NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P: "AA"
(See "OTHER PERTINENT INFORMATION - Rating", herein)

OFFICIAL STATEMENT
Dated: August 7, 2023

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

The City has designated the Certificates as "Qualified Tax-Exempt Obligations"

$5,915,000
CITY OF HEWITT, TEXAS
(McLennan County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023

Dated Date: August 1, 2023 **Due: July 1, as shown on page ii**

The City of Hewitt, Texas (the "City" or the "Issuer") $5,915,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, an ordinance (the "Ordinance") adopted by the City Council, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a limited pledge (not to exceed $1,000) of the surplus Net Revenues derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from August 1, 2023 (the "Dated Date") as shown above and will be payable on January 1, 2024, and on each July 1 and January 1 thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (i) the construction, improvement and equipment of public safety facilities in the City, including a new fire station; (ii) constructing, reconstructing and improving streets, roads, and sidewalks, including related drainage, utility relocation, signalization, landscaping, lighting and signage; (iii) the construction, installation and equipment of park and recreational improvements in the City, including parking and related infrastructure; and (iv) legal, fiscal and engineering fees in connection with such projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The Issuer reserves the right to redeem the Certificates maturing on and after July 1, 2033, on July 1, 2032, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES

The Certificates are offered for delivery, when, as and if issued and received by FHN Financial Capital Markets (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through DTC on or about August 30, 2023.

$5,915,000
CITY OF HEWITT, TEXAS
(McLennan County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023

STATED MATURITY SCHEDULE

(Due July 1)
Base CUSIP – 428230[(a)]

Stated Maturity July 1	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[(a)]
2024	$ 165,000	5.000	3.500	UK0
2025	195,000	5.000	3.450	UL8
2026	205,000	5.000	3.350	UM6
2027	215,000	5.000	3.200	UN4
2028	225,000	5.000	3.100	UP9
2029	235,000	5.000	3.050	UQ7
2030	250,000	5.000	3.050	UR5
2031	260,000	5.000	3.050	US3
2032	275,000	5.000	3.100	UT1
2033	290,000	4.000	3.200[(b)]	UU8
2034	300,000	4.000	3.250[(b)]	UV6
2035	310,000	4.000	3.350[(b)]	UW4
2036	325,000	4.000	3.450[(b)]	UX2
2037	340,000	4.000	3.650[(b)]	UY0
2038	350,000	4.000	3.850[(b)]	UZ7
2039	365,000	4.000	3.900[(b)]	VA1
2040	380,000	4.000	4.000	VB9
2041	395,000	4.000	4.050	VC7
2042	410,000	4.000	4.100	VD5
2043	425,000	4.000	4.150	VE3

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after July 1, 2033, on July 1, 2032, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See “THE CERTIFICATES - Redemption Provisions” herein.)

(a) CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2023 CUSIP Global Services. All rights reserved. CUSIP data herein 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.

(b) Yield calculated is based on the assumption that the Certificates denotated and sold at premium will be redeemed on July 1, 2032 the first optional call date for the Certificates, at a redemption of par plus accrued interest to the date of redemption.

CITY OF HEWITT, TEXAS
200 Patriot Court
Hewitt, Texas 76643
(254) 666-6171

ELECTED OFFICIALS

Name	Position	On Council Since	Term Expires
Steve Fortenberry	Mayor	2016	May 2024
Dr. Erica Bruce	Mayor Pro Tem	2018	May 2025
Michael Bancale	Council Member	2019	May 2025
Brad Turner	Council Member	2023	May 2025
Johnny Stephens	Council Member	2022	May 2024
Johnny Price	Council Member	2022	May 2024
Bob Potter	Council Member	2020	May 2025

ADMINISTRATION

Name	Position	Years of Municipal Experience
Everett “Bo” Thomas, ICMA-CM	City Manager	35 Years
James Devlin, ILEA-SEL	Assistant City Manager	28 Years
Lee H. Garcia, CPA/CGFO	Finance Director	30 Years
Lydia Lopez, TMRC/CMC	City Secretary	37 Years
Mike Dixon	City Attorney	33 Years
Jessica Higgins, MSHRM, IPMA-CP	Human Resources	10 Years
John McGrath	Police Chief	32 Years
Miles Whitney, P.E.	City Engineer	14 Years
Jonathan Christian, CFE, FSCEO	Fire Chief	22 Years
Waynette Ditto, MLS	Library Director	31 Years
Tracy Lankford	Community Development Director	29 Years
Scott Coleman	General Services Director	26 Years
Kevin Reinke	Utilities Director	27 Years

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Certified Public Accountants	Pattillo, Brown & Hill, P.C. Waco, Texas

For Additional Information Please Contact:

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City Manager
City of Hewitt
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Hewitt, Texas 76643
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bthomas@cityofhewitt.com

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San Antonio, Texas 78209
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Mr. Andrew Friedman
Senior Managing Director
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210-832-9760
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

NEITHER THE CITY NOR ITS FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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

TABLE OF CONTENTS

The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Hewitt, Texas (the "City" or the "Issuer"), located in McLennan County, Texas, is a political subdivision and home-rule city of the State of Texas and operates under a home rule charter which provides for a Council-Manager form of government with a City Council comprised of seven members, including the mayor. Council members are elected by place and at-large for two-year staggered terms. The City's 2020 census figure was 16,026, and the current estimated population is 16,431. (See "APPENDIX B - GENERAL INFORMATION REGARDING THE CITY OF HEWITT AND MCLENNAN COUNTY, TEXAS" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, an ordinance (the "Ordinance") adopted by the City Council, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas Texas.
Security	The Certificates constitute direct general obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a limited pledge (not to exceed $1,000) of the surplus Net Revenues derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "THE Certificates - Security for Payment" herein.
Redemption Provision	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on and after July 1, 2033, on July 1, 2032, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date of the initial delivery of the Certificates, subject to the matters described under "TAX MATTERS" herein. (See "Tax MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (i) the construction, improvement and equipment of public safety facilities in the City, including a new fire station; (ii) constructing, reconstructing and improving streets, roads, and sidewalks, including related drainage, utility relocation, signalization, landscaping, lighting and signage; (iii) the construction, installation and equipment of park and recreational improvements in the City, including parking and related infrastructure; and (iv) legal, fiscal and engineering fees in connection with such projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "Book-Entry-Only System" herein.)
Rating	S&P Global Ratings a division of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA" to the Certificates. An explanation of the significance of such rating may be obtained from the rating agency. (See "OTHER PERTINENT INFORMATION - Rating" herein.)

Qualified Tax Exempt Obligations	The City has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.)
Issuance of Additional Debt	The City does not anticipate the issuance of any additional debt within the next twelve months.
Payment Record	The City has never defaulted on the payment of its general obligation debt.
Delivery	When issued, anticipated on or about August 30, 2023.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

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OFFICIAL STATEMENT
relating to

$5,915,000
CITY OF HEWITT, TEXAS
(A political subdivision of the State of Texas located in McLennan County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by City of Hewitt, Texas (the "City" or the "Issuer") of its $5,915,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates as a home-rule municipality under the statutes and the constitution of the State of Texas (the "State"). The Certificates are being issued pursuant to the Constitution and general laws of the State, an ordinance (the "Ordinance") adopted by the City Council authorizing the issuance of the Certificates, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT***. Copies of such documents may be obtained from the Issuer or the Financial Advisor noted on page iii hereof.

INVESTMENT CONSIDERATIONS

Infectious Disease Outbreak – Covid-19

In March 2020, the World Health Organization and the President of the United State separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State. Although there is not currently a state of disaster, the Governor retains the right to declare a state of disaster and impose restrictions on activities if needed in order to mitigate the effects of COVID-19. The City has not experienced any decrease in property values or unusual tax delinquencies as a result of COVID-19; however, the City cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

Future Legislation

On January 10, 2023, the 88th Texas Legislature convened in regular session and such regular session adjourned on May 29, 2023. Immediately after the conclusion of the regular session, the Texas Governor called a special session to address property tax relief and border security that began on May 29, 2023 and adjourned on June 27, 2023. At the conclusion of the first special session, the Governor called a second special session to address property tax relief that began on June 27, 2023 and adjourned on July 13, 2023. Additional special sessions may be called by the Texas Governor. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the imposition of ad valorem taxes, the issuance of general obligation bonds, certificates of obligation and tax notes, and other legislation that may have a material effect on the City's operations and its finances. The City can make no representations or predictions regarding any actions the Legislature may take during the 88th Texas legislative session concerning the substance or the effect of any legislation that may be passed in the future or how such legislation could affect the City.

THE CERTIFICATES

General

The Certificates are dated August 1, 2023 (the "Dated Date"). The Certificates are stated to mature on July 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on January 1, 2024, and on each July 1 and January 1 thereafter until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Certificates, initially BOKF, NA, Dallas, Texas. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Certificates will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Certificates. Such Book-Entry-Only System may change the method and timing of payment for the Certificates and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such System.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, the Ordinance and the City's Home Rule Charter.

Security for Payment

The Certificates constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a limited pledge (not to exceed $1,000) of the surplus revenues derived from the operation of the City's combined Waterworks and Sewer System (the "System") remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or a part of the revenues of the System ("Net Revenues"). (See "CITY APPLICATION OF THE PROPERTY TAX CODE" herein.)

Tax Rate Limitation

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, annual direct ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limit prescribed by law. Article XI, Section 5, of the Texas Constitution applicable to home-rule cities is applicable to the City, and limits the maximum ad valorem tax rate of the City to $2.50 per $100 taxable assessed valuation for all City purposes. The City's Home Rule Charter adopts the constitutionally authorized maximum tax rate of $2.50 per $100 taxable assessed valuation.

Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (i) the construction, improvement and equipment of public safety facilities in the City, including a new fire station; (ii) constructing, reconstructing and improving streets, roads, and sidewalks, including related drainage, utility relocation, signalization, landscaping, lighting and signage; (iii) the construction, installation and equipment of park and recreational improvements in the City, including parking and related infrastructure; and (iv) legal, fiscal and engineering fees in connection with such projects.

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after July 1, 2033, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on July 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED,

INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "Book-Entry-Only System" herein.)

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than $5,000 may be redeemed in part (in increments of $5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice or such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will 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.

Payment Record

The City has never defaulted on the payment of its general obligation debt.

Legality

The Certificates are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the defeased Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City authorizes the defeasance of the Certificates, 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, on the date the City authorizes the defeasance of the Certificates, have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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

Amendments

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

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

Default and Remedies

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the Certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006 Texas Supreme Court ruled in Tooke v. City of Mexia, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In Tooke, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

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

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

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

Initially, the only registered owner of the Certificates will be Cede & Co., as nominee of DTC. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Certificates.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

The Certificates will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (as defined below) by check or draft mailed on January 1, 2024, and on each July 1 and January 1 thereafter until maturity or prior redemption of the Certificates, by the Paying Agent/Registrar to the last known address of the registered owner as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal of a Certificate will be paid to the registered owner at its stated maturity or its prior redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any Interest Payment Date means the close of business on the fifteenth day of the month next preceding such Interest Payment Date.

In the event of a non-payment of interest on an Interest 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 Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (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 registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Future Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer or Exchange of Certificates

The Paying Agent/Registrar shall not be required to transfer or exchange any Certificates or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or with respect to any Certificate or portion called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate called for redemption.

Replacement Certificates

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on 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 Certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment on the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer 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 Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

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

Use of Certain Terms in Other Sections of this Official Statement

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The City invests funds in instruments authorized by Texas law, specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with investment policies approved by the City Council. The City Council appoints the City Manager as the "Investment Officer" of the City. Both State law and the City's investment policies are subject to change.

Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations 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.

City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or Aaam or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 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.

Governmental bodies in the State such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the second paragraph under this caption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the second paragraph under this caption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

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

Current Investments

As of May 31, 2023 (unaudited), the City's investable funds were invested in the investment categories / percentage shown below:

Investment Description		Total Invested	Percent of Portfolio
Depository Cash Accounts (Independent Bank)		$15,865,796	48.5%
Cash on Hand		2,400	.0%
Money Market Bank Accounts		1,301,670	4.0%
TexPool		191,610	.5%
Certificates of Deposit		15,334,881	47.0%
	Total	$32,696,357	100.00%

As of such date, the market value of such investments (as determined by the City by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the 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 AAA by S&P. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

EMPLOYEE PENSION AND RETIREMENT 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 agency 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 Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.org.

