB asset	1,894,560	152,007	2,046,567	-
Capital assets				
Non-depreciable	202,078,199	57,381,229	259,459,428	271,516
Depreciable (net of accumulated depreciation/amortization)	327,802,414	257,308,360	585,110,774	5,050,085
Total assets	900,792,922	458,759,553	1,359,552,475	26,563,319
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	366,557	177,754	544,311	-
Pension contributions after measurement date	7,347,123	629,984	7,977,107	109,984
OPEB contributions after measurement date	107,649	9,881	117,530	-
Difference in expected and actual pension experience	5,165,114	470,116	5,635,230	79,185
Difference in expected and actual OPEB experience	35,544	4,233	39,777	-
Total deferred outflows of resources	13,021,987	1,291,968	14,313,955	189,169
LIABILITIES				
Accounts payable	12,078,636	5,151,387	17,230,023	209,288
Incurred but not reported claim reserve	2,607,766	-	2,607,766	-
Accrued liabilities	961,352	96,817	1,058,169	17,602
Accrued interest payable	1,340,877	381,331	1,722,208	89,598
Retainage	238,169	26,522	264,691	-
Deposits payable	25,251	2,406,177	2,431,428	-
Unearned revenue	61,614,181	-	61,614,181	-
Escrow payable	3,422,979	195,611	3,618,590	-
Noncurrent liabilities				
Due within one year	24,744,417	7,321,827	32,066,244	3,034,591
Due in more than one year	312,406,169	79,754,646	392,160,815	13,129,076
Total liabilities	419,439,797	95,334,318	514,774,115	16,480,155
DEFERRED INFLOWS OF RESOURCES				
Difference in expected and actual pension experience	1,263,893	1,101,339	2,365,232	14,394
Difference in expected and actual OPEB experience	867,968	79,484	947,452	-
Difference in projected and actual earnings on pension assets	19,441,523	690,475	20,131,998	374,571
Difference in expected and actual OPEB assumptions	998,058	84,317	1,082,375	-
Difference in projected and actual earnings on OPEB assets	529,449	46,637	576,086	-
Total deferred inflows of resources	23,100,891	2,002,252	25,103,143	388,965
NET POSITION				
Net investment in capital assets	326,784,366	299,611,158	626,395,524	1,616,601
Restricted for				
Debt service	16,904,990	9,289,485	26,194,475	-
Capital projects	23,147,012	-	23,147,012	-
Public safety	11,884,910	-	11,884,910	-
Grant purposes	54,388	-	54,388	-
Tourism	4,984,796	-	4,984,796	-
Other	1,436,016	-	1,436,016	-
Tax increment reinvestment zone	-	-	-	1,781,439
Unrestricted	86,077,743	53,814,308	139,892,051	6,485,328
Total net position	$ 471,274,221	$ 362,714,951	$ 833,989,172	$ 9,883,368

The Notes to Financial Statements are an integral part of this statement.

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government				
Governmental activities				
General government	$ 18,855,187	$ 2,668,953	$ 133,173	$ 56,972
Culture, parks, and recreation	14,581,550	2,269,474	1,705,338	2,035,572
Public safety	64,765,896	5,996,011	2,138,353	-
Public & development services	15,696,812	6,195,815	51,814	12,030,762
Interest and fiscal charges	9,746,345	-	-	-
Total governmental activities	123,645,790	17,130,253	4,028,678	14,123,306
Business-type activities				
Water and sewer	37,366,753	48,649,986	-	7,848,556
Stormwater	1,762,590	4,465,723	-	2,353,279
Total business-type activities	39,129,343	53,115,709	-	10,201,835
Total primary government	162,775,133	70,245,962	4,028,678	24,325,141
Component Units				
Tax increment reinvestment zone1	1,364,098	-	-	-
LPLDC (4B) fund	4,379,929	210,136	-	-
Total component units	$ 5,744,027	$ 210,136	$ -	$ -

GENERAL REVENUES, TRANSFERS AND SPECIAL ITEM

Taxes
- Property taxes, levied for general purposes
- Sales taxes
- Other taxes
- Franchise taxes
- Hotel motel taxes
- Penalties and interest

Investment earnings (loss)
Gain on sale of assets
Miscellaneous
Transfers
Special item (Note 11)
Total general revenues, transfers and special item

Change in net position

NET POSITION - beginning, as restated (Note 16)

NET POSITION - ending

The Notes to Financial Statements are an integral part of this statement.

Governmental Activities (Primary Government)	Business-Type Activities (Primary Government)	Total (Primary Government)	Component Units
$ (15,996,089)	$ -	$ (15,996,089)	$ -
(8,571,166)	-	(8,571,166)	-
(56,631,532)	-	(56,631,532)	-
2,581,579	-	2,581,579	-
(9,746,345)	-	(9,746,345)	-
(88,363,553)	-	(88,363,553)	-
-	19,131,789	19,131,789	-
-	5,056,412	5,056,412	-
-	24,188,201	24,188,201	-
(88,363,553)	24,188,201	(64,175,352)	-
-	-	-	(1,364,098)
-	-	-	(4,169,793)
-	-	-	(5,533,891)
74,634,101	-	74,634,101	1,229,058
52,388,539	-	52,388,539	10,507,369
1,122,400	-	1,122,400	-
7,439,895	-	7,439,895	-
2,698,429	-	2,698,429	-
304,025	-	304,025	-
(8,532,398)	(3,590,441)	(12,122,839)	(489,617)
23,595	-	23,595	-
5,738,781	136,447	5,875,228	1,271,283
7,271,655	(7,271,655)	-	-
(141,916,470)	-	(141,916,470)	-
1,172,552	(10,725,649)	(9,553,097)	12,518,093
(87,191,001)	13,462,552	(73,728,449)	6,984,202
558,465,222	349,252,399	907,717,621	2,899,166
$ 471,274,221	$ 362,714,951	$ 833,989,172	$ 9,883,368

The Notes to Financial Statements are an integral part of this statement.

	General	Debt Service Fund	Castle Hills PID Capital Project	General Capital Projects	Grants Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS							
Cash	$ 3,559,368	$ 127,792	$ 291,384	$ 14,740,876	$ 1,218,816	$ 1,557,790	$ 21,496,026
Investments	47,837,849	1,721,316	3,924,937	198,557,523	16,417,203	19,688,167	288,146,995
Receivables (net of allowances for uncollectibles)							
Taxes	9,802,262	123,686	-	-	-	1,807,069	11,733,017
Accounts	1,589,033	-	-	2,253,031	2,236,639	326,771	6,405,474
Unbilled accounts	347,912	-	-	-	-	-	347,912
Interest	95,832	8,073	-	290,665	-	41,125	435,695
Court	207,307	-	-	-	-	-	207,307
Other	386,511	-	-	-	-	140,983	527,494
Due from other funds	82,611	165,000	-	-	294	-	247,905
Note receivable from component units	-	16,100,000	-	-	-	-	16,100,000
Prepaid items	791,878	-	-	961,379	-	146,973	1,900,230
Total assets	$ 64,700,563	$ 18,245,867	$ 4,216,321	$ 216,803,474	$ 19,872,952	$ 23,708,878	$ 347,548,055
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
Liabilities							
Accounts and contracts payable	$ 2,597,419	$ -	$ -	$ 7,775,737	$ 262,269	$ 771,237	$ 11,406,662
Accrued liabilities	884,589	-	-	-	8,388	58,736	951,713
Deposits payable	4,450	-	-	-	-	20,801	25,251
Unearned revenue	-	-	-	42,148,885	19,465,296	-	61,614,181
Money held in escrow	70,907	-	-	3,310,461	-	41,611	3,422,979
Retainage	-	-	225,688	12,481	-	-	238,169
Due to other funds	294	-	-	-	82,611	-	82,905
Total liabilities	3,557,659	-	225,688	53,247,564	19,818,564	892,385	77,741,860
Deferred inflows of resources							
Unavailable resources	765,982	16,223,686	-	2,181,781	-	51,208	19,222,657
Total deferred inflows of resources	765,982	16,223,686	-	2,181,781	-	51,208	19,222,657
Fund balances							
Nonspendable	791,878	-	-	961,379	-	146,973	1,900,230
Restricted for							
Debt service	-	2,022,181	-	-	-	-	2,022,181
Capital projects	-	-	3,990,633	126,978,177	-	3,035,092	134,003,902
Other purposes	-	-	-	-	54,388	18,305,722	18,360,110
Committed to							
Capital projects	-	-	-	3,661,283	-	-	3,661,283
Other purposes	-	-	-	-	-	1,277,498	1,277,498
Assigned to							
Capital projects	-	-	-	29,773,290	-	-	29,773,290
Other purposes	1,061,502	-	-	-	-	-	1,061,502
Unassigned	58,523,542	-	-	-	-	-	58,523,542
Total fund balances	60,376,922	2,022,181	3,990,633	161,374,129	54,388	22,765,285	250,583,538
Total liabilities, deferred inflows of resources and fund balances	$ 64,700,563	$ 18,245,867	$ 4,216,321	$ 216,803,474	$ 19,872,952	$ 23,708,878	$ 347,548,055

The Notes to Financial Statements are an integral part of this statement.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION AS OF SEPTEMBER 30, 2022

Total fund balances, governmental funds	$ 250,583,538
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. This amount excludes $4,771,173 allocated from the internal service funds.	525,109,440
Net OPEB assets are not reported in the governmental funds financial statements; however, in the government-wide financial statements, they increase net position.	1,894,560
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(1,340,877)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.	19,222,657
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund financial statements. Amount is less $88,610 for liabilities in internal service funds already included below.	(337,061,976)
Deferred inflows and outflows of resources associated with the net pension and OPEB liability are not reported in governmental funds. This is the net effect of the deferred inflows and outflows of resources.	(10,445,461)
For debt refunding, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the government-wide financial statements.	366,557
An internal service fund is used by management to charge the costs of certain activities, including insurance and vehicle fleet management, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the government-wide statement of net position, net of amounts charged to enterprise funds of $1,072,626.	22,945,783
Total net position, governmental activities	$ 471,274,221

The Notes to Financial Statements are an integral part of this statement.

CITY OF LEWISVILLE, TEXAS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT 5

	General	Debt Service Fund	Castle Hills PID Capital Project	General Capital Projects	Grants Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES							
Property and other taxes	$ 91,835,434	$ 30,823,025	$ -	$ -	$ -	$ 15,991,090	$ 138,649,549
License and permits	5,711,343	-	-	-	-	-	5,711,343
Intergovernmental	-	-	-	7,850,610	3,929,476	295,582	12,075,668
Charges for services	7,665,750	-	-	-	-	-	7,665,750
Recreation	3,925,462	-	-	-	-	408,491	4,333,953
Fines	2,445,365	-	-	-	-	176,777	2,622,142
Investment earnings (loss)	(1,763,167)	(132,774)	139	(5,245,689)	-	(750,002)	(7,891,493)
Contributions and donations	-	-	-	-	-	473,606	473,606
Miscellaneous	2,707,925	2,300,275	-	2,043,257	-	1,011,614	8,063,071
Total Revenues	112,528,112	32,990,526	139	4,648,178	3,929,476	17,607,158	171,703,589
EXPENDITURES							
Current							
General government	16,807,261	-	-	-	115,126	1,389,368	18,311,755
Culture and recreation	10,831,685	-	-	-	12,375	1,639,296	12,483,356
Public safety	55,503,265	-	-	-	1,821,831	6,935,186	64,260,282
Public & development services	13,382,895	-	-	-	878,746	842,004	15,103,645
Debt Service							
Principal	-	26,310,000	-	84,869	-	-	26,394,869
Interest and fiscal charges	1,659,628	7,608,219	-	626,316	-	-	9,894,163
Capital outlay	396,687	-	2,328,562	43,565,061	1,284,853	1,199,780	48,774,943
Total expenditures	98,581,421	33,918,219	2,328,562	44,276,246	4,112,931	12,005,634	195,223,013
Excess (deficiency) of revenues over (under) expenditures	13,946,691	(927,693)	(2,328,423)	(39,628,068)	(183,455)	5,601,524	(23,519,424)
OTHER FINANCING SOURCES (USES)							
Transfers in	30,204,727	-	-	18,326,034	220,617	14,512	48,765,890
Transfers out	(14,505,777)	(21,126,234)	(1,639,972)	-	(37,162)	(3,688,589)	(40,997,734)
Premium (discount) on issuance of bonds	5,309,892	744,044	-	4,124,777	-	-	10,178,713
Issuance of general obligation bonds	-	-	-	56,835,000	-	-	56,835,000
Issuance of refunding bonds	115,500,000	5,660,000	-	-	-	-	121,160,000
Payment to refunding bond escrow agent	-	(7,060,870)	-	-	-	-	(7,060,870)
Total other financing sources (uses)	136,508,842	(21,783,060)	(1,639,972)	79,285,811	183,455	(3,674,077)	188,880,999
SPECIAL ITEM							
Payment to refunded bond escrow agent for PID debt	(141,916,470)	-	-	-	-	-	(141,916,470)
NET CHANGE IN FUND BALANCES	8,539,063	(22,710,753)	(3,968,395)	39,657,743	-	1,927,447	23,445,105
FUND BALANCES - beginning of year, as restated (Note 16)	51,837,859	24,732,934	7,959,028	121,716,386	54,388	20,837,838	227,138,433
FUND BALANCES - end of year	$ 60,376,922	$ 2,022,181	$ 3,990,633	$ 161,374,129	$ 54,388	$ 22,765,285	$ 250,583,538

The Notes to Financial Statements are an integral part of this statement.

CITY OF LEWISVILLE, TEXAS — EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Net change in fund balances, total governmental funds	$ 23,445,105
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of assets is allocated over their estimated useful lives and reported as depreciation expense. Dispositions of capital assets that decreased net position. The total increases in governmental activities capital asset additions exclude $1,300,767 from the internal service fund less disposition of $768,023.	47,321,410
Governmental funds do not recognize assets contributed by developers. However, in the statement of activities the fair market value of those assets is recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense.	6,157,044
Depreciation expense on capital assets is reported in the government-wide statement of activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. This amount excludes $1,968,907 included in the internal service fund allocation.	(21,088,924)
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 (bond principal payments of $26,394,869 and amortization of premium on debt issuances net of amortization of deferred loss from prior year refunding bonds of $1,319,644 less bond proceeds of $177,995,000 with a premium of $10,178,713 plus amount paid to bond refunding escrow agent of $7,060,870.	(153,398,330)
Forgiveness of the obligation of the Castle Hills Districts to the developer increases net position of the government-wide financial statements.	9,994,893
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. The changes in compensated absences for governmental funds decreased governmental activities expense by $3,686,005. The decrease in compensated of $13,213 is allocated with the internal service fund.	(3,681,203)
Current year changes in the long-term liability for net pension/OPEB benefit obligations do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. The amount represents the difference between current year deferred inflows, outflows, and liability from prior year. Changes in pension balances decreased statement of activities expenses by $7,255,454 while OPEB balances decreased statement of activities expenses by $478,432	7,733,886
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(749,146)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	(926,464)
Internal service funds are used by management to charge the costs of certain activities, such as the purchase of equipment and insurance, to individual funds. The change in net position of certain internal service funds is reported with governmental activities. This is the amount of the change in net position allocated to government activities.	(1,999,272)
Change in net position, governmental activities	$ (87,191,001)

The Notes to Financial Statements are an integral part of this statement.

CITY OF LEWISVILLE, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT 7

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property and other taxes	$ 80,951,530	$ 86,927,915	$ 91,835,434	$ 4,907,519
License and permits	2,929,270	5,251,418	5,711,343	459,925
Charges for services	7,309,439	8,025,622	7,665,750	(359,872)
Recreation	2,970,440	3,378,806	3,925,462	546,656
Fines	2,434,891	2,439,855	2,445,365	5,510
Investment earnings (loss)	292,489	292,489	(1,763,167)	(2,055,656)
Miscellaneous	484,896	1,445,740	2,707,925	1,262,185
Total revenues	97,372,955	107,761,845	112,528,112	4,766,267
EXPENDITURES				
Current				
General government	3,990,840	7,240,074	6,445,057	795,017
Mayor and council	125,144	125,153	99,755	25,398
Administrative and legal	3,113,387	3,172,177	2,949,270	222,907
Community relations/tourism	614,848	621,522	554,072	67,450
Finance	1,700,942	1,821,276	1,689,137	132,139
Human resources	1,316,166	1,318,675	1,287,217	31,458
Information technology services	3,916,060	4,024,365	3,782,753	241,612
Parks and recreation	9,878,014	11,305,312	10,215,265	1,090,047
Arts and cultural events	673,007	670,313	616,420	53,893
Police	31,188,056	31,160,430	29,645,931	1,514,499
Fire	24,663,146	24,933,209	24,524,001	409,208
Emergency management	230,286	228,574	221,501	7,073
Municipal court	1,242,482	1,173,155	1,111,832	61,323
Public services	6,118,448	6,832,963	5,960,369	872,594
Neighborhood services	7,544,349	8,018,623	7,422,526	596,097
Debt service	-	1,659,628	1,659,628	-
Capital outlay	142,083	854,856	396,687	458,169
Total expenditures	96,457,258	105,160,305	98,581,421	6,578,884
Excess (deficiency) of revenues over (under) expenditures	915,697	2,601,540	13,946,691	11,345,151
OTHER FINANCING SOURCES (USES)				
Transfers in	5,011,502	29,939,480	30,204,727	265,247
Transfers out	(11,018,522)	(14,564,969)	(14,505,777)	59,192
Premium (discount) on issuance of bonds	-	5,309,892	5,309,892	-
Issuance of refunding bonds	-	115,500,000	115,500,000	-
Total other financing sources (uses)	(6,007,020)	136,184,403	136,508,842	324,439
SPECIAL ITEM				
Payment to refunded bond escrow agent for PID debt	-	(141,916,470)	(141,916,470)	-
NET CHANGE IN FUND BALANCES	(5,091,323)	(3,130,527)	8,539,063	11,669,590
FUND BALANCES - beginning of year, as restated (Note 16)	51,837,859	51,837,859	51,837,859	-
FUND BALANCES - end of year	$ 46,746,536	$ 48,707,332	$ 60,376,922	$ 11,669,590

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 8

GRANT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental	$ 2,866,849	$ 15,592,212	$ 3,929,476	$ (11,662,736)
Miscellaneous	25,000	-	-	-
Total revenues	2,891,849	15,592,212	3,929,476	(11,662,736)
EXPENDITURES				
Current				
General government	-	2,031,641	115,126	1,916,515
Culture and recreation	783,250	763,346	12,375	750,971
Public safety	542,900	1,882,100	1,821,831	60,269
Public & development services	1,844,500	1,235,132	878,746	356,386
Capital outlay	-	8,826,690	1,284,853	7,541,837
Total expenditures	3,170,650	14,738,909	4,112,931	10,625,978
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(278,801)	853,303	(183,455)	(1,036,758)
OTHER FINANCING SOURCES (USES)				
Transfers in	278,801	351,619	220,617	(131,002)
Transfers out	-	-	(37,162)	(37,162)
Total other financing sources (uses)	278,801	351,619	183,455	(168,164)
NET CHANGE IN FUND BALANCES	-	1,204,922	-	(1,204,922)
FUND BALANCES, beginning	54,388	54,388	54,388	-
FUND BALANCES, ending	$ 54,388	$ 1,259,310	$ 54,388	$ (1,204,922)

The Notes to Financial Statements are an integral part of this statement.

CITY OF LEWISVILLE, TEXAS
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

EXHIBIT 9

	Enterprise Funds			
	Water and Sewer Utility Fund	Stormwater Utility Fund	Total	Internal Service Funds
ASSETS				
Current assets				
Cash	$ 3,105,030	$ 602,291	$ 3,707,321	$ 1,889,012
Investments	41,560,148	8,112,768	49,672,916	20,353,070
Receivables (net of allowance for uncollectibles):				
Accounts	2,109,882	581,707	2,691,589	25,268
Unbilled trade accounts	3,898,821	418,484	4,317,305	-
Interest receivable	83,481	12,055	95,536	35,563
Other	1,183,545	-	1,183,545	-
Inventory of supplies, at cost	-	-	-	268,905
Prepaid items	92,676	1,519	94,195	53,407
Restricted assets				
Cash	5,607,954	-	5,607,954	-
Investments	75,538,318	-	75,538,318	-
Interest receivable	101,652	-	101,652	-
Total current assets	133,281,507	9,728,824	143,010,331	22,625,225
Noncurrent assets				
Net OPEB asset	152,007	-	152,007	-
Capital assets				
Land	2,502,137	-	2,502,137	-
Land improvements	5,854,511	-	5,854,511	-
Buildings	1,810,548	-	1,810,548	-
Other improvements	1,062,487	-	1,062,487	440,026
Water system	216,833,168	-	216,833,168	-
Sewer system	149,524,299	-	149,524,299	-
Stormwater System	-	20,329,803	20,329,803	-
Machinery and equipment	6,392,955	37,069	6,430,024	3,541,178
Motor vehicles	907,656	-	907,656	23,863,014
Right-to-use assets	-	-	-	31,907
Construction in progress	42,716,052	12,163,040	54,879,092	-
Less accumulated depreciation/amortization	(144,563,137)	(880,999)	(145,444,136)	(23,104,952)
Total noncurrent assets	283,192,683	31,648,913	314,841,596	4,771,173
Total assets	416,474,190	41,377,737	457,851,927	27,396,398
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	177,754	-	177,754	-
Pension contributions after measurement date	629,984	-	629,984	-
OPEB contributions after measurement date	9,881	-	9,881	-
Difference in expected and actual pension experience	470,116	-	470,116	-
Difference in expected and actual OPEB experience	4,233	-	4,233	-
Total deferred outflows of resources	1,291,968	-	1,291,968	-
LIABILITIES				
Current liabilities				
Current liabilities payable from restricted assets				
Accounts payable	574,424	-	574,424	-
Deposits payable	2,406,177	-	2,406,177	-
Accrued interest payable	381,331	-	381,331	-
Contracts and retainage payable	26,522	-	26,522	-
Escrow payable	195,611	-	195,611	-
Current maturities of bonds payable	6,630,000	-	6,630,000	-
Accounts payable	4,300,213	276,750	4,576,963	671,974
Due to other funds	165,000	-	165,000	-
Incurred but not reported claim reserve	-	-	-	2,607,766
Accrued liabilities	83,557	13,260	96,817	9,639
Compensated absences	579,708	112,119	691,827	46,826
Lease liability	-	-	-	14,760
Total current liabilities	15,342,543	402,129	15,744,672	3,350,965
Noncurrent liabilities				
Bonds payable	76,999,227	-	76,999,227	-
Compensated absences	334,561	64,706	399,267	27,024
Net pension liability	2,356,152	-	2,356,152	-
Total noncurrent liabilities	79,689,940	64,706	79,754,646	27,024
Total liabilities	95,032,483	466,835	95,499,318	3,377,989
DEFERRED INFLOWS OF RESOURCES				
Difference in expected and actual pension experience	1,101,339	-	1,101,339	-
Difference in expected and actual OPEB experience	79,484	-	79,484	-
Difference in pension assumptions	84,317	-	84,317	-
Difference in projected and actual earnings on pension assets	690,475	-	690,475	-
Difference in projected and actual earnings on OPEB assets	46,637	-	46,637	-
Total deferred inflows of resources	2,002,252	-	2,002,252	-
NET POSITION				
Net investment in capital assets	267,962,245	31,648,913	299,611,158	4,771,173
Restricted for bond requirements	9,289,485	-	9,289,485	-
Unrestricted	43,479,693	9,261,989	52,741,682	19,247,236
Total net position	$ 320,731,423	$ 40,910,902	$ 361,642,325	$ 24,018,409

The Notes to Financial Statements are an integral part of this statement.

RECONCILIATION OF ENTERPRISE FUNDS STATEMENT OF NET POSITION TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Total net position, enterprise funds	$ 361,642,325
Amounts reported for business-type activities in the statement of net position are different because:	
An internal service fund is used by management to charge the costs of certain activities, including insurance and vehicle fleet management, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the government-wide statement of net position. The amount shown as the accumulated amount is allocated to business type activities since the adoption of GASB 34.	1,072,626
Total net position, business-type activities	$ 362,714,951

The Notes to Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

	Enterprise Funds			
	Water and Sewer Utility Fund	Stormwater Utility Fund	Total	Internal Service Funds
OPERATING REVENUES				
Charges for sales and services	$ 48,649,986	$ 4,465,723	$ 53,115,709	$ 18,322,483
Miscellaneous	136,447	-	136,447	352,799
Total operating revenues	48,786,433	4,465,723	53,252,156	18,675,282
OPERATING EXPENSES				
Cost of sales and services, net of reimbursements	19,029,284	320,415	19,349,699	15,783,343
Personal services and administrative	7,580,536	1,053,266	8,633,802	1,926,667
Depreciation and amortization	8,332,794	388,909	8,721,703	1,968,907
Total operating expenses	34,942,614	1,762,590	36,705,204	19,678,917
Operating income (loss)	13,843,819	2,703,133	16,546,952	(1,003,635)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings (loss)	(3,368,891)	(221,550)	(3,590,441)	(640,906)
Interest expense and fiscal agent fees	(2,280,316)	-	(2,280,316)	(853)
Gain/(loss) on disposal of capital assets	-	-	-	(1,200)
Total nonoperating revenues (expenses)	(5,649,207)	(221,550)	(5,870,757)	(642,959)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL	8,194,612	2,481,583	10,676,195	(1,646,594)
TRANSFERS AND CAPITAL CONTRIBUTIONS				
Transfers in	120,000	-	120,000	591,446
Transfers out	(7,151,655)	(240,000)	(7,391,655)	(1,087,947)
Contributions from developers	2,778,174	2,353,279	5,131,453	-
Contributions - impact fees	5,070,382	-	5,070,382	-
Total transfers and capital contributions	816,901	2,113,279	2,930,180	(496,501)
CHANGE IN NET POSITION	9,011,513	4,594,862	13,606,375	(2,143,095)
NET POSITION, beginning of year, as restated (Note 16)	311,719,910	36,316,040	348,035,950	26,161,504
NET POSITION, end of year	$ 320,731,423	$ 40,910,902	$ 361,642,325	$ 24,018,409

The Notes to Financial Statements are an integral part of this statement.