For more information see the Annual Comprehensive Financial Report, Notes G and H.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the McLennan County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). See "Table 1 – Assessed Valuation" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "Table 1 – Assessed Valuation" for the reduction in taxable valuation attributable to valuation by Productivity Value.

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

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty. See "Table 1 – Assessed Valuation" for the reduction, if any, attributable to state mandated homestead exemptions.

Local Option Homestead Exemptions

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

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See "Table 1 – Assessed Valuation" for the reduction, if any, attributable to the local option freeze for the elderly and disabled.

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

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

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

See “Table 1 – Assessed Valuation” for the reduction, if any, attributable to Freeport Property and/or Goods-in-Transit exemptions.

Other Exempt Property

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

Tax Increment Financing Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “Incremental Value”, and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See “CITY APPLICATION OF THE PROPERTY TAX CODE” for descriptions of any TIRZ created in the City.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See “CITY APPLICATION OF THE PROPERTY TAX CODE” for descriptions of any of the City’s tax abatement agreements.

For a discussion of how the various exemptions described above are applied by the City, See “CITY APPLICATION OF THE PROPERTY TAX CODE” herein.

Public Hearing and Maintenance and Operation Tax Rate Limitations

The Following terms as used in this section have the meanings provided below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Issuer and Taxpayer Remedies

Under certain circumstances, the City and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See “– Public Hearing and Maintenance and Operation Tax Rate Limitations”.) The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

The foregoing sections represents the City’s current understanding of the recently adopted Senate Bill 2, however the City cannot represent at this time what impact such legislation may have on the City. The City may revise and update this information as more information about Senate Bill 2 and its specific impact on the City becomes available.

Issuer's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF THE PROPERTY TAX CODE

The City grants an exemption of $4,000 to the market value of the residence homesteads of persons 65 years of age or older and the disabled. See Appendix A – Table 13 for a listing of the amounts of these exemptions.

The City grants an exemption of 20% of the market value of all residence homesteads, with a minimum exemption of $5,000.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004, as described above under "AD VALOREM TAX PROCEDURES – Local Option Freeze for the Elderly and Disabled" herein.

The City does not tax "non-business" personal property.

The City has contracted with the McLennan County Tax Assessor/Collector for the collection of the City's property taxes. McLennan County does not allow split payments or discounts.

The City does not grant the Article VIII, Section 1-j Property (Freeport Property) exemption.

The City does grant an exemption for goods-in-transit but has no "goods-in-transit" property at this time.

The City does not participate in a Tax Increment Reinvestment Zone.

The City does grant tax abatements and has adopted criteria therefore, which is a prerequisite to the execution of abatement agreements. Currently the City has no active abatement agreements.

ADDITIONAL TAX COLLECTIONS

Texas law provides that local sales and use taxes ("sales tax") cannot exceed a combined maximum of 2%.

Municipal Sales Tax Collections

The City has adopted the provisions of Chapter 321 of the Tax Code, as amended, to provide for the levy of a one percent sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of the Certificates or other indebtedness. Net collections on a fiscal year basis are shown in Table 15 of Appendix A – Financial Information of the Issuer.

Optional Sales Tax

The Tax Code provides certain cities and counties the option of assessing a sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further, the Tax Code provides certain cities the option of assessing a sales tax on retail sales of taxable items for economic development purposes, if approved by a majority of the voters in a local option election.

At an election held in November 1991, registered voters of the City approved the imposition of a one-half percent (½%) additional sales tax for property tax reduction. Levy of the ad valorem tax reduction sales tax began in April 1992. **Such sales tax proceeds are not pledged for the payment of the Certificates.**

The City has not held an election regarding an additional sales tax for economic development purposes in accordance with Chapters 501, 502 and 504, Texas Local Government Code, as amended (Type A economic development corporation).

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Issuer, including information and representations contained in the Issuer's federal tax certificate, and (b) covenants of the Issuer contained in the Certificate documents relating to certain matters, including arbitrage, and the use of the proceeds of the Certificates and the property financed or refinanced therewith. Failure by the Issuer to observe the aforementioned representations or covenants could cause the interest on the Certificates to become taxable retroactively to the date of issuance of the Certificates.

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

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

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Certificates or the property financed or refinanced with proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Owner may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

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

Future and Proposed Legislation

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

The Issuer has designated the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer covenants to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceed $10,00,000 there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Certificates would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The Issuer will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in this Official Statement under "INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER - Current Investments" herein and the information in Tables 1, 2, 3, 4, 5A/B, 9, 11, 12, 13, 14, 15, 19, 20, 21, 22, 23 and 24 of Appendix A. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2023.

The Issuer will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2023. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Issuer will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements cannot be provided, the Issuer will provide notice that the audited financial statements are not available and will provide unaudited financial information of the type described in the preceding paragraph by the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements, or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

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

Notice of Certain Events

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

For these purposes, any event described in (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information from MSRB

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

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of certain specified events only as described above. The Issuer 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 Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Certificates may seek a writ of mandamus to compel the Issuer to comply with its agreement.

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

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects with its previous continuing disclosure agreements made in accordance with the SEC Rule 15c2-12.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

Litigation

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

Future Debt Issuance

The City does not anticipate the issuance of any additional debt within the next twelve months.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are real and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes. Additionally, with respect to the Certificates, Section 271.051 of the Texas Local Government Code expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State.

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under “TAX MATTERS,” the interest on the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Certificates, including the alternative minimum tax on corporations. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent on the sale and delivery of the Certificates. Though it may represent the Financial Advisor and certain entities that may bid on the Certificates from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion the attorney does not become an insurer or guarantor of the 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 from the transaction.

Rating

S&P Global Ratings ("S&P") has assigned an underlying rating of "AA" on its general obligation debt from S&P. An explanation of the significance of such rating may be obtained from the rating agency. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as the Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

The Financial Advisor 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 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.

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of FHN Financial Capital Markets (previously defined as the "Purchaser") to purchase the Certificates at the interest rates shown on the page ii of this Official Statement at a price of par, plus a net reoffering premium of $241,374.60, less a Purchaser's discount of $ 62,481.62, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Certificates, the Purchaser will be furnished a certificate executed by the proper officials of the City acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement relating to the Certificates, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Certificates, 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 statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City and its 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 September 30, 2022, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

The Official Statement will be approved as to form and content and the use thereof in the offering of the Certificates will be authorized, ratified and approved by the City Council on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Certificates, a certified copy of such approval, duly executed by the proper officials of the Issuer.

Links to Websites

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City' 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.

Concluding Statement

The financial data and other information contained 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 ordinances contained in this Official Statement are made subject to all of the provisions of such statues, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original statutes, documents and ordinances in all respects.

This Official Statement has been approved by the City Council of the Issuer for distribution in accordance with the provisions of the SEC Rule 15c2-12.

CITY OF HEWITT, TEXAS

/s/ Steve Fortenberry
Mayor
City of Hewitt, Texas

ATTEST:

/s/ Lydia Lopez
City Secretary
City of Hewitt, Texas

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2023 Actual Certified Market Value of Taxable Property (100% of Market Value)		$ 2,019,601,039
Less Exemptions:		
Homestead Exemption	$ 214,553,524	
Local Over 65 / Disabled Homestead Exemption	6,011,333	
Veterans Exemptions	62,359,792	
Productivity Loss	16,379,061	
10% Cap Loss	162,824,326	
Totally Exempt Property	83,283,576	545,411,612
2023 Certified Net Taxable Assessed Valuation		$ 1,474,189,427

Source: McLennan County Appraisal District and the Issuer

GENERAL OBLIGATION BONDED DEBT **TABLE 2**

General Obligation Debt Principal Outstanding (As of August 1, 2023)	
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2010	$ 9,050,000
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2012	4,140,000
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2013	2,690,000
General Obligation Refunding Bonds, Series 2013	570,000
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2014	4,375,000
General Obligation Refunding Bonds, Series 2015	4,625,000
Combination Tax & Surplus Revenue Certificates of Obligation, Series 2016	4,230,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2016B	2,460,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017	3,820,000
Combination Tax & Revenue Certificates of Obligation, Series 2022	4,700,000
Total **Gross** General Obligation Debt Outstanding:	$ 40,660,000
Current Issue General Obligation Debt Principal	
Combination Tax & Revenue Certificates of Obligation, Series 2023 (the "Certificates")	$ 5,915,000
Total **Gross** General Obligation Debt Outstanding (Following the Issuance of the Certificates):	$ 46,575,000
Less: Self-Supporting General Obligation Debt Principal[(a)]	
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2010 (approx. 82.37% WS)	$ 7,455,000
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2012 (approx. 62.27% WS)	2,578,090
General Obligation Refunding Bonds, Series 2013 (approx. 47% WS)	267,900
General Obligation Refunding Bonds, Series 2015 (100% WS)	4,625,000
Combination Tax & Surplus Revenue Certificates of Obligation, Series 2016 (100% WS)	4,230,000
Total Self-Supporting General Obligation Debt Principal	$ 19,155,990
Total **Net** General Obligation Debt Principal Outstanding (Following the Issuance of the Certificates):	$ 27,419,010
Ratio of Gross General Obligation Debt Principal to 2023 Certified Net Taxable Assessed Valuation	3.16%
Ratio of Net General Obligation Debt Principal to 2023 Certified Net Taxable Assessed Valuation	1.86%
2023 Certified Net Taxable Assessed Valuation	$ 1,474,189,427
Population: 2000 - 11,085; 2010 - 13,549; 2020 - 16,026 ; 2023 estimated population	16,431
Per Capita 2023 Certified Net Taxable Assessed Valuation -	$ 89,720
Per Capita Gross General Obligation Debt Principal -	$ 2,835
Per Capita Net General Obligation Debt Principal -	$ 1,669

(a) It is the City's current policy to pay all or a portion of the debt service on these issues from water and sewer system revenues; this policy is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service. Although this policy is subject to change in the future, it is highly unlikely that the water and sewer utility rates would not be set high enough to cover the expenses, including debt service, of the Utility Fund.

Financing Arrangements

The City finances the acquisition of certain vehicles, heavy equipment, wireless water meters, and computer equipment under noncancelable financing arrangements that expire over the next four years. The arrangements carry interest rates ranging from 1.23% to 3.20% and interest expense for the year was $29,836. Assets under financing arrangements at September 30, 2022 consisted of the following:

The present value of minimum lease payments as of September 30, 2022 were as follows:

Machinery and equipment	$ 3,114,008
Less: accumulated amortization	2,287,709
Total	826,299

Annual debt service requirements to maturity are as follows:

Year Ended	Governmental Activities		Business-Type Activities	
September 30,	Principal	Interest	Principal	Interest
2023	$ 261,897	$ 13,504	$ 268,429	$ 8,038
2024	267,304	8,095	132,939	4,333
2025	127,738	2,560	94,682	1,769
2026	59,735	735	29,376	361
	$ 716,674	$ 24,894	$ 525,426	$ 14,501

CURRENT INVESTMENTS

(Unaudited as of May 31, 2023)

Investment Vehicle Description	Total Invested	Percentage of Portfolio
Depository Cash Accounts (Independent Bank)	$ 15,865,796	48.52%
Cash on Hand	2,400	0.01%
Money Market Bank Accounts	1,301,670	3.98%
TexPool	191,610	0.59%
Certificates of Deposit	15,334,881	46.90%
	$ 32,696,357	100.00%

Source: Information provided by the Issuer.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 4**

Fiscal Year 30-Sep	Currently Outstanding Debt Service[(a)]	The Certificates Prinicpal	Interest	Total	Combined Debt Service[(a)]	Less: Self-Supporting Debt[(b)]	Net General Obligation Debt Service [(c)]
2024	$ 4,341,644	$ 165,000	$ 235,446	$ 400,446	$ 4,742,090	$ 1,983,879	$ 2,758,211
2025	4,097,036	195,000	248,600	443,600	4,540,636	1,930,014	2,610,622
2026	4,084,786	205,000	238,850	443,850	4,528,636	1,929,343	2,599,293
2027	4,097,011	215,000	228,600	443,600	4,540,611	1,931,418	2,609,193
2028	4,096,593	225,000	217,850	442,850	4,539,443	1,931,540	2,607,902
2029	4,013,786	235,000	206,600	441,600	4,455,386	1,933,696	2,521,691
2030	4,019,749	250,000	194,850	444,850	4,464,599	1,940,488	2,524,111
2031	3,734,249	260,000	182,350	442,350	4,176,599	1,945,400	2,231,199
2032	3,734,336	275,000	169,350	444,350	4,178,686	1,944,696	2,233,990
2033	3,220,280	290,000	155,600	445,600	3,665,880	1,635,906	2,029,974
2034	3,225,099	300,000	144,000	444,000	3,669,099	1,640,225	2,028,874
2035	2,740,118	310,000	132,000	442,000	3,182,118	1,641,050	1,541,068
2036	2,319,911	325,000	119,600	444,600	2,764,511	1,219,288	1,545,224
2037	2,104,264	340,000	106,600	446,600	2,550,864	1,224,113	1,326,751
2038	874,388	350,000	93,000	443,000	1,317,388	-	1,317,388
2039	346,875	365,000	79,000	444,000	790,875	-	790,875
2040	346,375	380,000	64,400	444,400	790,775	-	790,775
2041	349,750	395,000	49,200	444,200	793,950	-	793,950
2042	347,563	410,000	33,400	443,400	790,963	-	790,963
2043	-	425,000	17,000	442,000	442,000	-	442,000
	$ 52,093,811	$ 5,915,000	$ 2,916,296	$ 8,831,296	$ 60,925,107	$ 24,831,056	$ 36,094,051

(a) *Includes self-supporting debt .*
(b) *See Table 2 for a breakdown on the specific issues that have self-supporting debt.*
(c) *Excludes self-supporting debt.*

TAX ADEQUACY (Includes Self-Supporting Debt) **TABLE 5A**

2023 Certified Net Taxable Assessed Valuation	$ 1,474,189,427
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2024)	$ 4,742,090
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.32824

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX ADEQUACY (Excludes Self-Supporting Debt) **TABLE 5B**

2023 Certified Net Taxable Assessed Valuation	$ 1,474,189,427
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2024)	$ 2,758,211
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.19092

Note: Above computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

INTEREST AND SINKING FUND MANAGEMENT INDEX **TABLE 6**

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2022.	$	-
2023 Anticipated Interest and Sinking (I&S) Fund Tax Levy of $0.208484 at 98% Collections Produces[(a)]		3,011,980
Total Available for Debt Service	$	3,011,980
Less: Net General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-23		2,411,442 [(b)]
Estimated Interest & Sinking Fund Balance at Fiscal Year Ending 9-30-23	$	600,538

[(a)] *Does not include delinquent tax collections, penalites and interest on delinquent tax collections or investment earnings.*
[(b)] *Excludes self-supporting general obligation debt being paid from surplus revenues of the Waterworks and Sewer System.*

COMPUTATION OF WATERWORKS AND SEWER SYSTEM SELF-SUPPORTING DEBT **TABLE 7**

Net System Revenues Available, Fiscal Year End September 30, 2022	$	4,134,421
Less: 2023 Annual Debt Service Requirements on Outstanding Revenue Bonds		-
Balance Available for Other Purposes	$	4,134,421
Estimated System General Obligation Debt for Fiscal Year Ended September 30, 2023	$	1,977,722
Percentage of System General Obligation Debt Self-Supporting		100%

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE **TABLE 8**

	Principal Repayment Schedule			Bonds	Percent of
Fiscal Year Ending 9/30	**Outstanding Principal**	**The Certificates**	**Total**	**Unpaid at End of Year**	**Principal Retired (%)**
2024	$ 2,885,000	$ 165,000	$ 3,050,000	$ 43,525,000	6.55%
2025	2,730,000	195,000	2,925,000	40,600,000	12.83%
2026	2,810,000	205,000	3,015,000	37,585,000	19.30%
2027	2,920,000	215,000	3,135,000	34,450,000	26.03%
2028	3,020,000	225,000	3,245,000	31,205,000	33.00%
2029	3,045,000	235,000	3,280,000	27,925,000	40.04%
2030	3,160,000	250,000	3,410,000	24,515,000	47.36%
2031	2,990,000	260,000	3,250,000	21,265,000	54.34%
2032	3,095,000	275,000	3,370,000	17,895,000	61.58%
2033	2,690,000	290,000	2,980,000	14,915,000	67.98%
2034	2,795,000	300,000	3,095,000	11,820,000	74.62%
2035	2,415,000	310,000	2,725,000	9,095,000	80.47%
2036	2,085,000	325,000	2,410,000	6,685,000	85.65%
2037	1,950,000	340,000	2,290,000	4,395,000	90.56%
2038	800,000	350,000	1,150,000	3,245,000	93.03%
2039	300,000	365,000	665,000	2,580,000	94.46%
2040	310,000	380,000	690,000	1,890,000	95.94%
2041	325,000	395,000	720,000	1,170,000	97.49%
2042	335,000	410,000	745,000	425,000	99.09%
2043	-	425,000	425,000	-	100.00%
	$ 40,660,000	$ 5,915,000	$ 46,575,000		

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2014-2023 **TABLE 9**

Fiscal Year	Net Taxable Assessed Valuation	Change From Preceding Year Amount ($)	Percent
2014-15	$ 706,087,100	$ 48,291,710	7.34%
2015-16	730,586,276	24,499,176	3.47%
2016-17	775,309,549	44,723,273	6.12%
2017-18	842,794,668	67,485,119	8.70%
2018-19	936,909,734	94,115,066	11.17%
2019-20	1,008,342,875	71,433,141	7.62%
2020-21	1,033,772,864	25,429,989	2.52%
2021-22	1,132,424,429	98,651,565	9.54%
2022-23	1,301,880,092	169,455,663	14.96%
2022-23	1,474,189,427	172,309,335	13.24%

Sources: The Municipal Advisory Council of Texas Website and the Issuer's Comprehensive Annual Financial Report
Note: Assessed Valuations may change during the year due to various supplements and protests.

FUND BALANCES **TABLE 10**

Cash and Investments Only	5/31/2023
General Operating Fund	$ 2,956,445
General Fund-Unrestricted Funds	4,088,728
General Obligation Debt Service Fund	3,096,950
General Fund Street Reserve	246,307
General Fund - 90 Day Reserve	2,527,896
General Fund Capital Project Fund	5,115,624
General Fund 2017 CO Capital Project Fund	37,689
Utility Fund Operating	862,450
Utility Fund-Unrestricted Funds	4,149,515
Utility Fund Self-Supporting Debt Service Fund	2,500,418
Utility Fund Equipment Reserve	247,142
Utility Fund - Water Service Deposits Fund	571,246
Utility Fund - 90 Day Reserves	1,388,793
Hotel Fund	243,076
Drainage Fund	414,667
Utility Fund Capital Project Fund	20,813
PEG Funds	469,300
ARPA/CLRF	3,607,007
Child Safety Fees	152,289
Total	$ 32,696,355

HISTORICAL PROPERTY VALUATION AND TAX RATE, LEVY AND COLLECTIONS [a] **TABLE 11**

Tax Roll Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections[b] Current	Total	Fiscal Year Ended
2014	$ 706,087,100	$ 0.539677	$ 3,792,860	99.28%	99.89%	9/30/2015
2015	730,586,276	0.539677	3,944,267	98.98%	99.61%	9/30/2016
2016	775,309,549	0.539677	4,189,262	98.71%	99.30%	9/30/2017
2017	842,794,668	0.539677	4,426,900	99.34%	99.47%	9/30/2018
2018	936,909,734	0.539677	5,022,921	98.83%	99.34%	9/30/2019
2019	1,008,342,875	0.539677	5,411,325	99.22%	99.37%	9/30/2020
2020	1,033,772,864	0.547838	5,696,148	99.42%	99.42%	9/30/2021
2021	1,132,424,429	0.540102	6,060,596	99.16%	99.16%	9/30/2022
2022	1,301,880,092	0.540102	6,992,230	96.92%	97.57%	9/30/2023 [c]
2023	1,474,189,427					

[a] *See "AD VALOREM TAX PROCEDURES" in the body of the Official Statement for a complete discussion of the City's provisions with respect to such procedures.*
[b] *Excludes penalties and interest.*
[c] *As of April 30, 2023.*

Sources: Issuer's Annual Comprehensive Financial Reports, the most recent Texas Municipal Report, and McLennan County Appraisal District.

Note: Assessed Valuations are subject to change during the year due to various supplements and protests.

TAX RATE DISTRIBUTION **TABLE 12**

	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019
General Fund	$ 0.331618	$ 0.347103	$ 0.327866	$ 0.316587	$ 0.307403
I & S Fund	0.208484	0.192999	0.219972	0.223090	0.232274
TOTAL	$ 0.540102	$ 0.540102	$ 0.547838	$ 0.539677	$ 0.539677

Sources: Texas Municipal Reports and the Issuer

CLASSIFICATION OF ASSESSED VALUATION **TABLE 13**

Category	2023	% of Total	2022	% of Total	2021	% of Total
Real, Residential, Single-Family	$ 1,430,317,534	70.82%	$ 1,252,671,786	70.06%	$ 980,523,524	67.47%
Real, Residential, Multi-Family	166,654,406	8.25%	153,518,524	8.59%	130,405,271	8.97%
Real, Vacant Lots/Tracts	20,601,710	1.02%	20,743,308	1.16%	15,309,860	1.05%
Real, Acreage (Land Only)	16,490,551	0.82%	19,393,630	1.08%	23,092,026	1.59%
Farm & Ranch Improvements	2,576,563	0.13%	2,170,160	0.12%	1,645,150	0.11%
Real, Commercial	199,509,740	9.88%	174,044,797	9.73%	146,718,788	10.10%
Real, Industrial	4,207,150	0.21%	4,049,010	0.23%	3,906,930	0.27%
Real & Tangible, Personal Utilities	15,175,030	0.75%	15,306,190	0.86%	14,460,340	1.00%
Tangible Personal, Commercial	65,612,840	3.25%	52,911,860	2.96%	50,009,046	3.44%
Tangible Personal, Industrial	1,764,410	0.09%	1,906,230	0.11%	1,481,250	0.10%
Tangible Personal, Mobil Homes	236,490	0.01%	232,400	0.01%	39,150	0.00%
Residential / Special Inventory	13,677,600	0.68%	12,808,670	0.72%	11,788,820	0.81%
Totally Exempt Property	82,777,015	4.10%	78,218,135	4.37%	73,905,995	5.09%
Total Appraised Value	$ 2,019,601,039	100.00%	$ 1,787,974,700	100.00%	$ 1,453,286,150	100.00%
Less Exemptions:						
Homestead	$ 214,553,524		$ 186,864,292		$ 145,960,123	
Local, Option Over-65 / Disabled	6,011,333		5,786,000		6,039,375	
Veterans Exemptions	62,359,792		52,284,391		45,082,606	
Productivity Value Loss	16,379,061		19,241,590		22,937,076	
Value Cap (10%) and Other	162,824,326		143,280,490		26,936,546	
Totally Exempt Property	83,283,576		78,637,845		73,905,995	
Total Exemptions	$ 545,411,612		$ 486,094,608		$ 320,861,721	
Net Taxable Assessed Valuation	**$ 1,474,189,427**		**$ 1,301,880,092**		**$ 1,132,424,429**	

Source: McLennan County Appraisal District and the Issuer
Note: Assessed Valuations shown here are Certified Valuations and may change during the year due to various supplements and protests. Valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

PRINCIPAL TAXPAYERS 2022 **TABLE 14**

Name	Type of Business/Property	2022 Net Taxable Assessed Valuation	% of Total 2022 Assessed Valuation
The Icon at Hewittt LP	Apartments	$ 38,197,330	2.93%
Clark, Richard S.	Real Estate Investments	16,380,307	1.26%
Wal-Mart Real Estate Business Trust	Real Estate Investments	12,319,160	0.95%
Mountail Waco LLC	Fed Ex	12,055,000	0.93%
Atwoods Distributing LP	Farm and Ranch Supply	10,034,140	0.77%
Oncor Electric Delivery, Inc.	Electric Utility	8,045,600	0.62%
Goyne Brookside LLC	Apartments	7,898,950	0.61%
Northwood Shreveport LLC	Majestic Duplexes	7,078,925	0.54%
Midway Townhomes LTD	Meadow Park Apartments	6,720,900	0.52%
Wal-Mart Store East LP	Retail	6,709,930	0.52%
	Total	$ 125,440,242	9.64%

Based on 2022 Net Taxable Assessed Valuation of $ 1,301,880,092.