RECONCILIATION OF ENTERPRISE FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

Net change in fund net position, enterprise funds	$ 13,606,375
Amounts reported for business-type activities in the statement of activities are different because:	
Internal services funds are used by management to charge the costs of certain activities, such as the purchase of equipment and insurance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. The amount shown represents the net revenue (expense) allocated to business-type activities.	(143,823)
Change in net position, business-type activities	$ 13,462,552

The Notes to Financial Statements are an integral part of this statement.

CITY OF LEWISVILLE, TEXAS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

EXHIBIT 13

	Water & Sewer Fund	Stormwater Utility Fund	Business-Type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 48,729,271	$ 3,980,914	$ 52,710,185	$ 18,607,361
Cash received (paid) from transactions with other funds	165,000	-	165,000	-
Cash paid to employees for services	(7,311,989)	(185,583)	(7,497,572)	(1,009,677)
Cash paid for goods and services	(17,016,005)	(922,372)	(17,938,377)	(6,308,941)
Cash received for miscellaneous items	-	-	-	352,799
Cash paid for claims	-	-	-	(9,112,793)
Net cash provided by operating activities	24,566,277	2,872,959	27,439,236	2,528,749
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	120,000	-	120,000	(1,087,947)
Transfers to other funds	(7,151,655)	(240,000)	(7,391,655)	591,446
Net cash provided by (used in) noncapital financing activities	(7,031,655)	(240,000)	(7,271,655)	(496,501)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(16,959,483)	(2,370,925)	(19,330,408)	(1,268,860)
Proceeds from sale of equipment	-	-	-	(1,200)
Proceeds from sale of revenue bonds	27,715,000	-	27,715,000	-
Principal paid on debt	(5,520,000)	-	(5,520,000)	(17,147)
Bonds refunded	(4,115,000)	-	(4,115,000)	-
Cost of issuance of debt	(306,448)	-	(306,448)	-
Interest paid	(10,637,670)	-	(10,637,670)	(853)
Impact fees	5,070,382	-	5,070,382	-
Net cash provided by (used in) capital and related financing activities	(4,753,219)	(2,370,925)	(7,124,144)	(1,288,060)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(97,478,150)	(8,100,107)	(105,578,257)	(1,822,600)
Proceeds from sale and maturities of investments	79,429,225	7,565,525	86,994,750	479,960
Interest received	(3,411,526)	(221,550)	(3,633,076)	(640,906)
Net cash provided by (used in) investing activities	(21,460,451)	(756,132)	(22,216,583)	(1,983,546)
NET INCREASE IN CASH	(8,679,048)	(494,098)	(9,173,146)	(1,239,358)
CASH, beginning of year	17,392,032	1,096,389	18,488,421	3,128,370
CASH, end of year	$ 8,712,984	$ 602,291	$ 9,315,275	$ 1,889,012
Classified as				
Unrestricted cash and cash equivalents at end of year	$ 3,105,030	$ 602,291	$ 3,707,321	$ 1,889,012
Restricted cash and cash equivalents at end of year	5,607,954	-	5,607,954	-
TOTAL CASH AT END OF YEAR	$ 8,712,984	$ 602,291	$ 9,315,275	$ 1,889,012
RECONCILIATION OF OPERATING INCOME (LOSS)TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 13,843,819	$ 2,703,133	$ 16,546,952	$ (1,003,635)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	8,332,794	1,053,266	9,386,060	1,968,907
Change in assets and liabilities				
(Increase) decrease in receivables	(57,162)	(484,809)	(541,971)	284,427
(Increase) decrease in prepaid expenses	5,213	(1,519)	3,694	(75,942)
(Increase) decrease in due from other funds	-	-	-	134,542
(Increase) decrease in pension related deferred outlfows	(585,399)	-	(585,399)	-
Increase (decrease) in accounts and contracts payable	2,570,156	(537,464)	2,032,692	1,217,948
Increase (decrease) in accrued liabilities	(28,564)	5,520	(23,044)	(2,752)
Increase (decrease) in deposits payable	244,173	-	244,173	-
Increase (decrease) in compensated absences	268,547	134,832	403,379	4,802
Increase (decrease) in net pension liability	(1,274,114)	-	(1,274,114)	-
Increase (decrease) in net OPEB liability	(27,703)	-	(27,703)	-
Increase (decrease) in due to other funds	165,000	-	165,000	452
Increase (decrease) in pension related deferred inflows	1,109,517	-	1,109,517	-
Total adjustments	10,722,458	169,826	10,892,284	3,532,384
Net cash provided by operating activities	$ 24,566,277	$ 2,872,959	$ 27,439,236	$ 2,528,749
NON CASH INVESTING AND FINANCING ACTIVITIES				
From developer contributions of capital assets	$ 2,778,174	$ 2,353,279	$ 5,131,453	$ -
Increase (decrease) in fair value of investments	4,045,619	258,963	4,304,582	(778,309)

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 14

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022

	Lewisville OPEB Liability Trust Fund	Castle Hills PID Debt Service Custodial Fund
ASSETS		
Cash	$ 137,864	$ -
Investments		
Mutual funds - equity	3,060,531	-
Mutual funds - fixed income	1,495,823	-
Total investments	4,556,354	-
Interest receivable	240	-
Other receivables	117,530	-
Total assets	4,811,988	-
LIABILITIES		
Accounts payable	2,071	-
Total liabilities	2,071	-
NET POSITION		
Restricted for post employment benefits other than pensions	4,809,917	-
Total net position	$ 4,809,917	$ -

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 15

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

	Lewisville OPEB Liability Trust Fund	Castle Hills PID Debt Service Custodial Fund
ADDITIONS		
Employer contributions	$ 117,530	$ -
Investment earnings (loss), net of unrealized/realized gain(loss)	(1,131,172)	6
Less investment expense	(25,329)	-
Total additions	(1,038,971)	6
DEDUCTIONS		
Debt Service		
Principal	-	990,000
Interest and fiscal charges	-	189,291
Benefits	337,980	-
Total deductions	337,980	1,179,291
CHANGE IN NET POSITION	(1,376,951)	(1,179,285)
Net position - beginning, as restated (Note 16)	6,186,868	1,179,285
NET POSITION - ending	$ 4,809,917	$ -

The Notes to Financial Statements are an integral part of this statement.

	Lewisville Housing Finance Corporation	Lewisville Industrial Development Authority, Inc.	Tax Increment Reinvestment Zone #1	Lewisville Parks & Library Development Corporation	Total Component Units
ASSETS					
Cash	$ 346	$ 497	$ 125,000	$ 1,207,874	$ 1,333,717
Investments	4,650	6,677	1,683,715	16,267,137	17,962,179
Receivables (net of allowance for uncollectibles)					
Taxes	-	-	-	1,826,676	1,826,676
Interest	7	10	2,521	24,180	26,718
Prepaid items	-	-	-	9,670	9,670
Net pension asset	-	-	-	82,758	82,758
Capital assets					
Non-depreciable	-	-	271,516	-	271,516
Depreciable (net of accumulated depreciation)	-	-	5,050,085	-	5,050,085
Total assets	5,003	7,184	7,132,837	19,418,295	26,563,319
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions after measurement date	-	-	-	109,984	109,984
Difference in expected and actual pension experience	-	-	-	79,185	79,185
Total deferred outflows of resources	-	-	-	189,169	189,169
LIABILITIES					
Current					
Accounts payable	-	-	6,641	202,647	209,288
Accrued liabilities	-	-	-	17,602	17,602
Accrued interest payable	-	-	23,156	66,442	89,598
Noncurrent liabilities					
Due within one year	-	-	585,000	2,449,591	3,034,591
Due in more than one year	-	-	3,120,000	10,009,076	13,129,076
Total liabilities	-	-	3,734,797	12,745,358	16,480,155
DEFERRED INFLOWS OF RESOURCES					
Difference in projected and actual pension experience	-	-	-	14,394	14,394
Difference in projected and actual earnings on pension assets	-	-	-	374,571	374,571
Total deferred inflows of resources	-	-	-	388,965	388,965
NET POSITION					
Net investment in capital assets	-	-	1,616,601	-	1,616,601
Restricted for tax increment reinvestment zone	-	-	1,781,439	-	1,781,439
Unrestricted	5,003	7,184	-	6,473,141	6,485,328
Total net position	$ 5,003	$ 7,184	$ 3,398,040	$ 6,473,141	$ 9,883,368

The Notes to Financial Statements are an integral part of this statement.

	Lewisville Housing Finance Corporation	Lewisville Industrial Development Authority, Inc.	Tax Increment Reinvestment Zone #1	Lewisville Parks and Library Development Corporation	Total Component Units
EXPENSES					
General government	$ -	$ -	$ 1,168,928	$ 270,416	$ 1,439,344
Culture, parks and recreation	-	-	170	3,542,875	3,543,045
Interest on long term debt	-	-	195,000	566,638	761,638
Total expenses	-	-	1,364,098	4,379,929	5,744,027
PROGRAM REVENUES					
Charges for services					
Culture, parks and recreation	-	-	-	210,136	210,136
Total program revenues	-	-	-	210,136	210,136
GENERAL REVENUES					
Property taxes	-	-	1,229,058	-	1,229,058
Sales taxes	-	-	-	10,507,369	10,507,369
Investment earnings (loss)	(127)	(182)	(45,313)	(443,995)	(489,617)
Miscellaneous	-	-	-	1,271,283	1,271,283
Total general revenues	(127)	(182)	1,183,745	11,334,657	12,518,093
CHANGE IN NET POSITION	(127)	(182)	(180,353)	7,164,864	6,984,202
Net position (deficit), beginning	5,130	7,366	3,578,393	(691,723)	2,899,166
Net position, ending	$ 5,003	$ 7,184	$ 3,398,040	$ 6,473,141	$ 9,883,368

The Notes to Financial Statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity

The City of Lewisville is a municipal corporation governed by an elected mayor and a five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

Blended Component Units

- The Lewisville Health Benefit Trust was established by the City under the Texas Political Subdivision Employees Uniform Group Benefits Act (Chapter 172 Texas Local Government Code) to account for health insurance of employees, retirees and dependents. The City Council appoints a board, and board members are removable by the City Council. The City Council approves the trust's annual budget. The activities of the Lewisville Health Benefit Trust are accounted for as a blended component unit and included with the internal service funds. The Health Benefit Trust is reported as a blended component unit since it provides services exclusively for the City of Lewisville.

- The Local Government Corporation was established July 2006 to assist in economic development initiatives. Allowable under Chapter 431 of the Texas Transportation Code, this corporation cannot incur any debt without City Council approval. The City Council appoints a board, and board members are removable by the City Council. The existing four person board is comprised of current City Council members. The City Council approves the corporation's annual budget. In the event of dissolution, title to all assets transfer to the City. The activities of the Lewisville Local Government Corporation are accounted for as a blended component unit and included with the non-major governmental funds. The Local Government Corporation is reported as a blended component unit since its governing body is substantially the same as the City's, and a financial benefit relationship exists.

- In November 2011, the City of Lewisville voters approved, in special election, the creation of the Lewisville Crime Control and Prevention District. The District was formed for the purpose of providing crime control and prevention programs derived from one-eighth cent sales tax within the City of Lewisville. Allowable under Chapter 363 of the Texas Local Government Code, the City Council appointed their own membership as the board of directors of the District. The City Council approves the district's annual budget. In the event of dissolution, title to all assets transfer to the City. The activities of the Lewisville Crime Control and Prevention District are accounted for as a blended component unit and included with the non-major governmental funds. The District is reported as a blended component unit since its governing body is the same as the City's, and a financial benefit relationship exists.

- In November 2011, the City of Lewisville voters approved, in special election, the creation of the Lewisville Fire Control, Prevention, and Emergency Medical Services District. The District was formed for the purpose of providing fire safety and emergency medical service programs derived from one-eighth cent sales tax within the City of Lewisville. Allowable under Chapter 344 of the Texas Local Government Code, the City Council appointed their own membership as the board of directors of the District. The City Council approves the district's annual budget. In the event of dissolution, title to all assets transfer to the City. The activities of the Lewisville Fire Control, Prevention, and Emergency Medical Services District are accounted for as a blended component unit and included with the non-major governmental funds. The District is reported as a blended component unit since its governing body is the same as the City's, and a financial benefit relationship exists.

- The City of Lewisville, in conjunction with Denton County, created the Tax Increment Reinvestment Zone Number 2 (TIRZ2), City of Lewisville, Texas, to provide additional financing resources to pay for infrastructure costs to facilitate a mixed-use development project on approximately 427 acres at the intersection of I-35 and SH121. The City Council appoints five members of the board, and an additional two positions are reserved for appointment by other taxing units levying taxes within the Zone. The City Council may remove board members and approves the Zone's annual budget. Prior to fiscal year 2021, TIRZ2 was reported as a discretely presented component unit, but is now considered a blended component unit and reported as a nonmajor governmental fund.

- The City of Lewisville, in conjunction with Denton County, created the Tax Increment Reinvestment Zone Number 3 (TIRZ3), to provide additional financing resources to facilitate a mixed-use development project in Fresh Water Supply Districts 1G and 1H located in the Castle Hills ETJ. Allowable under Chapter 311 of the Texas Tax Code, the City Council appoints a board, and board members are removable by Council. Positions One through Five on the Board of Directors shall be reserved for the City. Positions Six and Seven shall be reserved for County. The City approves the TIRZ3 annual budget. The Tax Investment Reinvestment Zone Number 3 is reported as a blended component unit since its governing body is substantially the same as the City's, and a financial benefit relationship exists.

- The City of Lewisville, in conjunction with Denton County, created the Tax Increment Reinvestment Zone Number 4 (TIRZ4), to pay for infrastructure costs and facilitate a mixed-use development project on approximately 277 acres in an area bounded by I-35E on the east, McGee Lane on the west, and the Kansas City Southern Railroad on the south. The City Council appoints a Board, and Board Members. Board Members are removable by the City Council. Positions One through Six on the Board of Directors shall be reserved for the City. Position Seven shall be reserved for Denton County. The City approves the TIRZ4 annual budget. The Tax Investment Reinvestment Zone Number 4 is reported as a blended component unit since its governing body is substantially the same as the City's, and a financial benefit relationship exists.

Discretely Presented Component Units

The following entities are accounted for as discretely presented component units since the services provided are not entirely or exclusively for the City.

- The Lewisville Housing Finance Corporation has been established to assist in evaluating housing needs within the City. The City Council appoints a board, and board members are removable by City Council. The City Council approves the Corporation's annual budget. In the event of dissolution, title to all assets transfer to the City. Financial statement information can be obtained by contacting the Lewisville Housing Finance Corporation, P.O. Box 299002, Lewisville, Texas 75029.

- The Lewisville Industrial Development Authority, Inc. has been established to assist in evaluating and considering approval of applications for financial participation by the Authority in commercial development projects. The City Council appoints a board, and board members are removable by City Council. The City Council approves the Authority's annual budget. In the event of dissolution, title to all assets transfer to the City. Financial statement information can be obtained by contacting the Lewisville Industrial Development Authority, P.O. Box 299002, Lewisville, Texas 75029.

- The City of Lewisville, in conjunction with Denton County, created the Tax Increment Reinvestment Zone Number 1, City of Lewisville, Texas, to provide additional financing resources to further enhance the redevelopment of the Old Town area of the City. The City Council appoints a board, and board members are removable by the City Council. The City Council approves the Zone's annual budget. In the event of dissolution, title of all assets transfer to the City. Financial statement information can be obtained by contacting the Lewisville Tax Increment Reinvestment Zone Number 1, P. O. Box 299002, Lewisville, Texas 75029.

- In September 2002, the City of Lewisville voters approved, in a special election, the creation of the Lewisville Parks and Library Development Corporation. The Corporation was formed for the purpose of funding public parks, recreation projects, and library projects from revenues derived from a one-quarter cent sales tax within the City of Lewisville. The City Council appoints a board, and board members are removable by the City Council. The City Council approves the Corporation's annual budget. In the event of dissolution, title of all assets transfer to the City. Financial statement information can be obtained by contacting the Lewisville Parks and Library Development Corporation, P. O. Box 299002, Lewisville, Texas 75029.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and 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 and fiduciary 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 City 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The City's Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation and certificates of obligation debt of governmental funds.

Castle Hills PID Capital Projects Fund – The City's Castle Hills PID Capital Projects Fund accounts for the acquisition and construction of major capital facilities financed by the Castle Hills Public Improvement District.

General Capital Projects Fund – The General Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Grants Fund – The Grants Fund accounts for revenues from federal and state granting agencies. The funds are expended for grant related purposes.

The City reports the following non-major governmental funds:

Special Revenue Funds – The City's Special Revenue Funds are used to account for revenue sources that are legally restricted to expenditures for specified purposes. They include the Hotel/Motel Tax Fund, Recreation Activity Fund, Public, Education and Government (PEG) Programming Fund, Municipal Court Technology Fund, Municipal Court Security Fund, Juvenile Case Manager Fund, Law Enforcement Officer Standard Education Fund (LEOSE), Waters Ridge Public Improvement District (PID) Fund, Asset Forfeiture-State Fund, Asset Forfeiture-Department of Justice Fund, Josey Lane PID Administrative Fund, Asset Forfeiture-Department of Treasury Fund, Community Activities and Training Fund, Lewisville Crime Control and Prevention District, Lewisville Fire Control, Prevention, and Emergency Medical Services District, and Lewisville Local Government Corporation.

Capital Projects Fund – Josey Lane PID accounts for the acquisition and construction of major capital facilities financed by the Josey Lane Public Improvement District. The Tax Increment Reinvestment Zones Number 2, 3 and 4 account for and provide additional funding resources to pay for infrastructure costs to facilitate a mixed-use development project in Fresh Water Supply Districts 1G and 1H located in the Castle Hills area of the City.

The City reports the following major proprietary funds:

Water and Sewer Utility Enterprise Fund – This Enterprise Fund is used to account for operations of the City's sale of treated water and the disposal of sewage and solid waste for its citizens.

Stormwater Utility Enterprise Fund – This Enterprise Fund is used to account for the Drainage Utility fee revenue established in January 2018 to fund stormwater programs and infrastructure.

Additionally, the government reports the following fund types:

Internal Service Funds – The City's Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments within the City.

- *Maintenance and Replacement Fund* – The City's Maintenance and Replacement Fund provides fleet maintenance services for City departments and accounts for the purchase of vehicles and major equipment operated by the City. Departments pay semi-annual charges to provide funds for future replacement of capital outlay, as well as to reimburse the fund for current fleet repairs and maintenance.

- *Self-Insurance Risk Fund* – The City's Self-Insurance Risk Fund accounts for revenues from premium charges to the departments. Expenses include claim payments, administrative costs, and reinsurance premiums for workers' compensation, unemployment, and liability/property casualty programs.

- *Health Benefit Trust Fund* – The City's Health Benefit Fund accounts for revenues from premium charges to the departments, employee and retirees for insurance coverage. Expenses include claims payments, administrative costs, and reinsurance premiums for health and dental programs.

Fiduciary Funds – The City reports the following fiduciary activities.

- *Castle Hills PID Debt Service Custodial Fund* – The City's Castle Hills Public Improvement District Debt Service Custodial Fund accounts for bond proceeds and related debt associated with the issuance of bonds held by the City as an agent for the Public Improvement District.

- *Lewisville OPEB Liability Trust Fund* – The City's OPEB Liability Trust Fund accounts for the funding of postemployment healthcare benefits for retirees of the City and their dependents.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City and charges of the internal service funds to the water and sewer funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund and of the City's Internal Service 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. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Cash, Investments, and Deposits

The government's cash is considered to be cash on hand and demand deposits. The City pools idle cash from all funds for the purpose of increasing income through coordinated investment activities. The City follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool.

Investments, except for the investment pools and U.S. Government Money Market Funds, for the City are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. In accordance with GASB 72, *Fair Value Measurement and Application* Money Market Funds are exempt from fair value measurement.

E. 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" or "interfund receivable/payable."

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

F. Property Taxes

Property taxes attach as an enforceable lien on property located in the City as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year.

The Denton County Tax Assessor/Collector's office bills and collects the City's property taxes. City property tax revenues are deferred when levied and are recognized as revenue when collected.

The statutes of the State of Texas do not prescribe a legal limit. However, Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population that have adopted a Home Rule charter, limits the ad valorem tax rate to $2.50 per $100 assessed valuation. For the fiscal year ended September 30, 2022, with a tax rate of $0.443301, the City had a tax margin of $2.056699 per $100 assessed valuation based upon the maximum rates described above.

G. Inventories of Supplies

Inventories of supplies are valued at weighted average cost and consist of warehouse supplies, postage and gasoline purchased by the City to use in its vehicles. The cost of the inventories is recorded as an expense when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid per the consumption method in the government-wide and fund financial statements. These items consist primarily of software support, training registration, subscriptions, and prepaid insurance.

I. Restricted Assets

Certain proceeds of Enterprise Fund Revenue Bonds and other amounts designated for capital improvements, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

J. Property, Plant, and Equipment

Capital assets, which include property, plant, equipment and infrastructure assets, as well as right-to-use assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $15,000 or more and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at acquisition cost at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The City has established the Maintenance and Replacement Internal Service Fund to account for City-owned vehicles. Charges for use of the vehicle in the form of lease payments are made by the City departments to the Maintenance and Replacement Internal Service Fund to provide for future acquisitions and replacement.

Property, plant, and equipment of the City, is depreciated/amortized using the straight line method over the following estimated useful lives:

Assets	Years
Water and sewer system	50
Infrastructure	30
Buildings	33
Other improvements	4-50
Machinery and equipment	3-50
Vehicles	2-20
Servers	3

K. Compensated Absences

It is the City's policy to permit employees to accumulate certain earned but unused vacation, comp time, and sick pay benefits. Sick leave can be accrued up to 1,600 hours for employees working a 40 hour week and 2,400 hours for sworn fire personnel working an average of 56 hours a week. The City will compensate only for hours in excess of 360 hours up to a maximum of 1,080 hours upon termination. All vacation pay is accrued when incurred in the government-wide, proprietary, and component unit fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

L. Long-Term Obligations

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

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

M. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS), and additions to/deductions from the City'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. Information regarding the City's Total Pension Liability is obtained from TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The City uses a similar treatment for its OPEB liability, related deferred outflows and inflows of resources and OPEB expense. Information is obtained by the City's actuary, Actuarial & Benefits Consulting Group, in compliance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

N. <u>Leases</u>

The City is a lessee for noncancellable leases of property and equipment. The City recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of $5,000 or more.

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

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the City is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

O. <u>Deferred Outflows/Inflows of Resources</u>

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charge on refunding – 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.
- Pension/OPEB contributions after measurement date – These contributions are deferred and recognized as a reduction of the pension/OPEB liability in the following fiscal year.
- Difference in expected and actual pension/OPEB experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category.

- Difference in expected and actual pension/OPEB experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension/OPEB assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual OPEB assumptions – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

The City has a final item which arises only at the governmental fund level. Revenues that have been billed but not yet collected or notes receivable from a component unit that are not yet due are reported as unavailable resources. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available. Please see Note 13 for a listing of deferred inflows.

P. Fund Equity

In the fund financial statements, governmental funds establish fund balance classifications that are comprised of a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported.

Fund balances classified as non-spendable represent amounts that are not in a spendable form (such as inventory). Fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws and regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Manager or his designee. Unassigned fund balance is available for any purpose but is only reported in the General Fund.

For the classification of Governmental Fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

For further details of the various fund balance classifications refer to Note 15.

Q. Minimum Fund Balance Policy

The City Council has adopted a policy that the General Fund will maintain working capital resources at a minimum of 20% of operating expenditure budget and City Manager is authorized by the governing body to establish other funds' reserve balances as operations dictate.

R. Budgets

Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the General, Hotel/Motel Tax Special Revenue, Recreation Activity Special Revenue, Grant Special Revenue, Waters Ridge Public Improvement District (PID) Special Revenue, Municipal Court Security Special Revenue, Municipal Court Technology Special Revenue, Asset Forfeiture-State Special Revenue, Asset Forfeiture-Department of Justice Special Revenue, Josey Lane PID Administrative Special Revenue, Community Activities and Training Special Revenue, Law Enforcement Officer Standards and Education Special Revenue, Juvenile Case Manager Special Revenue, Lewisville Crime Control and Prevention District, Lewisville Fire Control, Prevention, and Emergency Medical Services District, Public, Education, and Government (PEG) Programming Fund, Debt Service, Water and Sewer Utility Enterprise, Self-Insurance Risk Internal Service, Health Benefits Trust Internal Service, Maintenance and Replacement Internal Service, Lewisville Parks and Library Development Corporation (4B Sales Tax), Lewisville OPEB Liability Trust, Old Town Tax Increment Reinvestment Zone 1 (Old Town), Tax Increment Reinvestment Zone 2 Funds, Tax Increment Reinvestment Zone 3 Funds, Tax Increment Reinvestment Zone 4 Funds, and Stormwater Utility Fund.

All annual appropriations lapse at fiscal year-end. Long range financial plans are adopted for all capital project funds with all capital project appropriation balances to roll forward.

The legal level of budgetary control is at the fund level. The Hotel Motel Special Revenue Fund had expenditures in excess of appropriations. There was sufficient budget authority in the funds where the expenditures originated.

S. Implementation of New Accounting Standards

During fiscal year 2022, the City adopted GASB Statement No. 87, Leases (GASB 87), which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Implementation of GASB 87 resulted in no impact to the City's beginning fund balance/net position.

2. CASH, INVESTMENTS, AND DEPOSITS

The City's primary government and component units pool their cash and investments together. The cash and investments as of September 30, 2022 consist of and are classified in the accompanying statement of net position for the primary government and discretely component units:

Primary Government:	
Cash	$ 27,092,359
Investments	358,172,981
Restricted cash	5,607,954
Restricted investments	75,538,318
Discretely Presented Component Unit:	
Cash	1,333,717
Investments	17,962,179
Total cash and investments	$ 485,707,508
Cash on hand	$ 21,470
Cash Deposits with financial institutions	34,012,560
Investments	451,673,478
Total cash and investments	$ 485,707,508

At year end, the carrying amount of the cash deposits was $34,012,560 and the bank balance was $36,367,566. All bank balances, including the bank balance of the discretely presented component unit, were covered by Federal Depository Insurance, Federal Home Loan Bank letter of credit, or by collateral held by a third-party custodian. The custodian serves contractually as the City's agent.