Note: 2023 Top 10 Taxpayers unavailable at the time of printing.

Source: McLennan County Appraisal District

MUNICIPAL SALES TAX COLLECTIONS[(a)] **TABLE 15**

Tax Roll Year	1 ½% Tax Collections	Percent of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2014	$ 1,600,509	42.20%	0.23
2015	1,644,251	41.69%	0.23
2016	1,835,797	43.82%	0.24
2017	2,181,441	49.28%	0.26
2018	2,477,118	49.32%	0.26
2019	2,663,203	49.22%	0.26
2020	3,062,140	53.76%	0.30
2021	3,382,959	55.82%	0.30
2022	4,135,343	59.14%	0.32
2023*	3,300,935		

*Collections as of June, 2023.

[(a)] *Figures refer to the City 1% sales tax and ½% additional sales tax for property tax reduction.*

Source: Texas Comptroller of Public Accounts

Note: The Comptroller's website figures list sales tax revenues in the month they are delivered to the City, which is two months after they are generated/collected.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES **TABLE 16**

Governmental Entity	2022 Net Taxable Assessed Valuation	% of Actual	2022 Tax Rate
Lorena Independent School District	$ 841,477,402	100%	$ 1.165000
McLennan County	24,007,005,734	100%	0.425000
McLennan County JCD	25,236,030,634	100%	0.150000
Midway Independent School District (McLennan)	7,569,393,416	100%	1.125000

Source: The latest Texas Municipals Report published by the Municipal Advisory Council of Texas.

OVERLAPPING DEBT DATA AND INFORMATION **TABLE 17**

(As of August 1, 2023)

Taxing Body	Gross Debt Principal	% Overlapping	Amount Overlapping
Lorena Independent School District	$ 23,741,063	3.38%	$ 802,448
McLennan County	70,070,000	4.97%	3,482,479
McLennan County JCD	44,450,000	4.97%	2,209,165
Midlway Independent School District (McLennan)	185,010,000	18.20%	33,671,820
Total Gross Overlapping Debt	$ 323,271,063		$ 40,165,912
City of Hewitt	$ 46,575,000 [(a)]	100.00%	46,575,000 [(a)]
Total Gross Direct and Overlapping Debt Principal			**$ 86,740,912** [(a)]
Ratio of Gross Direct and Overlapping Debt to 2023 Net Taxable Assessed Valuation			5.88% [(a)]
Ratio of Gross Direct and Overlapping Debt to 2023 Actual Value			4.29% [(a)]
Per Capita Gross Direct and Overlapping Debt			$ 5,279 [(a)]

Note: The above figures show Gross General Obligation Debt for the City of Hewitt, Texas

The Issuer's Net General Obligation Debt Principal is	27,419,010 [(b)]

Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt Principal	**$ 67,584,922** [(b)]
Ratio of Net Direct and Overlapping Debt Principal to 2023 Adjusted Net Taxable Assessed Valuation	4.58% [(b)]
Ratio of Net Direct and Overlapping Debt Principal to 2023 Actual Value	3.35% [(b)]
Per Capita Net Direct and Overlapping Debt	$ 4,113 [(b)]

[(a)] *Includes the Certificates and self-supporting debt. (See "TABLE 2 - GENERAL OBLIGATION BONDED DEBT" herein.)*

[(b)] *Excludes self-supporting debt.*
(See "TABLE 2 - GENERAL OBLIGATION BONDED DEBT" herein.)

Source: The most recent Texas Municipal Report published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES **TABLE 18**

Taxing Body	Date Authorized
Lorena Independent School District	None
McLennan County	None
McLennan County JCD	None
Midlway Independent School District (McLennan)	None
City of Hewitt	None

Source: The most recent Texas Municipal Report published by the Municipal Advisory Council of Texas.

GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES **TABLE 19**

	Fiscal Year Ended September 30				
	2022	**2021**	**2020**	**2019**	**2018**
Revenues					
Property Taxes	$ 6,081,718	$ 5,730,073	$ 5,425,572	$ 5,010,738	$ 4,565,554
Municipal Sales Taxes	4,081,086	3,354,015	3,035,165	2,640,288	2,470,163
Franchise Taxes	934,549	893,176	946,835	989,681	981,905
Other Taxes	-	-	-	-	-
Intergovernmental	266,063	216,200	1,064,728	187,753	121,701
Licenses and Permits	242,394	218,267	142,407	130,421	128,125
Fines and Fees	189,650	167,776	109,284	144,963	137,939
Interest Income	65,819	53,026	92,999	89,006	46,648
Miscellaneous	121,900	100,929	68,201	78,671	92,433
Total Revenues	$ 11,983,179	$ 10,733,462	$ 10,885,191	9,271,521	8,544,468
Expenditures					
General Government	$ 1,517,980	$ 1,380,706	$ 1,352,999	1,429,329	1,346,561
Public Safety	5,766,146	5,278,246	4,978,027	4,466,000	4,318,624
Community Services	955,793	759,418	557,777	677,069	655,131
Culture and Recreation	685,395	731,870	707,358	647,633	598,804
Capital Outlay	236,058	266,855	312,484	328,952	-
Debt Service	2,223,600	2,223,182	2,229,281	2,161,238	1,813,508
Total Expenditures	$ 11,384,972	$ 10,640,277	$ 10,137,926	9,710,221	8,732,628
Other Financing Sources (Uses):					
Transfers In	$ 955,000	$ 955,000	$ 955,000	$ 955,000	$ 980,000
Transfers Out	-	-	-	-	-
Sale of Capital Assets	31,903	138,025	-	-	-
Proceeds Note/Capital Leases/Bonds	234,624	268,485	277,996	327,482	-
Bond Issuance	-	-	-	-	-
Premium on Debt Issue	-	-	-	-	-
Payments to Escrow	-	-	-	-	-
Total Other Financing Sources (Uses)	$ 1,221,527	$ 1,361,510	$ 1,232,996	$ 1,282,482	$ 980,000
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	1,819,734	1,454,695	1,980,261	843,782	791,840
Fund Balance - Beginning of Year	8,139,128	7,189,289	$ 5,209,028	$ 4,365,246	$ 3,573,406
Prior Period Adjustment	-	(504,856)	-	-	-
Fund Balance - September 30	$ 9,958,862	$ 8,139,128	$ 7,189,289	$ 5,209,028	$ 4,365,246

Source: The Issuer's Comprehensive Annual Financial Reports and Additional Information from the Issuer.
Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds

	Fiscal Year Ended September 30				
	2022	**2021**	**2020**	**2019**	**2018**
Revenues:					
Water & Sewer Sales/Charges	$ 7,603,664	$ 6,718,424	$ 6,718,424	$ 7,103,450	$ 7,100,434
Other	334,901	303,455	199,066	216,286	196,648
Interest Earnings	44,653	53,541	139,772	175,317	99,421
Total Revenues	$ 7,983,218	$ 7,075,420	$ 7,057,262	$ 7,495,053	$ 7,396,503
Expenses:					
Cost of Water & Sewer Sales/Services	$ 2,338,372	$ 2,172,757	$ 2,030,350	$ 1,188,597	$ 1,359,228
Other	1,510,425	1,324,314	1,242,055	1,683,101	1,560,838
Total Expenses	$ 3,848,797	$ 3,497,071	$ 3,272,405	$ 2,871,698	$ 2,920,066
Net Available for Debt Service	$ 4,134,421	$ 3,578,349	$ 3,784,857	$ 4,623,355	$ 4,476,437
Annual Revenue Bond Debt Service Requirements	$0	$0	$0	$0	$0
Revenue Debt Service Coverage	N/A	N/A	N/A	N/A	N/A
Annual Debt Service Requirement for all Debt Designated to be Paid from System Revenues	$ 1,969,577	$ 2,180,087	$ 2,223,529	$ 2,230,648	$ 2,218,830
Debt Service Coverage on all Debt Designated to be Paid from System Revenues	2.10X	1.64X	1.65X	2.07X	2.02X
Customer Count					
Water	6,665	6,455	6,324	6,289	5,734
Sewer	6,567	6,382	6,279	6,200	5,652

NOTE: *The City has implemented a Drainage Fund, which assesses a fee as part of utility customers' monthly bills. The Fee became effective 2010.*

NOTE: *In October 2018 (FY 2019) the City started using Units for customer counts for water connections. Units inlcude the count of resident in multi-family housing; i.e. apartments.*

WATER RATES **TABLE 21**

(Based on Monthly Billing)

Existing Rates
Effective December 1, 2022

Usage	Rate Per
5/8" Line Service	1,000 Gallons
First 3,000 Gallons	$ 32.00
3,001-7,000 Gallons	5.15
7,001-12,000 Gallons	5.80
12,000+ Gallons	6.25
For All Other Sized Lines	
First 3,000 Gallons	
1 1/2 Inch Service	201.75
2 Inch Service	201.75
3 Inch Service	403.25
4 Inch Service	403.25
6 Inch Service	605.00

PRINCIPAL WATER CUSTOMERS - 2021-22 **TABLE 22**

Name of Customer	Average Monthly Consumption Gallons	Average Monthly Bill
Midway Independent School District	$ 1,113,783	$ 9,247
The Icon Apartments	810,883	6,042
Brookside Apartments	615,550	5,557
Stoney Brook Center	285,242	2,081
HMG Park Manor of Hewitt, LLC	273,617	1,982
CBOCS Texas, LLC	249,775	1,738
Ramada Inn	207,267	1,612
Washtub Hewitt	202,225	1,387
DMA Development Co, LLC	192,507	1,938
Rolling Meadows Enid, LLC	189,183	1,584
Total	$ 4,140,032	$ 33,168

SEWER RATES **TABLE 23**

(Based on Monthly Billing)

Existing Rates
Effective December 1, 2022

Usage	Rate
Residential, Commercial & Builders	
First 5,000 Gallons	$ 29.00 (Minimum)
Volume Rate	4.90 /m gallons
Commercial & Builders	
First 10,000 Gallons	$ 62.25 /m gallons
Volume Rate	4.90 /m gallons

PRINCIPAL SEWER CUSTOMERS 2021-22 **TABLE 24**

Name of Customer	Average Monthly Consumption Gallons	Average Monthly Bill
The Icon Apartments	$ 810,883	$ 5,185
Brookside Apartments	603,550	3,497
Midway ISD	460,733	1,440
Stoney Brook	285,442	1,354
CBOCS Texas, LLC	249,775	1,189
MHMG Park Manor of Hewitt, LLC	233,558	1,115
Ramada Inn	207,267	988
Washtub Hewitt	202,225	965
Mark & Elizabeth Bowles	178,675	2,167
Dauntless Car Wash	173,483	834
Total	$ 3,405,591	$ 18,734

Source: City of Hewitt

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF HEWITT AND MCLENNAN COUNTY, TEXAS

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GENERAL INFORMATION REGARDING THE CITY OF HEWITT
AND MCLENNAN COUNTY, TEXAS

General:

The City of Hewitt (the "City") is a residential suburb of the City of Waco located approximately eight miles south of the central business district of Waco. Because of its location in the approximate geographic center of Texas, it is often referred to as the "Heart of Texas". The City has the benefits of country living and the attractions and activities of neighboring Waco. Many residents commute to Waco for employment. Local manufacturers produce steel fabrication products, electronic equipment, concrete products, printed signs, and wooden moldings.

McLennan County is located in central Texas and comprises the Waco Metropolitan Statistical Area (MSA). The County's economy is based primarily on manufacturing and agriculture, with higher education also making a significant impact on the economy. The County is traversed by interstate Highway 35, United States Highways 77, 81 and 84, State Highways 6, 31 and 317, and 29 farm-to-market and park roads. The County economy has experienced a growth trend from new industry, expansions of existing industry and new commercial investment that is generating service sector and manufacturing jobs. The City of Waco is the county seat and a center for manufacturing, tourism, conventions and agribusiness for central Texas.

The County is a major center for higher education. Baylor University, the world's largest Southern Baptist University, with an enrollment of over 20,000, is located in the City of Waco. Also located in the County are McLennan Community College and the Texas State Technical College - James Connally Campus.

Recreational and camping facilities are provided at Fort Fisher Park and Lake Waco. Other points of interest include the Homer Garrison, Jr. Texas Ranger Museum, Texas Ranger Hall of Fame, Cameron Park and the Cen-Tex Zoo. Activities of interest include the Brazos River Festival, symphony orchestra, civic theater, college and university events, Heart 0' Texas Fair Rodeo and the Central Texas Fair.

Population Trends:

Census Report	City of Hewitt	McLennan County
2023	16,431	268,280
2020	16,026	260,579
2010	13,549	234,906
2000	11,085	213,517
1990	8,983	189,123
1980	5,247	170,755

Sources: U.S. Census Bureau and the Issuer.

Top Employers in the City of Hewitt:

Employer	Product or Type of Business	Number of Employees
Midway Independent School District	Public Education	1,324
Walmart	Retail	289
City of Hewitt	Municipal Government	105
Metals 2 Go (Formerly Davis Iron Works)	Steel Fabrication	103
Sturdisteel	Steel Fabrication	92
Cracker Barrel	Restaurant	80
Senior Care Center	Senior Living	55
United Super IGA	Grocery	30
Scott & White	Clinic	26
Midway Transportation	Trucking	24

Source: The Issuer's 2022 Annual Comprehensive Financial Report (Statistical Section)

Residential and Commercial Building Construction:

	Residential		Commercial		Total	
Fiscal Year Ended 9-30	Number of Permits	AV Property Value $ Amount	Number of Permits	AV Property Value $ Amount	Number of Permits	AV Property Value $ Amount
2013	42	9,745,298	4	3,891,771	46	13,937,069
2014	35	8,688,199	5	7,520,382	40	16,208,581
2015	57	15,344,475	5	7,462,946	62	22,807,421
2016	78	37,946,759	4	73,987,400	82	111,934,159
2017	62	26,200,788	15	1,137,540	77	27,338,328
2018	28	9,027,275	17	1,279,226	45	10,306,501
2019	65	12,547,601	10	139,289	75	12,686,890
2020	77	15,782,576	9	351,672	86	16,134,248
2021	73	24,301,362	16	39,272,206	89	63,573,568
2022	113	34,859,092	24	12,928,874	137	47,787,966
2023*	85	13,034,115	11	8,709,000	96	21,743,115

*As of June 9, 2023.

Sources: The Issuer.

Labor Force Statistics:

	McLennan County		Waco MSA		State of Texas	
	2023	2022	2023	2022	2023	2022
Civilian Labor Force	129,198	126,642	136,161	133,499	14,968,635	14,616,414
Total Employed	124,459	122,365	131,128	128,957	14,354,834	14,085,102
Total Unemployed	4,739	4,277	5,033	4,542	613,801	531,312
% Unemployed	3.7%	3.4%	3.7%	3.4%	4.1%	3.6%
% Unemployed (U.S.)	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%

Source: Texas Workforce Commission, Labor Market Information Department.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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McCALL PARKHURST & HORTON

Focused on Public Finance since 1919.

PROPOSED FORM OF OPINION OF BOND COUNSEL

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

CITY OF HEWITT, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2023
IN THE AGGREGATE PRINCIPAL AMOUNT OF $5,915,000

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

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

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

IT IS FURTHER OUR OPINION THAT, except as discussed below, the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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

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

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

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

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

Respectfully,

APPENDIX D

EXCERPTS FROM THE CITY OF HEWITT AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

(Independent Auditor's Report, Management's Discussion and Analysis, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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CITY OF HEWITT, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022

Prepared by:
Finance Department

Lee Garcia, CPA, CGFO
Finance Director

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CITY OF HEWITT, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

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INTRODUCTORY SECTION

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HEWITT TEXAS

March 20, 2023

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Hewitt, Texas:

State law and City Charter require that every municipality publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill those requirements for the fiscal year ended September 30, 2022.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Pattillo, Brown & Hill, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Hewitt's financial statements for the year ended September 30, 2022. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the government

The City of Hewitt, originated in 1893 and incorporated in 1960. It is located in the Heart of Texas Region in the central part of Texas just 2 hours south of Dallas and 2 hours north of Austin on Interstate 35. As the southern suburb of Waco, Hewitt enjoys being the second largest city in McLennan County with 7 square miles along I-35 and serving a population of 16,131.

The City of Hewitt operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the governing body (City Council) consisting of the Mayor and six other members. Council members, including the Mayor, serve two year terms, with three members elected by ward and one at-large, on a non-partisan basis every two years. The Mayor is chosen from among and by the City Council. The City Council is responsible, among other things, for passing ordinances, adopting the budget, and hiring the City's Manager, Attorney, and Municipal Judge. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the city government, and for appointing the heads of departments.

The City provides a full range of services, including police and fire protection, refuse collection, building inspections, licenses and permits, construction and maintenance of streets, water, wastewater, and storm water infrastructure, library services, recreational and cultural activities. Residents enjoy affordable homes, quiet, safe neighborhoods, as well as exceptional school resources and community spirit. The City also welcomes businesses.

The City Manager is required by City Charter to propose an initial budget for the fiscal year no later than August 1st preceding the beginning of the fiscal year on October 1st. This annual budget serves as the foundation for the City of Hewitt's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The operating budget includes proposed expenditures and the means of financing them. A public hearing on the budget and two public hearings on the proposed tax rate are held prior to the meeting to adopt the budget before September 30th. The budget is legally enacted through passage of an ordinance.

Local Economy

The City of Hewitt is a city of choice in McLennan County. People are choosing to live, work, and open businesses in Hewitt. Hewitt remains one of the most sought after places to live in the nation. The City has received accolades for being affordable, safe, and an all around great place to live.

Hewitt has customarily been known as a bedroom community with residential valuations making up approximately 67% of the total assessed property value. Although Hewitt is landlocked and unable to annex additional territory, Hewitt has ample land available for residential development and new commercial investment. Current projections indicate a total build out population of approximately 20,000 residents within the next 5 to 10 years.

Part of Hewitt's desirability has to do with quick access to the I-35 corridor and proximity to several regional amenities. Hewitt continues to grow and enjoys a reputation as a highly desirable place to live due to the quality of life available for all residents to enjoy. The quality of education offered by Midway ISD is also a contributing factor to local growth and overall good reputation. Proximity to secondary education (Baylor University, McLennan Community College, and Texas State Technical College) and local attractions contribute to the overall desirability of Hewitt.

The year 2018 was pivotal in the history of Hewitt. In January, Walmart opened doors to the public and began operations in Hewitt's Commerce Park. This was much anticipated due to new jobs and shopping opportunities. Moreover, the store has created new interest from other developers. Cracker Barrel restaurant is now open and generating additional sales tax dollars. It is anticipated that other retailers will likewise choose Hewitt and subsequent investment, jobs, and tax revenue will follow. Improving sales tax revenue has become a priority of the City Council; so much so, the Council has opened economic development incentives for retail development. Those incentives have now helped Hewitt attract an Atwood's Farm and Ranch store adjacent to the Walmart in Commerce Park and Rosa's Café and Cantina at the intersection of Panther Way and Hewitt Dr.

In 2022 (tax roll year 2021), new property added to the tax roll at market value was $68 million; $61.7 million of which was taxable. This increase included $25 million in new single family homes, $28.7 million in multi-family homes and $10 million in commercial property. Total certified taxable value increased from $1.132 billion for fiscal year 2021 to $1.301 billion in fiscal year 2022; an increase of $169 million or 15%. The average market value of 3,456 residences is $286,945 before exemptions; $191,461 after exemptions. The value of a single family home according to permits issued in 2022 is $308,487.

In addition to commercial development, Hewitt continues to experience solid growth in residential housing. In 2022, subdivisions like Moonlight Park and Sunflower Ridge offer several new home lots currently in various stages of development. The Icon at Hewitt offers 256 luxury one and two bedroom units. Plus, the Reserve at Dry Creek provides 118 apartment units for residents 55 and over at an affordable monthly rate. Hewitt and the greater Waco area are expected to experience continual growth in population as well as taxable value.

Looking beyond 2022 there is much to look forward to in the greater Hewitt area. Land values are increasing and people are moving to Hewitt. Just outside the city limits, several hundred residential lots are in development right now. While these will be Waco residents, they will drive on Hewitt streets, go to local stores, and new jobs will be created in the immediate area. This rapid growth will create new opportunities for intergovernmental projects, as evidenced by the continued reconstruction of Ritchie Road, which initially was a joint partnership between the City of Hewitt, the City of Waco, and McLennan County. This multi-million dollar project exemplifies the spirit of cooperation and level of investment by local governmental units and has now been completed with the final phase of construction being undertaken by Hewitt solely. Midway ISD has opened another elementary school on Ritchie Road within the city limits of Hewitt.

Because of its location in a region with a varied economic base, unemployment has been relatively stable. The unemployment rate as of September 2022 was 3.4%. Median household incomes in the City of Hewitt is $72,395, while the state's was $67,321. Population has increased from 11,084 in 2000 to 16,131 in 2022. Due to the strong and healthy local economy, the City of Hewitt has maintained a credit rating of AA- Stable from Standard and Poor's. The Midway School District also has a significant economic presence, employing in total more than 1,324 teachers, professionals and support staff.

Long-term financial planning and major initiatives

Unrestricted fund balance in the general fund at year end was $9,140,346 or 80% of total general fund expenditures. This amount was more than the 90 day reserve or $2,481,208 of unrestricted fund balance set by Council for budgetary and planning purposes (i.e., 90 days of general fund expenditures, excluding debt service and capital outlay). The Council also approved a 90 day reserve for debt service. The balance available for general fund debt service at year end was $797,661. This was more than the $676,236 amount needed by Council for debt service.

The City Council maintains an active five-year Capital Improvements Plan (CIP) which serves as its planning document to ensure that its streets, parks, facilities, water and wastewater infrastructure are well maintained and operating in peak condition. Under the guidance of the City Council, this process gives the City of Hewitt the ability to plan for its capital needs and allocate short-and long-term resources appropriately. As part of this process, the government identifies and quantifies the operational costs associated with its capital projects and budgets resources accordingly. In addition, the City Manager, during the budget process, monitors the condition of all City vehicles and heavy equipment and makes recommendations on their replacement. The CIP is used to identify needs and then prioritize projects based on staff recommendations and Council direction. In addition, the City went through an extensive five year strategic planning process so as to ascertain missing equipment, facility improvements and service changes that may have been overlooked. A key component of this plan is to project cost estimates which are updated during the year and used during budget discussions and financial planning. The plan is intended to list projects that will maintain, update, and improve city facilities and infrastructure in a variety of areas; as well as, identify possible funding sources.

Relevant financial policies

The City of Hewitt has adopted a comprehensive set of financial policies, including a policy, according to charter which had a successful voter approved revision this year, that requires the adoption of a balanced annual operating budget (i.e., estimated revenues equal to or greater that estimated expenditures). Also, as discussed above, the city maintains a 90 day reserve of general fund expenditures, not including debt service and capital outlay. A separate 90 day reserve for debt service is also maintained. In addition, these reserves, operating and debt service, are also maintained in the utility fund.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hewitt, Texas, for its annual comprehensive financial report (ACFR) for the fiscal year ended September 30, 2021. This was the 19th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current comprehensive annual financial report (CAFR) continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Hewitt also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2021-2022. Hewitt has received this Award for 18 years. To qualify for the Distinguished Budget Presentation Award, the government's budget document has to be judged as proficient as a policy document, a financial plan, an operations guide, and a communications device.

A sincere thanks is extended to all government departments for their assistance in providing the data necessary to prepare this report.