Additionally, the City has an account under a safekeeping agreement with J.P. Morgan Chase Bank, NA. The U.S. Government Treasury and Agency investments clear via the Federal Reserve System through this account upon purchase, sale, or maturity. All assets in the account are held in the City's name.

The City is authorized to make direct investments in the following:

1. U.S. Treasury securities maturing in less than three years;
2. Short-term obligations of U.S. Government agencies, which are guaranteed by the full faith and credit of the United States of America as to principal and interest;
3. Repurchase agreements collateralized by U.S. Treasury or U.S. Government agency securities in accordance with a master repurchase agreement approved by the Investment Committee;
4. Direct or unconditionally guaranteed obligations of the State of Texas; and
5. Common trusts administered by Texas banks with assets consisting of all of the above except certificates of deposit.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The City has recurring fair value measurements as presented in the table below. The City's investment balances and weighted average maturity of such investments (excluding the OPEB Liability Trust) are as follows:

		Fair Value Measurements Using				
	September 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Percent of Total Investments	Weighted Average Maturity (Days)
Investments not Subject to Fair Value:						
Investment Pools:						
Texpool	$ 68,583,126	$ -	$ -	$ -	15.18%	23
Investments by Fair Value Level:						
U.S. Government Agency Securities:						
Federal Farm Credit Bank	111,880,808	-	111,880,808	-	24.77%	149
Federal Home Loan Bank	149,758,712	-	149,758,712	-	33.16%	242
Federal Home Loan Mortgage Corp	32,948,295	-	32,948,295	-	7.29%	43
Federal National Mortgage Assoc	11,502,266	-	11,502,266	-	2.55%	10
U.S. Treasury Bonds	77,000,271	77,000,271	-	-	17.05%	74
Total Value	**$ 451,673,478**	**$ 77,000,271**	**$ 306,090,081**	**$ -**		

Investment Pools are measured at amortized cost and are exempt for fair value reporting.

U.S. Government Agency Securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

U.S. Treasury Bonds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Investments at September 30, 2022 consisted of U.S. Government securities held by the City's agent in the City's name. The carrying amount of these investments at September 30, 2022 was $383,090,352. At September 30, 2022, the City also had $68,583,126 invested with TexPool, an investment pool for state and local governments in Texas. The City's portfolio average yield, including TexPool, was 0.8242% in 2022.

The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAm by Standard & Poors. As a requirement to maintain the weekly rating portfolio, information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investments with TexPool have maturities of less than one year or in U.S. government securities that are not highly sensitive to changes in interest rates. In accordance with its investment policy, the City further manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one and one-half years.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSROs). All investment pools policies require a rating of AA or better from a nationally recognized rating agency. While State law allows investments in commercial paper and corporate bonds that meet rating guidelines issued by NRSROs, the City's policy further restricts investments purchases, aside from those managed by pools, to obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; and other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by, the full faith and credit of the State of Texas or the United States or its agencies and instrumentalities. The City's investments in U.S. Government Agency securities (Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank) are rated AA+ by Standard & Poors, and AAA and Aaa by Fitch and Moody's, respectively. The investment in Texas Local Government Pools (TexPool) carried a credit rating of AAAm by Standard and Poor's as of September 30, 2022.

Concentration of Credit Risk

In accordance with the City's investment policy, investments are issued or explicitly guaranteed by the U.S. Government or in external investment pools, which are not considered to provide a concentration of credit risk.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act of Texas and the City's investment policy requires that a financial institution secure deposits made by state or local government entities by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least the bank balances less FDIC insurance at all times. The City's investment policy further limits exposure to custodial risk on investments through the use of third party safekeeping agreements, delivery versus payment, and limiting types of investments listed earlier in this note.

3. RECEIVABLES

Receivables as of year-end, including the applicable allowances for uncollectable accounts, are as follows:

	General	Debt Service	Castle Hills PID Capital Projects	General Capital Projects	Grant Fund	Other Governmental Funds	Total Governmental Funds
Receivables							
Property taxes	$ 621,806	$ 308,607	$ -	$ -	$ -	$ -	$ 930,413
Franchise taxes	2,154,305	-	-	-	-	-	2,154,305
Sales taxes	7,306,704	-	-	-	-	1,807,069	9,113,773
Mixed drink taxes	91,959	-	-	-	-	-	91,959
Accounts	1,532,581	-	-	-	-	326,771	1,859,352
Unbilled trade accounts	347,912	-	-	-	-	-	347,912
Interest	95,832	8,073	-	290,665	-	41,125	435,695
Court	913,991	-	-	-	-	-	913,991
Other	377,370	-	-	-	-	140,983	518,353
Intergovernmental	-	-	-	2,253,031	2,236,639	-	4,489,670
Ambulance	1,349,631	-	-	-	-	-	1,349,631
Gross receivables	14,792,091	316,680	-	2,543,696	2,236,639	2,315,948	22,205,054
Less: allowance	(2,363,234)	(184,921)	-	-	-	-	(2,548,155)
Net total receivables	$ 12,428,857	$ 131,759	$ -	$ 2,543,696	$ 2,236,639	$ 2,315,948	$ 19,656,899

	Water and Sewer	Stormwater	Internal Service	Total Proprietary Funds	Total All Funds
Receivables					
Property taxes	$ -	$ -	$ -	$ -	$ 930,413
Franchise taxes	-	-	-	-	2,154,305
Sales taxes	-	-	-	-	9,113,773
Mixed drink taxes	-	-	-	-	91,959
Accounts	2,209,876	601,076	25,268	2,836,220	4,695,572
Unbilled trade accounts	3,898,821	418,484	-	4,317,305	4,665,217
Interest	83,481	12,055	35,563	131,099	566,794
Court	-	-	-	-	913,991
Other	1,183,545	-	-	1,183,545	1,701,898
Intergovernmental	-	-	-	-	4,489,670
Ambulance	-	-	-	-	1,349,631
Gross receivables	7,375,723	1,031,615	60,831	8,468,169	30,673,223
Less: allowance	(99,994)	(19,369)	-	(119,363)	(2,667,518)
Net total receivables	$ 7,275,729	$ 1,012,246	$ 60,831	$ 8,348,806	$ 28,005,705

4. INTERFUND TRANSACTIONS

Interfund transactions and balances for the fiscal year 2022 were as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Grant Fund	$ 82,611	Short-term funding of deficit cash
Debt Service Fund	Enterprise Fund	165,000	Reclass eligible funding
Grant Fund	General Fund	294	Reclass expenditures
	Total	$ 247,905	

Interfund Transfers

Transfers In	Transfers Out	Amount	Purpose
General	Water & Sewer Utility	$ 7,151,655	Payments in lieu of taxes, franchise tax, and indirect costs
General	Stormwater Utility	120,000	Indirect costs
General	Castle Hills PID CPF	1,639,972	Reclass of funding for Castle Hills related activity
General	Debt Service Fund	21,126,234	Reclass of funding for Castle Hills related activity
General	Nonmajor Governmental	129,704	Indirect costs
Water & Sewer Utility	Stormwater Utility	120,000	Indirect costs
Grant Fund	General	220,617	Indirect costs
Nonmajor Governmental	Nonmajor Governmental	506	Indirect costs
General	Grant Fund	37,162	Reclass of eligible funding
General Capital Projects	Nonmajor Governmental	3,548,365	Financing of Capital Improvements
Nonmajor Governmental	Nonmajor Governmental	10,014	Financing of Capital Improvements
Nonmajor Governmental	General	3,992	Indirect costs
Internal Service Funds	General	591,446	Indirect costs
General Capital Projects	General	13,689,722	Financing of Capital Improvements
General Capital Projects	Internal Service Funds	1,087,947	Financing of Capital Improvements
		$ 49,477,336	

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022 was as follows:

	Beginning Balance, as restated	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Governmental Funds					
Capital assets, not being depreciated/amortized:					
Land	$ 78,198,476	$ 2,920,559	$ -	$ -	$ 81,119,035
Construction in progress	128,914,307	47,265,661	(760,977)	(54,459,827)	120,959,164
Total capital assets, not being depreciated/amortized	207,112,783	50,186,220	(760,977)	(54,459,827)	202,078,199
Capital assets, being depreciated:					
Land improvements	400,403,476	4,147,524	-	5,801,449	410,352,449
Buildings	85,528,272	-	(7,046)	48,037,170	133,558,396
Other improvements	37,381,133	22,560	-	621,208	38,024,901
Machinery and equipment	31,929,588	1,190,940	(373,424)	-	32,747,104
Right to Use Asset-Buildings*	821,036	-	-	-	821,036
Total capital assets being depreciated/amortized	556,063,505	5,361,024	(380,470)	54,459,827	615,503,886
Accumulated depreciation/amortization:					
Land improvements	(179,496,583)	(13,210,359)	-	-	(192,706,942)
Buildings	(40,462,321)	(3,244,371)	-	-	(43,706,692)
Other improvements	(28,012,128)	(1,780,004)	-	-	(29,792,132)
Machinery and equipment	(23,786,113)	(2,744,724)	373,424	-	(26,157,413)
Right to Use Asset-Buildings*	-	(109,466)	-	-	(109,466)
Total accumulated depreciation/amortization	(271,757,145)	(21,088,924)	373,424	-	(292,472,645)
Total capital assets being depreciated/amortized, net	284,306,360	(15,727,900)	(7,046)	54,459,827	323,031,241
Total governmental funds capital assets, net	491,419,143	34,458,320	(768,023)	-	525,109,440
Internal service funds					
Capital assets, being depreciated/amortized:					
Other improvements	440,026	-	-	-	440,026
Machinery and equipment	27,205,928	1,268,860	(1,070,596)	-	27,404,192
Right to Use Asset-Buildings*	31,907	-	-	-	31,907
Total internal service assets being depreciated/amortized	27,677,861	1,268,860	(1,070,596)	-	27,876,125
Accumulated depreciation/amortization:					
Other improvements	(318,242)	(23,922)	-	-	(342,164)
Machinery and equipment	(21,888,399)	(1,927,885)	1,070,596	-	(22,745,688)
Right to Use Asset-Buildings*	-	(17,100)	-	-	(17,100)
Total accumulated depreciation/amortization	(22,206,641)	(1,968,907)	1,070,596	-	(23,104,952)
Total internal services funds capital assets, net	5,471,220	(700,047)	-	-	4,771,173
Governmental activities capital assets, net	$ 496,890,363	$ 33,758,273	$ (768,023)	$ -	$ 529,880,613

* Beginning balances have been restated to reflect implementation of GASB Statement No. 87, Leases.

	Beginning Balance, as restated	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 2,502,137	$ -	$ -	$ -	$ 2,502,137
Construction in progress	44,937,490	11,989,969	-	(2,048,367)	54,879,092
Total capital assets, not being depreciated	47,439,627	11,989,969	-	(2,048,367)	57,381,229
Capital assets, being depreciated:					
Land improvements	5,854,511	-	-	-	5,854,511
Buildings	1,810,548	-	-	-	1,810,548
Other improvements	1,062,487	-	-	-	1,062,487
Water system	214,777,549	1,685,407	-	370,212	216,833,168
Sewer system	148,431,533	1,089,037	-	3,729	149,524,299
Stormwater system	16,301,898	2,353,479	-	1,674,426	20,329,803
Machinery and equipment	6,804,762	547,896	(14,978)	-	7,337,680
Total capital assets being depreciated	395,043,288	5,675,819	(14,978)	2,048,367	402,752,496
Accumulated depreciation:					
Land improvements	(99,762)	(239,851)	-	-	(339,613)
Buildings	(586,416)	(54,428)	-	-	(640,844)
Other improvements	(595,585)	(78,864)	-	-	(674,449)
Water system	(73,470,157)	(4,358,647)	-	-	(77,828,804)
Sewer system	(57,446,273)	(3,023,437)	-	-	(60,469,710)
Stormwater system	(492,090)	(386,592)	-	-	(878,682)
Machinery and equipment	(4,047,128)	(579,884)	14,978	-	(4,612,034)
Total accumulated depreciation	(136,737,411)	(8,721,703)	14,978	-	(145,444,136)
Business-type activities capital assets, net					
Total capital assets being depreciated, net	258,305,877	(3,045,884)	-	2,048,367	257,308,360
Total capital assets, net	$ 305,745,504	$ 8,944,085	$ -	$ -	$ 314,689,589

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Component Units:					
Capital assets, not being depreciated:					
Construction in progress	$ 1,005,605	$ 199,510	$ (933,599)	$ -	$ 271,516
Total capital assets, not being depreciated	1,005,605	199,510	(933,599)	-	271,516
Capital assets, being depreciated:					
Land improvements	918,000	-	-	-	918,000
Buildings	6,756,046	-	-	-	6,756,046
Machinery and equipment	1,244,455	-	-	-	1,244,455
Total capital assets being depreciated	8,918,501	-	-	-	8,918,501
Accumulated depreciation:					
Land improvements	(238,981)	(30,600)	-	-	(269,581)
Buildings	(2,149,651)	(204,729)	-	-	(2,354,380)
Machinery and equipment	(1,244,455)	-	-	-	(1,244,455)
Total accumulated depreciation	(3,633,087)	(235,329)	-	-	(3,868,416)
Component Units capital assets, net					
Total capital assets being depreciated, net	5,285,414	(235,329)	-	-	5,050,085
Total capital assets, net	$ 6,291,019	$ (35,819)	$ (933,599)	$ -	$ 5,321,601

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

Governmental activities:	
General government	$ 7,675,247
Finance	210,027
Community relations/tourism	53,423
Human resources	8,330
Municipal court	2,921
Information technology	415,490
Police	1,565,360
Fire	906,772
Public services	7,886,892
Parks and recreation	2,145,337
Development services	219,125
Internal service funds	1,968,907
Total depreciation and amortization expense	$ 23,057,831
Business-type activities:	
Water and sewer	$ 8,332,794
Stormwater	388,909
Total depreciation expense	$ 8,721,703

Outstanding commitments at September 30, 2022 under authorized construction contracts were approximately $56.2 million. These outstanding commitments are to be financed by available cash and investment balances, which include proceeds from previous bond issuances.