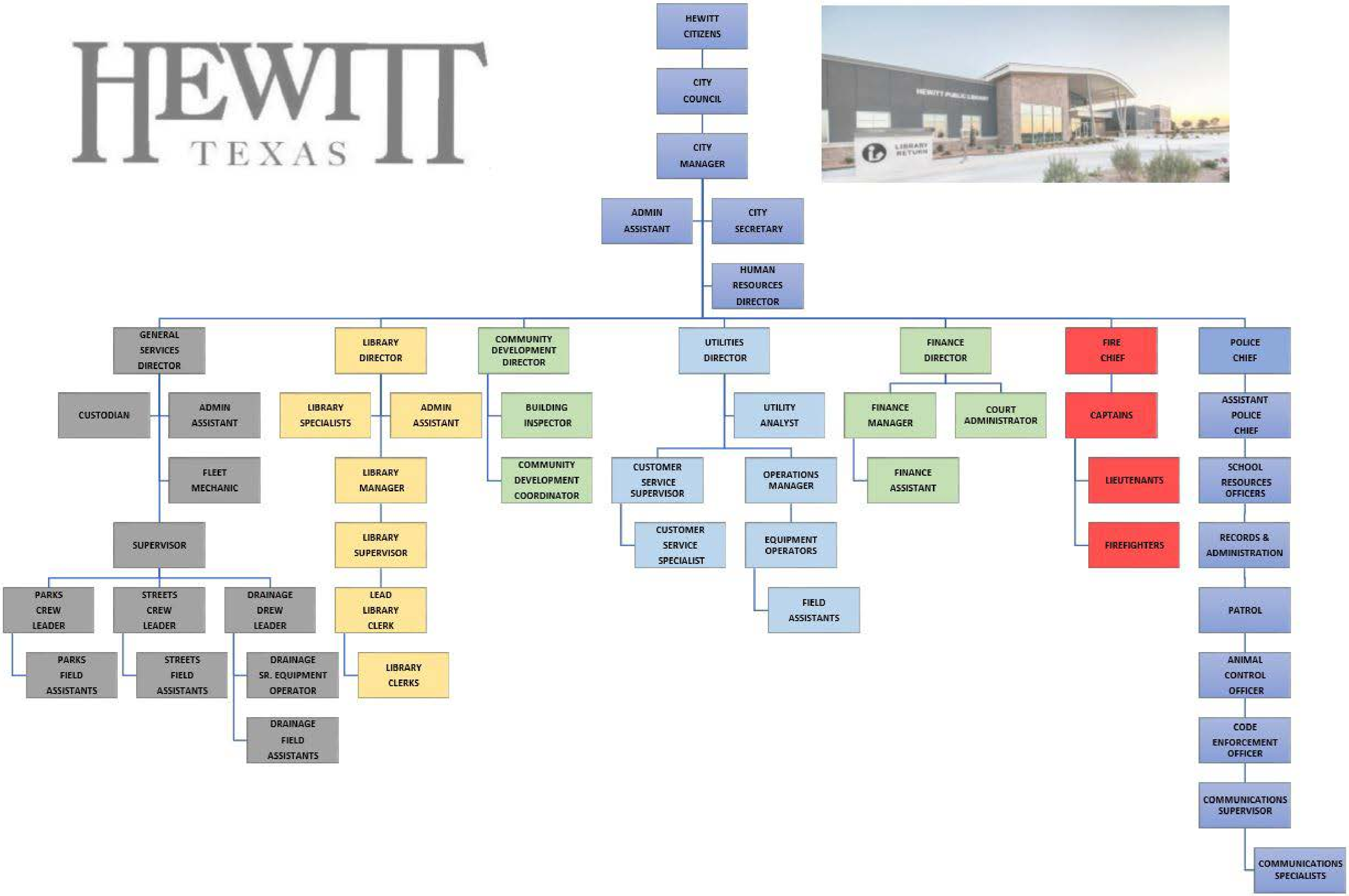
In closing, without the leadership and support of the governing body of the City of Hewitt, the Hewitt City Council, the preparation of this report would not have been possible.

Respectfully submitted,

Bo Thomas, ICMA-CM
City Manager

Lee H. Garcia, CPA, CGFO
Finance Director

HEWITT
TEXAS



CITY OF HEWITT, TEXAS

LIST OF ELECTED AND APPOINTED OFFICIALS

SEPTEMBER 30, 2022

Elected Officials	Position
Steve Fortenberry	Mayor
Michael Bancale	Mayor Pro-Tem
Charles D. “Charlie” Turner	Council Member
Johnny Stephens	Council Member
Dr. Erica Bruce	Council Member
Johnny Price	Council Member
Bob Potter	Council Member

Appointed Officials	Position
Everett “Bo” Thomas, ICMA-CM	City Manager
Lydia Lopez, TRMC, CMC	City Secretary
James Devlin, ILEA-SEL	Chief of Police
Jonathan Christian, CFE, FSCEO	Fire Chief
Tracy Lankford	Community Development Director
Kevin Reinke	Utilities Director
Waynette Ditto, MLS	Library Director
Scott Coleman	General Service Director
Lee H. Garcia, CPA, CGFO	Finance Director
Tuck Saunders	Assistant Chief of Police
Jessica Higgins, MSHRM, IPMA-CP	Human Resources/Civil Service

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
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Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and Members of City Council
City of Hewitt, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hewitt, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hewitt, Texas as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Hewitt's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hewitt'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, budgetary comparison information, and pension and OPEB information, as listed in the table of contents, to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Hewitt, Texas' 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 supplementary 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 supplementary information is 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

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section, and statistical section 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 20, 2023 on our consideration of City of Hewitt'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 City of Hewitt's internal control over financial reporting and compliance.

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

Waco, Texas
March 20, 2023

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MANAGEMENT'S
DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hewitt, Texas (the "City"), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded the deferred inflows of resources and liabilities at the close of the fiscal year by $16,618,929. Of this amount, $7,906,498 represents net investment in capital assets. Additionally, the City is reporting restricted net position of $3,103,999 and $5,608,432 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.

- The City's total net position increased by $4,784,069. A major contributing factor in this increase is attributable to an increase in sales tax revenues in the governmental activities and an increase in capital contributions in the business-type activities.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $16,082,904, an increase of $6,349,917 in comparison with the prior year. Approximately 57% of this total, or $9,150,346 is available for spending at the City's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $9,150,346 or 80% percent of total General Fund expenditures for the fiscal year.

- The City's total governmental long-term liabilities increased by $1,594,219 (7%) during the current fiscal year due to the issuance of certificates of obligation in the amount of $4,925,000, a premium on issuance of $228,244, offset by regular debt service payments and a decrease in the net pension liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Hewitt's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Hewitt.

Basic Financial Statements

The first two statements in the basic financial statements are the *government-wide financial statements*. They provide both short and long-term information about the City's financial status.

The next statements are *fund financial statements*. These statements focus on the activities of the individual parts of city government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information can be found in the required supplementary section of the report.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets, deferred outflows/inflows of resources and total liabilities. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities encompass most of the City's basic services such as public safety, street, culture and recreation, and general administration. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those in which the City charges customers to provide services. These include the water, sewer, and sanitation operations as well as stormwater drainage.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the general statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds. The City has one kind of proprietary fund. Its Enterprise Funds are used to report the same programs presented as business-type activities in the government-wide financial statements. The City uses Enterprise Funds to account for its water, sewer, and sanitation operations and its stormwater drainage operations. The proprietary fund statements provide the same type of information as the government wide financial statements, only in more detail.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information (RSI) which contains information about the City's pension plans and other post-employment benefits plan. Schedules comparing actual results with the original budget and the final amended budget for the City's General Fund is also presented in the RSI section.

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

City of Hewitt Net Position
Figure 1

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	$ 16,527,733	$ 10,067,187	$ 13,891,101	$ 11,621,429	$ 30,418,834	$ 21,688,616
Capital assets	25,570,023	25,048,260	15,015,133	15,706,880	40,585,156	40,755,140
Total assets	42,097,756	35,115,447	28,906,234	27,328,309	71,003,990	62,443,756
Deferred outflows of resources	1,169,198	748,286	441,123	433,410	1,610,321	1,181,696
Current and other liabilities	416,164	322,628	4,673,731	2,830,848	5,089,895	3,153,476
Long-term liabilities	27,432,652	24,235,767	21,738,168	23,340,834	49,170,820	47,576,601
Total liabilities	27,848,816	24,558,395	26,411,899	26,171,682	54,260,715	50,730,077
Deferred inflows of resources	1,547,211	936,006	187,456	124,509	1,734,667	1,060,515
Net position:						
Net investment in capital assets	6,310,241	5,147,756	1,596,257	1,936,099	7,906,498	7,083,855
Restricted	1,596,369	1,552,315	1,507,630	1,497,758	3,103,999	3,050,073
Unrestricted	5,964,317	3,669,261	(355,885)	(1,968,329)	5,608,432	1,700,932
Total net position	$ 13,870,927	$ 10,369,332	$ 2,748,002	$ 1,465,528	$ 16,618,929	$ 11,834,860

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred inflows of the City of Hewitt exceeded liabilities and deferred outflows by $16,618,929 as of September 30, 2022. The City's net position increased by $4,784,069 for the fiscal year ended September 30, 2022. Net investment in capital assets of $7,906,498 accounts for the greatest portion (48%) of net position.

An additional portion of the City's net position (19%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $5,608,432 is unrestricted and may be used to meet the government's ongoing obligations.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99%.
- Increasing City sales tax revenues mirrored those of the State of Texas and national economic trends.

City of Hewitt Changes in Net Position
Figure 2

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	$ 688,814	$ 605,249	$ 9,651,829	$ 8,706,356	$ 10,340,643	$ 9,311,605
Operating grants and contributions	71,017	60,634	-	-	71,017	60,634
Capital grants and contributions	1,671,000	657,000	1,320,000	438,000	2,991,000	1,095,000
General revenues:						
Property taxes	6,125,219	5,716,678	-	-	6,125,219	5,716,678
Sales taxes	4,081,086	3,354,015	-	-	4,081,086	3,354,015
Franchise taxes	968,297	927,331	-	-	968,297	927,331
Hotel occupancy taxes	171,030	110,364	-	-	171,030	110,364
Investment earnings and other general revenues	209,245	159,491	62,431	61,503	271,676	220,994
Total revenues	13,985,708	11,590,762	11,034,260	9,205,859	25,019,968	20,796,621
Expenses:						
General government	1,659,976	2,200,241	-	-	1,659,976	2,200,241
Public safety	6,167,618	5,836,436	-	-	6,167,618	5,836,436
Streets	1,432,079	1,168,854	-	-	1,432,079	1,168,854
Culture and recreation	1,377,531	842,864	-	-	1,377,531	842,864
Interest on long-term debt	801,909	640,760	-	-	801,909	640,760
Water, sewer, and sanitation	-	-	8,356,859	8,077,449	8,356,859	8,077,449
Stormwater drainage	-	-	439,927	448,958	439,927	448,958
Total expenses	11,439,113	10,689,155	8,796,786	8,526,407	20,235,899	19,215,562
Increase (decrease) in net position before transfers	2,546,595	901,607	2,237,474	679,452	4,784,069	1,581,059
Transfers	955,000	955,000	(955,000)	(955,000)	-	-
Change in net position	3,501,595	1,856,607	1,282,474	(275,548)	4,784,069	1,581,059
Net position, beginning	10,369,332	8,512,725	1,465,528	1,741,076	11,834,860	10,253,801
Net position, ending	$ 13,870,927	$ 10,369,332	$ 2,748,002	$ 1,465,528	$ 16,618,929	$ 11,834,860

Governmental Activities. Governmental activities increased the City's net position by $3,501,595. Key elements of this increase include an increase in developer contributions and sales tax, slightly offset by increases in expenses in public safety and streets.

Business-type Activities. Business-type activities increased the City's net position by $1,282,474. Charges for services increased $945,473, primarily driven by an increase in developer contributions.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $9,150,346, with a total fund balance of $9,958,862. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 80% of total General Fund expenditures. Total fund balance represents 87% of total General Fund expenditures.

The fund balance of the City's General Fund increased by $1,819,734 during the current fiscal year. This was a result of increases in revenue in every category. The City has experienced strong economic growth in the past few years, which has driven increases in sales tax and property tax revenues.

Proprietary Fund. The City's Utility Fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility Fund at the end of the year amounted to a deficit of $691,319. The total increase in net position was $1,228,283. Other factors concerning the finances of the Utility Fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights.

During the fiscal year, the City did not make budget amendments. If budget amendments are needed, they generally fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and 3) increases in appropriations that become necessary to maintain services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Hewitt' investment in capital assets for its governmental and business-type activities as of September 30, 2022, totals $40,585,156 (net of accumulated depreciation). These assets include land, buildings and improvements, distribution and collection systems, machinery and equipment, and construction in progress.

City of Hewitt Capital Assets
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	$ 2,405,058	$ 2,405,058	$ 554,444	$ 554,444	$ 2,959,502	$ 2,959,502
Buildings and improvements	10,903,630	10,903,630	1,028,526	1,012,154	11,932,156	11,915,784
Distribution and collection systems	-	-	45,347,250	41,880,600	45,347,250	41,880,600
Machinery and equipment	6,491,588	6,309,823	2,927,753	2,921,812	9,419,341	9,231,635
Infrastructure	45,675,551	43,025,981	-	-	45,675,551	43,025,981
Construction in progress	228,647	778,568	344,076	1,957,076	572,723	2,735,644
Accumulated depreciation	(40,134,451)	(38,374,800)	(35,186,916)	(32,619,206)	(75,321,367)	(70,994,006)
Total	$ 25,570,023	$ 25,048,260	$ 15,015,133	$ 15,706,880	$ 40,585,156	$ 40,755,140

Major capital asset events during the year included the following:

- Warren Park Paving, $44,787.
- Dodge chargers, 2, for police department, $74,962.
- Bobcat compact excavator, $75,375.
- Public safety communications upgrades, $106,803.
- Microseal street improvements, $112,775.
- Ritchie Road – phase 2 street improvements, $821,008.
- Streets contributed by builders, Moonlight phase 4, $1,671,000.
- Water and sewer lines contributed by builders, Moonlight Phase 4, $1,320,000.
- FM 2113, Spring Valley Road, utility relocation, $2,146,650.

Additional information on the City's capital asset activity is presented in the notes to the financial statements on page 22 - 26.

Long-term Debt. As of September 30, 2022, the City of Hewitt had total long-term debt outstanding of $46,866,907. This debt is backed by the full faith and credit of the City.

City of Hewitt Outstanding Debt
Figure 4

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Certificates of obligation	$ 22,537,160	$ 18,696,751	$ 14,812,840	$ 15,343,249	$ 37,350,000	$ 34,040,000
Refunding general obligation bonds	596,250	879,800	5,578,750	6,245,200	6,175,000	7,125,000
Premium on bonds	749,903	562,071	511,742	560,487	1,261,645	1,122,558
Financing arrangements	716,678	681,775	525,426	777,426	1,242,104	1,459,201
Compensated absences	752,426	695,433	85,732	77,457	838,158	772,890
Total	$ 25,352,417	$ 21,515,830	$ 21,514,490	$ 23,003,819	$ 46,866,907	$ 44,519,649

The City's total debt increased by $2,347,258 (5.3%) during the current fiscal year. The key factor in this increase was the issuance of the 2022 certificate of obligation for $4,925,000.

Additional information regarding the City of Hewitt' long-term debt can be found in the notes to the financial statements on pages 24 - 27.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the end of the current fiscal year, unassigned fund balance for the general fund was $9,140,346. The City has not appropriated any of this amount for spending in the 2022 fiscal year budget. The 2022 fiscal year budget of $13 million the general fund is a balanced budget. The water and sewer rates were increased by approximately 3.2% and 3.6% effective December 1, 2022. There were no changes to the drainage rates for the 2022 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general over of the City of Hewitt's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, at the City of Hewitt, 200 Patriot Court, Hewitt, TX 76643.

BASIC
FINANCIAL STATEMENTS

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CITY OF HEWITT, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 15,263,795	$ 10,891,342	$ 26,155,137
Accounts receivables, net	1,263,938	1,492,129	2,756,067
Restricted cash and investments	-	1,507,630	1,507,630
Capital assets:			
Non-depreciable	2,633,705	898,520	3,532,225
Depreciable, net	22,936,318	14,116,613	37,052,931
Total assets	42,097,756	28,906,234	71,003,990
DEFERRED OUTFLOW OF RESOURCES			
Deferred charge on refunding	4,020	304,537	308,557
Deferred outflow related to OPEB	54,290	-	54,290
Deferred outflow related to pensions	1,110,888	136,586	1,247,474
Total deferred outflow of resources	1,169,198	441,123	1,610,321
LIABILITIES			
Accounts payable	122,118	360,081	482,199
Accrued liabilities	102,581	12,526	115,107
Accrued interest	191,465	193,530	384,995
Unearned revenue	-	3,632,777	3,632,777
Customer deposits	-	474,817	474,817
Noncurrent liabilities:			
Due within one year:			
Long-term debt	2,068,880	1,523,393	3,592,273
Total OPEB liability	3,369	-	3,369
Due in more than one year:			
Long-term debt	23,283,537	19,991,097	43,274,634
Net pension liability	1,819,234	223,678	2,042,912
Total OPEB liability	257,632	-	257,632
Total liabilities	27,848,816	26,411,899	54,260,715
DEFERRED INFLOW OF RESOURCES			
Deferred inflow related to pensions	1,524,619	187,456	1,712,075
Deferred outflow related to OPEB	22,592	-	22,592
Total deferred inflow of resources	1,547,211	187,456	1,734,667
NET POSITION			
Net investment in capital assets	6,310,241	1,596,257	7,906,498
Restricted for:			
Debt service	808,516	1,507,630	2,316,146
Municipal information	440,708	-	440,708
Tourism	215,707	-	215,707
Public safety	131,438	-	131,438
Unrestricted	5,964,317	(355,885)	5,608,432
Total net position	$ 13,870,927	$ 2,748,002	$ 16,618,929

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

CITY OF HEWITT, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,659,976	$ 242,394	$ -	$ -
Public safety	6,167,618	401,915	46,020	-
Streets	1,432,079	4,925	-	1,671,000
Culture and recreation	1,377,531	39,580	24,997	-
Interest and fiscal charges	801,909	-	-	-
Total governmental activities	11,439,113	688,814	71,017	1,671,000
Business-type activities:				
Water, sewer, and sanitation	8,356,859	9,159,382	-	1,320,000
Stormwater drainage	439,927	492,447	-	-
Total business-type activities	8,796,786	9,651,829	-	1,320,000
Total primary government	$ 20,235,899	$ 10,340,643	$ 71,017	$ 2,991,000

General revenues:
- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Sales taxes
- Franchise taxes
- Hotel occupancy tax
- Investment earnings
- Miscellaneous
- Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$(1,417,582)	$ -	$(1,417,582)
(5,719,683)	-	(5,719,683)
243,846	-	243,846
(1,312,954)	-	(1,312,954)
(801,909)	-	(801,909)
(9,008,282)	-	(9,008,282)
-	2,122,523	2,122,523
-	52,520	52,520
-	2,175,043	2,175,043
(9,008,282)	2,175,043	(6,833,239)
3,955,611	-	3,955,611
2,169,608	-	2,169,608
4,081,086	-	4,081,086
968,297	-	968,297
171,030	-	171,030
93,846	62,431	156,277
83,496	-	83,496
31,903	-	31,903
955,000	(955,000)	-
12,509,877	(892,569)	11,617,308
3,501,595	1,282,474	4,784,069
10,369,332	1,465,528	11,834,860
$ 13,870,927	$ 2,748,002	$ 16,618,929

CITY OF HEWITT, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 9,162,674	$ 5,336,189	$ 764,932	$ 15,263,795
Receivables, net	1,241,017	-	22,921	1,263,938
Total assets	10,403,691	5,336,189	787,853	16,527,733
LIABILITIES				
Accounts payable	122,118	-	-	122,118
Accrued liabilities	102,581	-	-	102,581
Total liabilities	224,699	-	-	224,699
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	150,321	-	-	150,321
Unavailable revenue - court fines	69,809	-	-	69,809
Total deferred inflows of resources	220,130	-	-	220,130
FUND BALANCES				
Restricted for:				
Debt service	808,516	-	-	808,516
Municipal information	-	-	440,708	440,708
Tourism	-	-	215,707	215,707
Public safety	-	-	131,438	131,438
Capital projects	-	5,336,189	-	5,336,189
Unassigned	9,150,346	-	-	9,150,346
Total fund balances	9,958,862	5,336,189	787,853	16,082,904
Total liabilities, deferred inflows of resources and fund balances	$ 10,403,691	$ 5,336,189	$ 787,853	$ 16,527,733

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

CITY OF HEWITT, TEXAS

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

SEPTEMBER 30, 2022

Total fund balances - governmental funds balance sheet	$ 16,082,904
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the funds.	25,570,023
Certain receivables will not be collected soon enough to pay for the current period's expenditures and are therefore deferred in the funds:	
Property taxes	150,321
Court fines and fees	69,809
Accrued bond interest is not due and payable in the current period and therefore is not reported in the funds:	(191,465)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Bonds payable	(23,133,410)
Bond premium	(749,903)
Financing arrangements	(716,678)
Compensated absences	(752,426)
Included in the items related to long-term liabilities is the recognition of the City's net pension liabilities and total OPEB liability, as well as the related deferred inflows and outflows of resources.	
Long-term liabilities:	
Net pension liability	(1,819,234)
Total OPEB liability	(261,001)
Deferred outflows of resources:	
Outflows related to loss on refunding	4,020
Outflows related to pensions	1,110,888
Outflows related to OPEB	54,290
Deferred inflows of resources:	
Inflows related to pensions	(1,524,619)
Inflows related to OPEB	(22,592)
Net position of governmental activities	$ 13,870,927

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

CITY OF HEWITT, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 6,081,718	$ -	$ -	$ 6,081,718
Sales	4,081,086	-	-	4,081,086
Franchise	934,549	-	33,748	968,297
Hotel occupancy	-	-	171,030	171,030
Intergovernmental	266,063	-	-	266,063
Licenses and permits	242,394	-	-	242,394
Charges for services	21,295	-	-	21,295
Fines	189,650	-	18,395	208,045
Investment earnings	65,819	24,032	3,995	93,846
Miscellaneous	100,605	-	-	100,605
Total revenues	11,983,179	24,032	227,168	12,234,379
EXPENDITURES				
Current:				
General government	1,517,980	-	117,783	1,635,763
Public safety	5,766,146	-	1,524	5,767,670
Public works	955,793	-	-	955,793
Culture and recreation	685,395	-	-	685,395
Debt service:				
Principal	1,567,866	-	-	1,567,866
Interest	655,734	-	-	655,734
Bond issuance cost	-	153,244	-	153,244
Capital outlay	236,058	601,710	-	837,768
Total expenditures	11,384,972	754,954	119,307	12,259,233
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	598,207	(730,922)	107,861	(24,854)
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	4,925,000	-	4,925,000
Premium	-	228,244	-	228,244
Issuance of financing arrangements	234,624	-	-	234,624
Proceeds from disposition of capital assets	31,903	-	-	31,903
Transfers in	955,000	-	-	955,000
Total other financing sources (uses)	1,221,527	5,153,244	-	6,374,771
NET CHANGE IN FUND BALANCES	1,819,734	4,422,322	107,861	6,349,917
FUND BALANCES, BEGINNING	8,139,128	913,867	679,992	9,732,987
FUND BALANCES, ENDING	$ 9,958,862	$ 5,336,189	$ 787,853	$ 16,082,904

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

CITY OF HEWITT, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

Net change in fund balances - total governmental funds	$ 6,349,917
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	2,454,475
Depreciation	(1,932,712)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Unavailable tax revenue	43,501
Unavailable municipal court revenue	4,925
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Bond principal payments	1,368,141
Financing arrangement principal payments	199,725
Issuance of financing arrangements	(234,624)
Issuance of bonds	(4,925,000)
Premium on issuance of bonds	(228,244)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Amortization of premiums and deferred loss on refunding	38,402
Pension cost	477,200
OPEB cost	(25,785)
Compensated absences	(56,993)
Accrued interest	(31,333)
Change in net position of governmental activities.	$ 3,501,595