6. EMPLOYEE RETIREMENT PLAN

Plan Description

The City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) 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 based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

In addition, the City granted on annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount, which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity.

The City elected to increase the annuities (annuity increases) of its retirees, either annually or on an annually repeating basis, effective January 1 of a calendar year. The City has adopted annuity increases at the rate of 70% of the increase (if any) in the Consumer Price Index—all Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December one year before the effective date of the increase, minus any previously granted increases.

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	75% Repeating
Annuity Increase to retirees	70% of CPI Repeating

The City does not participate in Social Security.

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	531
Inactive employees entitled to but not yet receiving benefits	457
Active employees	788
	1,776

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 city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Lewisville were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2022, the City made contributions of 16.71% for the months in 2021 and 16.35% for the months in 2022 which were the actuarially required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%, net of pension investment expense, including inflation
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll; closed

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
	100%	

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 contributions will remain at the current 7% 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 sufficient 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 12/31/2020	$ 351,957,614	$ 320,705,960	$ 31,251,654
Changes for the year			
Service cost	10,584,157	-	10,584,157
Interest	23,600,844	-	23,600,844
Difference between expected and actual experience	5,465,407	-	5,465,407
Changes in assumptions	-	-	-
Contributions-employer	-	10,129,508	(10,129,508)
Contributions-employee	-	4,243,362	(4,243,362)
Net investment income	-	41,825,429	(41,825,429)
Benefit payments, including refunds of employee contributions	(15,215,108)	(15,215,108)	-
Administrative expense	-	(193,447)	193,447
Other changes	-	1,327	(1,327)
Net changes	24,435,300	40,791,071	(16,355,771)
Balance at 12/31/2021	$ 376,392,914	$ 361,497,031	$ 14,895,883

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

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

	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
Primary Government	$ 69,878,357	$ 14,978,641	$ (29,915,968)
Component Unit	(386,083)	(82,758)	165,288
Total	$ 69,492,274	$ 14,895,883	$ (29,750,680)

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

For the year ended September 30, 2022, the City recognized pension expense of $2,479,300 related to the Primary Government. For the same period, the City recognized pension expense of $34,183 related to a component unit, Lewisville Parks and Library Development Corporation (LPLDC).

At September 30, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Primary Government		LPLDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions after measurement date	$ 7,977,107	$ -	$ 109,984	$ -
Difference in expected and actual pension experience	5,635,230	2,365,232	79,185	14,394
Difference in projected and actual earnings on pension assets	-	20,131,998	-	374,571
Total	$ 13,612,337	$ 22,497,230	$ 189,169	$ 388,965

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $8,087,091 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2022 (i.e. recognized in the city's financial statements September 30, 2023). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31	Primary Government	LPLDC	Total Net Deferred Outflows (Inflows) of Resources
2022	$ (2,547,723)	$ (46,805)	$ (2,594,528)
2023	(7,831,114)	(143,869)	(7,974,983)
2024	(3,653,482)	(67,120)	(3,720,602)
2025	(3,016,170)	(55,412)	(3,071,582)
2026	186,489	3,426	189,915
Total	$ (16,862,000)	$ (309,780)	$ (17,171,780)

7. COMMITMENTS AND CONTINGENCIES

Water Contract

The City purchases all of its raw water from the City of Dallas. The raw water rate for this contract during the fiscal year was $1.0323 per 1,000 gallons. The City of Dallas reserves the right and power during the term of this contract to set reasonable revised rates from time to time.

Legal

The City is a party to various lawsuits. Although the outcome of these lawsuits is presently not determinable, it is the opinion of the City's attorney that the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

Grant Audit

The City receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agreement. In the opinion of City management, such disallowances, if any, will not be significant to the City's financial position.

8. OTHER POSTEMPLOYMENT BENEFITS

The City provides $15,000 in life insurance upon retirement for employees with ten years of service with the City of Lewisville. Prior to October 1, 2013, the City purchased fully paid life insurance policies upon retirement for eligible employees. Beginning October 1, 2013, the City began purchasing life insurance through the City's group life insurance vendor. Premiums are now paid monthly for the coverage at a rate of $1.36 per $1,000 of coverage or $20.25 per month. The City had 192 eligible retirees in fiscal year 2021-22 resulting in an annual expenditure of $44,935.

<u>Lewisville OPEB Liability Trust Fund</u>

Plan Description—Plan Administration, Benefits Provided, Contributions, and Membership
The City established an irrevocable trust in 2008 for the systematic funding of postemployment health benefits (OPEB) as a single-employer, defined benefit plan. Plan assets may be used only for the payment or reimbursement of benefits provided to retirees, in accordance with the terms of the plan. The City Manager is the benefit administrator of the plan.

The City provides comprehensive group medical benefits for employees at retirement who meet the eligibility requirements for postretirement benefits. Eligibility requirements are (1) age 60 and 5 years of service with the City, or (2) 20 years of service with Texas Municipal Retirement System, the City's pension provider. Election must be made at time of retirement to remain in the plan. Continuation of coverage is subject to the payment of required contributions by participating retirees and dependents. The City contributes a fixed amount toward each retiree's monthly premium, based on the tenure with the City. The City's substantive plan places a zero percent (0%) cap on future contribution increases. The employee remains on the plan until age 65 when they are moved to a fully insured Medicare supplement plan. The City contributes a flat $50 per month toward the retiree's fully insured premium.

Management of the trust is vested with the City's Investment Committee, which consists of the Director of Finance, Fiscal Services Manager, an Assistant City Manager, and three other members designated by the City Manager.

At the September 30, 2021 measurement date, plan membership consisted of the following:

Inactive plan members (retirees) and beneficiaries currently receiving benefit payments	117
Active plan members	691

Investments—Investment Policy and Directive
The City has established an investment policy and directive for the OPEB plan assets. The policy may be amended by the City Council by a majority vote at any time. The directive is more detailed and may be amended by the City Manager at any time. The directive's stated objective is to achieve long-term growth of trust assets by maximizing long-term rates of return on investments and minimizing risk of loss to fulfill the City's current and long-term OPEB obligations. An investment strategy is pursued that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following is the adopted asset allocation table as of the measurement date, September 30, 2021:

Asset Class	Range Allocation	Target Allocation
Growth Assets		
Domestic Equity	19-59%	44%
International Equity	1-41%	21%
Other (ex. Real Estate)	0-20%	0%
Income Assets		
Fixed Income	20-60%	35%
Other	0-20%	0%
Real Return Assets	0-20%	0%
Cash Equivalents	0-20%	0%
		100%

Investments—Rate of Return
For the year ended September 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 18.28 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Asset of the City
The components of the net OPEB asset at the measurement date of September 30, 2021, were as follows:

Total OPEB liability	$	4,140,301
Plan fiduciary net position		6,186,868
City's net OPEB asset	$	(2,046,567)
Plan fiduciary net position as a percentage of the total OPEB liability		149.43%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation date of October 1, 2021 and a measurement date of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Salary Increases	3.00%, including inflation
Investment Rate of Return	7.0 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	None assumed since the benefits provided are not subject to medical inflation

Mortality rates for general employees: PubG.H-2010 Employee, Retiree and Disabled Retiree, Generational with Projection Scale MP-2021 for males or females, as appropriate.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash & Equivalents	0.00%	0.00%
Equity- Domestic	44.00%	7.60%
Equity- International	21.00%	7.40%
Fixed Income	35.00%	4.20%
Real Estate	0.00%	N/A
Other	0.00%	N/A
Total	100.00%	6.37%

Discount Rate
The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that service contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB (Asset) Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balance at 9/30/2020	$ 5,574,328	$ 5,313,959	$ 260,369
Changes for the year			
Service cost	81,902	-	81,902
Interest	388,411	-	388,411
Difference between expected and actual experience	(472,341)	-	(472,341)
Changes in assumptions	(1,216,999)	-	(1,216,999)
Contributions-employer	-	164,150	(164,150)
Net investment income	-	954,662	(954,662)
Benefit payments, including refunds of employee contributions	(215,000)	(215,000)	-
Other changes	-	(30,903)	30,903
Net changes	(1,434,027)	872,909	(2,306,936)
Balance at 9/30/2021	$ 4,140,301	$ 6,186,868	$ (2,046,567)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate
The following presents the net OPEB asset of the City, as well as what the City's net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current discount rate:

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
Net OPEB asset	($1,696,671)	($2,046,567)	($2,357,093)

The net OPEB asset is shown below as it would be if it were calculated using healthcare cost trend rates 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB asset	($2,303,705)	($2,046,567)	($1,747,545)

For the year ended September 30, 2022, the City recognized OPEB revenue of ($432,028).

At September 30, 2022, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions after measurement date	$ 117,530	$ -
Difference in expected and actual OPEB experience	39,777	947,452
Changes in actuarial assumptions used to determine pension liability	-	1,082,375
Difference in projected and actual earnings on pension assets		576,086
Total	$ 157,307	$ 2,605,913

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of $117,530 will be recognized as a reduction of the total OPEB liability for the measurement year ending September 30, 2022 (i.e. recognized in the City's financial statements September 30, 2023). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Sept 30	Net Deferred Outflows (Inflows) of Resources
2022	$ (486,703)
2023	(415,625)
2024	(436,267)
2025	(387,041)
Thereafter	(840,500)
Total	$ (2,566,136)

The Lewisville OPEB Liability Trust Fund does not issue a separate financial report. Additional information can be found in the Required Supplement Information (RSI) and Financial (Fiduciary statements) Sections of this report.

9. COMPONENTS OF RESTRICTED ASSETS

Restricted assets reported in the Enterprise Funds statement of net position at September 30, 2022 are comprised of the following:

Deposits	$ 2,406,177
Money held in escrow	195,611
Revenue bond current debt service accounts	5,359,170
Revenue bond future debt service accounts	4,311,646
Revenue bond construction accounts	68,975,320
Total	$ 81,247,924

The related liabilities payable from restricted assets at September 30, 2022 are as follows:

Deposits	$ 2,406,177
Escrow payable	195,611
Accrued interest payable	381,331
Accounts, contracts, and retainage payable	600,946
Current maturities of bonds payable	6,630,000
Total	$ 10,214,065

The ordinance authorizing the Waterworks and Sewer System Revenue Bonds requires that the City establish a sinking fund (recorded in the revenue bond current debt service accounts) in an amount not less than the amount required to fully pay principal and interest payments as they come due. In addition, the ordinance requires that the City establish a reserve fund (recorded in the revenue bond future debt service accounts) to provide for payment of principal and interest in the event that other funds available for such purposes are insufficient. At September 30, 2022, the balances in both the sinking and reserve funds are sufficient to satisfy such bond ordinance requirements.

The ordinance further requires that the proceeds from the sale of the Revenue Bonds be expended for making improvements and extensions to the City's combined waterworks and sanitary sewer system. The proceeds are maintained in the revenue bond and capital projects construction accounts until such time as needed to fund the construction program.

The amount of net position restricted for revenue bond retirements is detailed as follows:

Revenue bond current debt service accounts	$ 5,359,170
Revenue bond future debt service accounts	4,311,646
	9,670,816
Less:	
Accrued interest payable	381,331
Restricted for revenue bond retirement	$ 9,289,485

10. DEFERRED COMPENSATION PLAN

The City offers its employees a choice between two deferred compensation plans (the Plan) created in accordance with Internal Revenue Code Section 457. One plan is administered and investments managed by Nationwide Retirement Solutions (NRS) while another plan is administered by AIG Valic. The assets and liabilities amounted to $51,046,402 for Nationwide and $42,542,841 for AIG Valic at September 30, 2022. The plans include numerous types of investments as participants elect how their salary deferrals are invested. Investment options include the following: fixed annuities, variable annuities, and life insurance.

The Plan is available to all City employees and permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the City's management that the City has no liability for those losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. The City provides limited administrative duties.

In accordance with GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, the deferred compensation plans are not included in the financial statements of the City.

11. LONG TERM LIABILITIES

General Obligation Bonds

General Obligation Bonds are direct obligations and pledge the full faith and credit of the City. Bonds generally are issued as 16-year serial bonds, except for refunding issues, with level debt service requirements each year. General Obligation Bonds outstanding as of September 30, 2022 are as follows:

Purpose	Interest Rates	Governmental Activities Amount
General Government	0.55% - 5.00%	$ 275,010,000

General Obligation Bonds are authorized by a referendum election prior to issuance. The City's last elections that authorized the issuance of these bonds were held on November 3, 2015 and November 2, 2021. The authorized and remaining balances as of September 30, 2022 are as follows:

Purpose	Date Authorized	Amount Authorized	Unissued Balance
Streets	11/3/2015	$ 71,600,000	$ 13,885,000
Parks & Recreation	11/3/2015	39,900,000	3,007,000
Aquatic Center	11/3/2015	13,000,000	-
Police & Fire	11/3/2015	10,500,000	-
Police & Fire	11/2/2021	95,000,000	47,500,000
Total		$ 230,000,000	$ 64,392,000

Certificates of Obligation

Certificates of Obligation are direct obligations of the City, payable from a combination of ad valorem taxes and a limited pledge of surplus revenues of the City's waterworks and sewer system. Certificates of Obligation outstanding as of September 30, 2022 are as follows:

Purpose	Interest Rates	Governmental Activities Amount
Fleet Building	1.50% - 4.50%	$ 13,420,000

During the current fiscal year, upon dissolution of the eight Denton County Fresh Water Supply Districts as described at Note 16, the City assumed $6,981,843 unlimited tax obligations and $1,610,000 of revenue obligations. In accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* the long-term liabilities have been recognized and measured at the beginning of the current fiscal year; as such, the beginning long-term liabilities balances have been restated.

In November 2021, the City issued General Obligation Refunding Bonds, Series 2021A, 2021B, 2021C and 2021D, in the amounts of $32,405,000, $31,155,000, $22,535,000, and $35,065,000, respectively. $5,660,000 of proceeds from the sale of the Series 2021A bonds, along with $744,044 of premium, were deposited with an escrow agent to refund $6,981,843 of Denton County Fresh Water Supply District No. 1-C Unlimited Tax Road Bonds, Series 2020 and Denton County Fresh Water Supply District No. 1-C Unlimited Tax Utility System Bonds, Series 2020. The difference between the new debt and the old debt, $753,039, resulted in an economic gain of $696,343.

The remaining proceeds from the Series 2021A Bonds, along with the entire proceeds of Series 2021B, 2021C, and 2021D, totaling $115,500,000, premium in the amount of $5,309,892 and $22,766,208 of Castle Hills PID debt service reserves were deposited with an escrow agent to refund the following:

City of Lewisville, Texas Combination Contract Revenue and Special Assessment Bonds Issuances			Amount Refunded
Series 2015	Refunding Bonds	CH PID Project	$ 1,760,000
Series 2014	Road System Bonds	District No. 7 Project	1,105,000
Series 2014	Utility System Bonds	District No. 7 Project	1,065,000
Series 2016	Road System Bonds	District No. 7 Project	2,770,000
Series 2016	Utility System Bonds	District No. 7 Project	1,445,000
Series 2015	Refunding Bonds	District No. 2 Project	6,390,000
Series 2014	Refunding and Utility System Bonds	District No. 3 Project	2,840,000
Series 2011	Road Bonds	District No. 4 Project	4,820,000
Series 2011	Utility System Bonds	District No. 4 Project	2,665,000
Series 2014	Refunding Bonds	District No. 4 Project	11,065,000
Series 2014	Utility System Bonds	District No. 4 Project	2,860,000
Series 1998	Refunding and Capital Improvement Bonds	Castle Hills Project	3,130,000
Series 2013	Refunding Bonds	District No. 2 Project	8,435,000
Series 2015	Refunding Bonds	District No. 3 Project	12,290,000
Series 2014	Road System Bonds	District No. 5 Project	3,575,000
Series 2014	Utility System Bonds	District No. 5 Project	2,585,000
Series 2015	Utility System Bonds	District No. 5 Project	9,180,000
Series 2014	Road System Bonds	District No. 6 Project	1,185,000
Series 2014	Utility System Bonds	District No. 6 Project	5,540,000
Series 2019	Road System Bonds	District No. 6 Project	4,840,000
Series 2019	Utility System Bonds	District No. 6 Project	5,720,000
Series 2019A	Road System Bonds	District No. 6 Project	1,715,000
Series 2019A	Utility System Bonds	District No. 6 Project	1,830,000
Series 2017	Road System Bonds	District No. 5 Project	5,440,000
Series 2017	Utility System Bonds	District No. 5 Project	10,540,000
Series 2017	Road System Bonds	District No. 6 Project	13,745,000
Series 2017	Utility System Bonds	District No. 6 Project	7,235,000
		Total	$ 135,770,000

The $141,916,470 paid to the bond escrow agent has been recorded as a special item of the general fund in the governmental funds statement of revenues, expenditures and changes in fund balance as well as the governmental activities in the government-wide statement of activities.

In May 2022, the City issued $56,835,000 General Obligation Bonds, Series 2022. Proceeds from the sale of the bonds will be used to fund various capital projects within the City.

Annual debt service requirements to maturity for Government Activities General Obligation Bonds and Certificates of Obligation, including interest of $102,671,021 are as follows:

	Governmental Activities Bonds				
Year Ended	General Obligation Bonds		Certificates of Obligation		
September 30	Principal	Interest	Principal	Interest	Total
2023	$ 14,870,000	$ 10,242,800	$ 540,000	$ 333,725	$ 25,986,525
2024	13,840,000	9,096,524	440,000	311,675	23,688,199
2025	13,400,000	8,505,046	585,000	288,613	22,778,659
2026	12,285,000	7,935,543	610,000	261,725	21,092,268
2027	13,115,000	7,377,094	630,000	242,881	21,364,975
2028-2032	66,110,000	28,609,354	3,435,000	922,788	99,077,142
2033-2037	59,900,000	16,982,505	3,835,000	516,656	81,234,161
2038-2042	52,015,000	8,351,050	3,345,000	135,450	63,846,500
2043-2047	23,750,000	2,479,678	-	-	26,229,678
2048	5,725,000	77,916	-	-	5,802,916
	$ 275,010,000	$ 99,657,510	$ 13,420,000	$3,013,513	$ 391,101,023

Revenue Bonds

The City also issues bonds where the City pledges income derived from acquired or constructed assets to pay debt service. Revenue Bonds outstanding, at September 30, 2022, are as follows:

Purpose	Interest Rates	Amount
Water supply and waste water treatment	1.50% - 5.00%	$ 76,510,000
Less-Current maturities payable from restricted assets		6,630,000
Long-term portion of revenue bonds		$ 69,880,000

Annual debt service requirements to maturity, for Business-type Activities Revenue Bonds and General Obligation Bonds, including interest of $16,988,379 are as follows:

Year Ended	Business Type Activities Bonds		
September 30	Principal	Interest	Total
2023	$ 6,630,000	$ 2,797,396	$ 9,427,396
2024	7,030,000	2,400,329	9,430,329
2025	6,575,000	2,120,385	8,695,385
2026	5,875,000	1,864,685	7,739,685
2027	6,110,000	1,626,810	7,736,810
2028-2032	26,880,000	4,926,094	31,806,094
2033-2037	16,330,000	1,231,080	17,561,080
2038	1,080,000	21,600	1,101,600
	$ 76,510,000	$ 16,988,379	$ 93,498,379

In May 2022, the City of Lewisville issued $12,435,000 Waterworks and Sewer System Revenue Bonds, Series 2022. Proceeds from the sale of both bond issuances will be used to construct, acquire and install improvements, additions and extension to the City's waterworks and sewer system.

Leases

The City has entered into multiple lease agreements as lessee for the right-to-use equipment over the term of the lease. The City is required to make periodic payments as its incremental borrowing rate or the interest rate stated or implied within the leases. The City's leases incur interest at rates of 3.54% annually and are recorded within the City's governmental activities. All such arrangements range between one and three years in length.

The annual debt service requirements to maturity, including interest for the City's leases are as follows:

Year Ended	Leases		
September 30	Principal	Interest	Total
2023	$ 475,812	$ 18,894	$ 494,706
2024	265,158	3,604	268,762
2025	9,957	45	10,002
	$ 750,927	$ 22,543	$ 773,470

Due to Developer

As further described in Note 16, the City annexed eight Denton County Fresh Water Supply Districts (collectively, the Districts) in November 2021. The Districts incurred liabilities to Bright Realty, LLC (the developer) for unreimbursed development costs which totaled $9,994,893 as of October 1, 2021. The remaining obligation was forgiven by the developer upon dissolution of the Districts during the fiscal year.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2022 was as follows:

	Beginning Balance, as restated	Additions	Reductions	Refundings	Ending Balance	Due Within One Year
Governmental activities:						
General obligation bonds	$ 127,436,843	$ 177,995,000	$ (23,440,000)	$ (6,981,843)	$ 275,010,000	$ 14,870,000
Certificates of obligation	16,290,000	-	(2,870,000)	-	13,420,000	540,000
Premium	12,431,720	10,178,713	(1,507,410)	-	21,103,023	-
Leases*	852,943		(102,016)	-	750,927	475,812
Compensated absences	10,558,142	11,000,665	(7,314,660)	-	14,244,147	8,858,605
Due to developer	9,994,893	-	(9,994,893)	-	-	-
Net pension liability	27,481,708	-	(14,859,219)	-	12,622,489	-
Net OPEB liability (asset)	232,666	-	(2,127,226)	-	(1,894,560)	-
Governmental activity long-term liabilities	$ 205,278,915	$ 199,174,378	$ (62,215,424)	$ (6,981,843)	$ 335,256,026	$ 24,744,417
Business type activities:						
Bonds payable	$ 69,770,000	$ 12,435,000	$ (5,695,000)	$ -	76,510,000	$ 6,630,000
Premium	6,454,671	1,236,850	(536,530)	-	7,154,991	-
Discount	(39,793)	-	4,029	-	(35,764)	-
Compensated absences	687,715	947,927	(544,548)	-	1,091,094	691,827
Net pension liability	3,630,266	-	(1,274,114)	-	2,356,152	-
Net OPEB liability (asset)	27,703	-	(179,710)	-	(152,007)	-
Business type activity: long-term liabilities	$ 80,530,562	$ 14,619,777	$ (8,225,873)	$ -	$ 86,924,466	$ 7,321,827

* Beginning balances have been restated to reflect implementation of GASB Statement No. 87, *Leases.*

In general, the General fund has been used in prior years to liquidate other long-term liabilities for the governmental activities of the City.

Component Unit Bonded Indebtedness

On September 14, 2002 voters approved the imposition of an additional sales and use tax of one-quarter of one (0.25%) percent for parks and library purposes. The tax became effective on January 1, 2003 and collections began in March 2003. The sales tax is collected solely for the benefit of the Lewisville Parks and Library Development Corporation ("LPLDC" a non-profit corporation) established by the City to administer sales tax collections and projects.

Proceeds of Certificates of Obligation issued in 2004 were utilized to finance the construction of park facilities and library improvements for LPLDC. Certificates of Obligation issued in 2007 for the LPLDC and the Tax Increment Reinvestment Zone Number 1 (TIRZ, also known as Old Town) component units were utilized for constructing an athletic complex, an arts activity center, parking lot and related improvements. A portion of the proceeds of the 2016 Tax Notes were issued for LPLDC for construction and acquisition of park and recreation facilities and improvements.

The Lewisville Park and Library Development Corporation ("LPLDC") and Tax Increment Reinvestment Zone ("TIRZ") has entered into agreements to reimburse the City for annual debt service costs associated with a portion of the City's general obligation bond series 2012, 2015, 2016, and 2018. The outstanding obligations as of September 30, 2022, have been recorded as a non-current liability of the LPLDC and TIRZ in the amount of $12,395,000 and $3,705,000 respectively, and as a non-current asset of the governmental activities in the statement of net position.

Annual debt service requirements on the aforementioned debt are as follows:

Year Ended	LPLDC - Note Payable		
September 30	Principal	Interest	Total
2023	$ 2,410,000	$ 481,713	$ 2,891,713
2024	2,270,000	382,563	2,652,563
2025	825,000	312,613	1,137,613
2026	865,000	270,363	1,135,363
2027	915,000	257,313	1,172,313
2028-2032	5,110,000	538,706	5,648,706
	$ 12,395,000	$ 2,243,271	$ 14,638,271

Year Ended	TIRZ - Note Payable		
September 30	Principal	Interest	Total
2023	$ 585,000	$ 170,625	$ 755,625
2024	660,000	139,500	799,500
2025	735,000	104,625	839,625
2026	820,000	65,750	885,750
2027	905,000	22,625	927,625
	$ 3,705,000	$ 503,125	$ 4,208,125

A summary of changes in discretely presented component unit long-term debt follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
LPLDC activities:					
Notes payable:					
Notes payable to Primary Government	$ 14,670,000	$ -	$ (2,275,000)	$ 12,395,000	$ 2,410,000
Compensated absences	45,668	137,732	(119,732)	63,668	39,591
Net pension liability	139,680	-	(222,438)	(82,758)	-
LPLDC activities total:	14,855,348	137,732	(2,617,170)	12,375,910	2,449,591
TIRZ activities:					
Notes payable:					
Notes payable to Primary Government	4,225,000	-	(520,000)	3,705,000	585,000
TIRZ activities total:	4,225,000	-	(520,000)	3,705,000	585,000
Component unit long-term liabilities	$ 19,080,348	$ 137,732	$ (3,137,170)	$ 16,080,910	$ 3,034,591

12. RISK MANAGEMENT

The City established a limited risk management program for workers' compensation and healthcare coverage in 1988. Beginning September 1, 1990, liability and property and casualty risk funding was established within the Self-Insurance Risk Internal Service Fund. Life, accidental death and dismemberment and long-term disability coverage are fully insured but accounted for within the fund. Premiums are transferred into the Self-Insurance Risk Internal Service Fund from all other operating funds and are available to pay claims, claim reserves, reinsurance excess coverage premiums, and any other premiums or administrative costs associated with the programs. During FY 2021-22, a total of $1,677,216 was paid in life insurance and long-term disability premiums, reinsurance premiums, and administrative costs for workers' compensation, liability, and property/casualty claims. Workers' compensation liabilities include the reserve for unpaid claims and a calculated reserve for incurred but not reported claims. The workers' compensation reinsurance provided excess coverage of $500,000 per occurrence for all positions. The City has three open workers' compensation claims that have exceeded the specific retention and are being paid through the excess coverage.

During FY 2001-02, the City established a Health Benefit Trust under Chapter 172 of the Texas Local Government Code. Since the establishment of the Trust, premiums for healthcare have been transferred into the Trust from all other operating funds and are available to pay claims, claim reserves, reinsurance excess coverage premiums, and the administrative costs of the medical/dental plan. For the plan year beginning October 1, 2021, the healthcare reinsurance provided excess coverage (beyond $175,000 per occurrence) and an annual aggregate stop loss of approximately $10,565,206 per plan year limit. The healthcare liabilities include the reserve for unpaid claims and a calculated reserve for incurred but not reported claims. During FY 2021-22, total expenses for claims, reinsurance premiums, and administrative costs for healthcare amounted to $12,952,394.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated annually by an outside actuary who takes into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balances of claims liabilities for the years ended September 30, 2022 and 2021 are as follows:

	2022	2021
Claims payable, beginning of year	$ 1,664,122	$ 1,365,021
Incurred claims	4,840,905	4,799,982
Claims payments	(9,112,793)	(7,829,125)
Claims payable, end of year	$ 2,607,766	$ 1,664,122

13. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Governmental funds report deferred inflows of resources in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned revenue). At the end of the current fiscal year, the various components of unearned revenue and deferred inflows of resources reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Castle Hills PID Capital Project	General Capital Projects Fund	Grant Fund	Nonmajor Governmental Funds	Total
Deferred inflows of resources:							
Property taxes	$ 249,294	$ 123,686	$ -	$ -	$ -	$ -	$ 372,980
Court fines	207,308	-	-	-	-	-	207,308
Ambulance	270,800	-	-	-	-	-	270,800
Intergovernmental	-	-	-	2,181,781	-	-	2,181,781
Notes receivable from component unit	-	16,100,000	-	-	-	-	16,100,000
Other	38,580	-	-	-	-	51,208	89,788
Total	$ 765,982	$ 16,223,686	$ -	$ 2,181,781	$ -	$ 51,208	$ 19,222,657
Unearned revenue:							
Advance grant payment	-	-	-	-	19,465,296	-	19,465,296
Advance construction payment	-	-	-	42,148,885	-	-	42,148,885
Total	$ -	$ -	$ -	$ 42,148,885	$ 19,465,296	$ -	$ 61,614,181

14. TAX ABATEMENTS

The City enters into economic development agreements authorized under Chapter 380 of the Texas Local Government Code and Chapter 312 of the Texas Tax Code. These agreements are planning tools designed to stimulate economic activity, redevelopment, community improvement, and provide a return on investment for the community. These programs abate or rebate property and/or sales taxes and may include other incentive payments such as fee reductions or construction costs reimbursements. Economic development agreements are considered on a case by case basis by the City Council and generally contain recapture provisions, which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

Tax Abatement Agreements

Chapter 312 of the Texas Tax Code allows the City to designate tax reinvestment zones and negotiate abatement agreements with applicants. These abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer pays taxes on the lower assessed value during the term of the agreement. Recipients must submit compliance reports annually to continue to qualify for the abatement. Property taxes abated for the fiscal year ending September 30, 2022 totaled $517,953.

Other Economic Agreements

Chapter 380 of the Texas Local Government Code allows the City to provide grants for the purpose of promoting local economic development. These grants are based on a percentage of property and/or sales tax received by the City. For the fiscal year ending September 30, 2022, the City rebated $727,493 in property taxes and $1,344,703 in sales taxes.

15. FUND BALANCE CLASSIFICATIONS

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Non Spendable Fund Balance
  This represents the portion of fund balance that is not in a spendable form (such as inventory or prepaid items) or is required to be maintained intact pursuant to legal or contractual requirements.

- Restricted Fund Balance
  This represents the portion of fund balance that is subject to externally enforceable legal restrictions. These restrictions are typically imposed by parties outside the government such as grantors, creditors, or other government entities through laws and regulations.

• Committed Fund Balance

This represents the portion of fund balance that is constrained by limitations that the governing body imposed upon itself at the highest level of decision making (City Council) and remains binding unless removed in the same manner. Any changes must take place before the end of the reporting period.

• Assigned Fund Balance

This portion of fund balance reflects the government's intended use of resources. Such intent would have to be established at either the highest level of decision making or by a body (committee) or official designated for that purpose. Amounts in excess of non-spendable, restricted, and committed fund balance in funds other than the General Fund would automatically be assigned here.

• Unassigned Fund Balance

Only the General Fund can have a positive "unassigned" fund balance. This balance represents any residual which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

A schedule of Governmental Fund Balances is provided as follows.

	GOVERNMENTAL FUNDS						
	General Fund	Debt Service Fund	Castle Hills PID Capital Projects Fund	General Capital Projects Fund	Grant Funds Funds	Other Governmental Funds	Total Governmental Funds
FUND BALANCE:							
Non Spendable:							
Prepaid items	$ 791,878	$ -	$ -	$ 961,379	$ -	$ 146,973	$ 1,900,230
Spendable:							
Restricted for:							
Debt service	-	2,022,181	-	-	-	-	2,022,181
Capital projects - Streets & Drainage	-	-	-	62,393,537	-	3,035,092	65,428,629
Capital projects - Parks & Recreation	-	-	-	10,152,521	-	-	10,152,521
Capital projects - Other	-	-	-	1,533,455	-	-	1,533,455
Hotel/Motel Tax Fund	-	-	-	-	-	4,984,796	4,984,796
Grant Purposes	-	-	-	-	54,388	-	54,388
Waters Ridge PID Fund	-	-	-	-	-	252,525	252,525
Municipal Court Security Fund	-	-	-	-	-	152,935	152,935
Municipal Court Technology Fund	-	-	-	36,671	-	270,364	307,035
Police Forfeitures Fund (State)	-	-	-	37,509	-	214,360	251,869
LEOSE Fund	-	-	-	46,331,646	-	5,598	46,337,244
Police Forfeitures Fund (Federal)	-	-	-	-	-	12,580	12,580
Juvenile Case Manager Fund	-	-	-	-	-	179,874	179,874
PEG Programming Fund	-	-	-	-	-	1,139,501	1,139,501
Crime Control & Prevention District	-	-	-	1,194,916	-	5,001,438	6,196,354
Fire Control, Prevention, and Emergency Medical Services District	-	-	-	5,297,922	-	6,047,761	11,345,683
Josey Lane PID Assessment Fund	-	-	-	-	-	43,990	43,990
Castle Hills Capital Projects	-	-	3,990,633	-	-	-	3,990,633
Subtotal - Restricted for:	-	2,022,181	3,990,633	126,978,177	54,388	21,340,814	154,386,193
Committed to:							
Capital projects - Streets	-	-	-	3,037,165	-	-	3,037,165
Capital projects - Risk management	-	-	-	217,572	-	-	217,572
Recreation Fund	-	-	-	-	-	217,984	217,984
PEG Fund	-	-	-	406,546	-	-	406,546
Community Activities & Public Safety Training Fund	-	-	-	-	-	942,982	942,982
Lewisville Local Government Corporation	-	-	-	-	-	116,532	116,532
Subtotal - Committed to:	-	-	-	3,661,283	-	1,277,498	4,938,781
Assigned to:							
Capital projects - Streets & Other	-	-	-	29,343,590	-	-	29,343,590
Capital projects - Risk Management	-	-	-	3,839	-	-	3,839
Capital projects - Recreation	-	-	-	425,861	-	-	425,861
Other	1,061,502	-	-	-	-	-	1,061,502
Subtotal - Assigned to:	1,061,502	-	-	29,773,290	-	-	30,834,792
Unassigned:	58,523,542	-	-	-	-	-	58,523,542
TOTAL FUND BALANCES:	$ 60,376,922	$ 2,022,181	$ 3,990,633	$ 161,374,129	$ 54,388	$ 22,765,285	$ 250,583,538

16. PRIOR PERIOD ADJUSTMENTS

On November 15, 2021, the City annexed and dissolved eight Denton County Freshwater Supply Districts – 1-A, 1-B, 1-C, 1-D, 1-E, 1-F, 1-G, and 1-H (the Districts), collectively known as Castle Hills, in the City's extraterritorial jurisdiction under strategic partnership agreements entered into in 1996. The City assumed all assets and liabilities of the Districts at the time of the dissolution. In accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* (GASB 69), the annexed Districts' assets, liabilities, and deferred outflows/inflows of resources, and results of operations, will be reflected on the City's financial statements as though the Districts had been combined at the beginning of the City's fiscal year (October 1, 2021).

The annexation is considered a government merger under GASB 69, which defines it as a government combination of legally separate entities in which no significant consideration is exchanged and one of more legally separate governments (the Districts) ceases to exist and their operations are absorbed into, and provided by, one or more continuing governments (the City).

In addition, an adjustment has been recorded to defer recognition of intergovernmental revenue received in advance until eligibility requirements have been met.

The net effect of these transactions is summarized as follows:

	Governmental Activities	Business-Type Activities
Net Position, September 30, 2021, as previously reported	$545,235,779	$ 327,446,159
Correction of grant revenue recognition error	(9,793,612)	-
Annexation of Castle Hills:		
Assets	44,752,836	21,713,375
Liabilities	(21,729,781)	92,865
Effect of Annexation	23,023,055	21,806,240
Net Position, September 30, 2021, as restated	$558,465,222	$ 349,252,399

The effect of the revenue recognition correction is to reduce the change in net position previously reported for the year ended September 30, 2021 for governmental activities by $9,793,612, representing revenue recognized for the period for which the City had not yet met the eligibility requirements and, therefore, recognition is deferred as described above.

	General Fund	Debt Service Fund	Castle Hills PID Capital Projects	General Capital Projects
Fund Balance, September 30, 2021, as previously reported	$ 47,519,845	$ 3,747,996	$ 5,986,325	$ 114,808,970
Annexation of Castle Hills:				
Assets	5,536,200	21,588,201	1,972,703	7,617,952
Liabilities	(1,218,186)	(603,263)	-	(710,536)
Effect of Annexation	4,318,014	20,984,938	1,972,703	6,907,416
Fund Balance, September 30, 2021, as restated	$ 51,837,859	$ 24,732,934	$ 7,959,028	$ 121,716,386

	Water and Sewer Utility	Stormwater Utility Fund	Internal Service Fund	Castle Hills PID Custodial Fund
Net Position, September 30, 2021, as previously reported	$ 295,919,055	$ 30,310,655	$ 26,160,703	$ 1,505,421
Annexation of Castle Hills:				
Assets	15,707,990	6,005,385	801	(326,136)
Liabilities	92,865	-	-	-
Effect of Annexation	15,800,855	6,005,385	801	(326,136)
Net Position, September 30, 2021, as restated	$ 311,719,910	$ 36,316,040	$ 26,161,504	$ 1,179,285

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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$_____________
CITY OF LEWISVILLE, TEXAS
WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS
SERIES 2023

WE HAVE represented the City of Lewisville, Texas (the "Issuer") as its bond counsel in connection with an issue of bonds (the "Bonds") described as follows:

> CITY OF LEWISVILLE, TEXAS, WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2023, dated June 1, 2023, in the principal amount of $_______________.
>
> The Bonds mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the ordinance adopted by the City Council of the Issuer authorizing their issuance and the Pricing Certificate executed pursuant to the Ordinance (together, the "Ordinance").

WE HAVE represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the excludability of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; a deposit agreement (the "Deposit Agreement") between the Issuer and The Bank of New York Mellon Trust Company, N.A., as paying agent/registrar for the obligations being refunded (the "Refunded Bonds") verifying the sufficiency of the deposits made with the paying agent/registrar for the Refunded Bonds for defeasance of the Refunded Bonds; customary certificates of officers, agents and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Bond No. 1 of this issue.

In providing the opinions set forth herein, we have relied on representations of the Issuer and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Issuer and such other parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Bonds.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding special obligations of the Issuer;

(B) The Bonds are payable from and secured by a lien on and pledge of the Pledged Revenues of the Issuer's waterworks and sewer system, as defined and described in the Ordinance;

(C) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Bonds pursuant to the deposit of funds with the paying agent/registrar for the Refunded Bonds, made in accordance with the Deposit Agreement and therefore, the Refunded Bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in the Deposit Agreement; and

(D) Interest on the Bonds is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations for tax years beginning after December 31, 2022.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

Except as stated above, we express no opinion as to the amount of interest on the Bonds or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Bonds. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the Issuer or other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

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