CITY OF HEWITT, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2022

	Enterprise Funds		
	Water, Sewer and Sanitation	Non-major Stormwater Drainage	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 10,515,562	$ 375,780	$ 10,891,342
Accounts receivable, net	1,425,506	66,623	1,492,129
Restricted cash and cash equivalents	1,507,630	-	1,507,630
Total current assets	13,448,698	442,403	13,891,101
Noncurrent assets:			
Land	554,444	-	554,444
Construction in progress	344,076	-	344,076
Buildings and improvements	1,028,526	-	1,028,526
Water system facilities	32,781,458	-	32,781,458
Sewer system facilities	11,568,572	-	11,568,572
Drainage system facilities	-	997,220	997,220
Equipment	2,338,698	589,055	2,927,753
Less accumulated depreciation	(34,266,168)	(920,748)	(35,186,916)
Total noncurrent assets	14,349,606	665,527	15,015,133
Total assets	27,798,304	1,107,930	28,906,234
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	304,537	-	304,537
Deferred outflow related to pensions	97,313	39,273	136,586
Total deferred outflows of resources	401,850	39,273	441,123
LIABILITIES			
Current liabilities:			
Accounts payable	360,081	-	360,081
Accrued liabilities	9,371	3,155	12,526
Accrued interest payable	189,769	3,761	193,530
Unearned revenue	3,632,777	-	3,632,777
Payable from restricted assets: customer deposits	474,817	-	474,817
Compensated absences	14,928	4,436	19,364
Financing arrangement	187,305	81,124	268,429
Bonds payable	1,235,600	-	1,235,600
Total current liabilities	6,104,648	92,476	6,197,124
Noncurrent liabilities:			
Compensated absences	49,693	16,675	66,368
Financing arrangement	111,063	145,934	256,997
Bonds payable	19,667,732	-	19,667,732
Net pension liability	159,363	64,315	223,678
Total noncurrent liabilities	19,987,851	226,924	20,214,775
Total liabilities	26,092,499	319,400	26,411,899
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pensions	133,556	53,900	187,456
Total deferred inflows of resources	133,556	53,900	187,456
NET POSITION			
Net investment in capital assets	1,157,788	438,469	1,596,257
Restricted for debt services	1,507,630	-	1,507,630
Unrestricted	(691,319)	335,434	(355,885)
Total net position	$ 1,974,099	$ 773,903	$ 2,748,002

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

CITY OF HEWITT, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Enterprise Funds		
	Water, Sewer and Sanitation	Non-major Stormwater Drainage	Total Enterprise Funds
OPERATING REVENUES			
Charges for services	$ 8,890,231	$ 492,447	$ 9,382,678
Miscellaneous	269,151	-	269,151
Total operating revenues	9,159,382	492,447	9,651,829
OPERATING EXPENSES			
Personnel	613,585	234,682	848,267
Contractual services	3,563,279	14,930	3,578,209
Utilities	313,815	2,796	316,611
Repairs and maintenance	435,505	25,390	460,895
Other	147,520	40,093	187,613
Depreciation	2,520,096	117,049	2,637,145
Total operating expenses	7,593,800	434,940	8,028,740
OPERATING INCOME	1,565,582	57,507	1,623,089
NONOPERATING REVENUES (EXPENSES)			
Interest and other income	60,760	1,671	62,431
Interest and other charges	(763,059)	(4,987)	(768,046)
Total nonoperating revenues (expenses)	(702,299)	(3,316)	(705,615)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	863,283	54,191	917,474
Capital contributions	1,320,000	-	1,320,000
Transfers out	(955,000)	-	(955,000)
CHANGE IN NET POSITION	1,228,283	54,191	1,282,474
NET POSITION, BEGINNING	745,816	719,712	1,465,528
NET POSITION, ENDING	$ 1,974,099	$ 773,903	$ 2,748,002

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

CITY OF HEWITT, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Enterprise Funds		
	Water, Sewer and Sanitation	Non-major Stormwater Drainage	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	$ 9,089,785	$ 497,338	$ 9,587,123
Cash paid to suppliers	(4,415,930)	(272,203)	(4,688,133)
Cash paid to employees	(857,910)	(83,209)	(941,119)
Net cash provided (used) by operating activities	3,815,945	141,926	3,957,871
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfer to other funds	(955,000)	-	(955,000)
Net cash provided (used) by noncapital financing activities	(955,000)	-	(955,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants	1,782,187	-	1,782,187
Purchase of capital assets	(550,022)	(75,376)	(625,398)
Principal paid on capital debt	(1,511,836)	14,241	(1,497,595)
Interest and other charges paid on debt	(537,650)	(1,226)	(538,876)
Net cash provided (used) by capital and related financing activities	(817,321)	(62,361)	(879,682)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	60,760	1,671	62,431
Net cash provided (used) by investing activities	60,760	1,671	62,431
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	2,104,384	81,236	2,185,620
CASH AND CASH EQUIVALENTS, BEGINNING	9,918,808	294,544	10,213,352
CASH AND CASH EQUIVALENTS, ENDING	$ 12,023,192	$ 375,780	$ 12,398,972
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Net operating income	$ 1,565,582	$ 57,507	$ 1,623,089
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,520,096	117,049	2,637,145
(Increase) decrease in:			
Accounts receivable	(88,943)	17,391	(71,552)
Deferred outflows related to pensions	(33,589)	(9,764)	(43,353)
Increase (decrease) in:			
Accounts payable	44,189	-	44,189
Accrued liabilities	(193,110)	(3,259)	(196,369)
Due to other funds	-	(12,500)	(12,500)
Customer deposits	19,346	-	19,346
Compensated absences	4,909	3,366	8,275
Net pension liability	(70,990)	(42,356)	(113,346)
Deferred inflows related to pensions	48,455	14,492	62,947
Net cash provided (used) by operations	$ 3,815,945	$ 141,926	$ 3,957,871
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Contributions of capital assets	$ 1,320,000	$ -	$ -

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Hewitt have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below:

A. Government-wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

The City segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

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

B. Measurement Focus/Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using 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.

The revenues susceptible to accrual are property taxes, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are considered to be measurable and available only when cash is received by the City.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The City reports the following major governmental funds:

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

The ***Capital Projects Fund*** is used to provide funding for non-routine general City projects. These projects are typically significant in cost. The projects are funded through the issuance of certificates of obligation and, if needed, operating transfers from the General Fund.

The City has presented the following major proprietary fund:

The ***Water, Sewer, and Sanitation Fund*** is used to account for the activities of the water distribution system, the sewage treatment plan, sewage pumping stations and collection systems, and sanitation services.

Amounts reported as 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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary fund include the cost of sales and services, administrative services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting.*

C. Cash and Investments

The City's cash and cash equivalents for purposes of reporting cash flows of the proprietary fund consist of cash on hand, demand deposits, certificate of deposits, and deposits in public funds investment pools.

State statutes authorize the City to invest in U.S. Treasury and agency securities, commercial paper, guaranteed investment contracts, repurchase agreements, and certain governmental investment pools. The City's local investment policy limits the City to invest in U.S. Treasury and agency securities, certificate of deposits, fully collateralized repurchase agreements secured by U.S. Treasury and agency securities, and public funds investment pools.

Investments in government pools are recorded at fair value, except for public funds investment pools. The public funds investment pools operate in accordance with the appropriate state laws and regulations. The reported value of the pool is the same as the amortized cost of the pool shares.

D. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

E. Restricted Assets

Restricted cash accounts in the water and sewer fund are used to report (1) unspent bond proceeds, (2) customer deposits, and (3) bond debt reserve funds.

F. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, infrastructure, water, sewer, and drainage facilities, equipment, and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Assets capitalized, not including infrastructure assets, have an original cost of $7,500 or more and a useful life of over one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized and are reported as expenses.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Assets	Years
Buildings and improvements	40
Water, sewer, and drainage systems	25 - 40
Infrastructure	5 - 40
Machinery and equipment	5 - 10

G. Deferred Outflows/Inflows of Resources

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 charges 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 and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Changes in actuarial assumptions – These changes are 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.

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Difference in expected and actual pension 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 assets – This difference is deferred and amortized over a closed five-year period.

- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

H. <u>Pensions</u>

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 TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. <u>Other Post-Employment Benefits</u>

For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

J. <u>Compensated Absences</u>

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

L. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

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

M. Net Position

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

N. Use of Estimates

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

2. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash, Cash Equivalents and Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal bonds, managed public fund investment pools, and certificates of deposit

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as Texas Short-term Reserve Fund ("TexStar"), Local Government Investment Cooperative ("LOGIC"), Texas Range, Texas FIT, and Lone Star Investment Pool ("Lone Star"), through which political subdivisions and other entities may invest public funds.

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs to measure the fair value of the asset. Level 1 inputs are quoted prices for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The FHLMC securities held by the primary government were valued using the quoted prices of identical assets (Level 1).

The City's investments for the year ended September 30, 2022 are as follows:

	Carrying Value	Weighted Average Maturity (Days)	Credit Risk
Primary government:			
FHLMC	$ 991,553	202	AAA
Alliance Bank	4,950,000	343	
East West Bank	10,027,533	137	
Total primary government	$ 15,969,086		
Portfolio weighted average maturity		205	

Credit risk – In conformance with the City's investment policy, the City has limited credit risk by investing in only the safest type of securities as allowed by the Public Funds Investment Act, using approved brokers and with different investment pools. The broker used to determine the City's credit risk is Moody's Investor's Services.

Interest rate risk – The City, in compliance with its investment policy, invests in short-term securities to protect market valuation from unanticipated rate movements. In addition, the City will not directly invest in securities maturing more than five years from the date of purchase.
Concentration of credit risk – The City uses four local government investment pools and brokered certificates of deposit to diversify risk.

Custodial credit risk – The City requires all bank deposits to be collateralized at a level not less than the total deposits. At September 30, 2022, the carrying value of the City's bank deposits was entirely covered by federal depository insurance or by collateral held by the agent in the City's name.

B. Receivables

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

	General	Other Nonmajor Governmental	Water, Sewer and Sanitation	Nonmajor Stormwater Drainage	Total
Receivables:					
Property taxes	$ 150,321	$ -	$ -	$ -	$ 150,321
Sales and franchise taxes	910,370	-	-	-	910,370
Hotel occupancy taxes	-	22,921	-	-	22,921
Fines	279,237	-	-	-	279,237
Accounts	-	-	1,838,567	79,718	1,918,285
Other	110,517	-	40,500	-	151,017
Gross Receivables	1,450,445	22,921	1,879,067	79,718	3,432,151
Less: allowance for doubtful accounts	(209,428)	-	(453,561)	(13,095)	(676,084)
	$ 1,241,017	$ 22,921	$ 1,425,506	$ 66,623	$ 2,756,067

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,405,058	$ -	$ -	2,405,058
Construction in progress	778,568	357,522	734,382	401,708
Total capital assets not being depreciated	3,183,626	357,522	734,382	2,806,766
Capital assets being depreciated:				
Buildings and improvements	10,903,630	-	-	10,903,630
Infrastructure	43,025,981	2,649,571	-	45,675,552
Machinery and equipment	6,309,823	181,763	173,061	6,318,525
Total capital assets being depreciated	60,239,434	2,831,334	173,061	62,897,707
Less accumulated depreciation for:				
Buildings and improvements	1,993,921	272,591	-	2,266,512
Infrastructure	31,629,214	1,054,758	-	32,683,972
Machinery and equipment	4,751,665	605,362	173,061	5,183,966
Total accumulated depreciation	38,374,800	1,932,711	173,061	40,134,450
Total capital assets depreciated, net	21,864,634	898,623	-	22,763,257
Governmental activities, capital assets, net	$ 25,048,260	$ 1,256,145	$ 734,382	$ 25,570,023
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 554,444	$ -	$ -	$ 554,444
Construction in progress	1,957,076	344,076	1,957,076	344,076
Total capital assets not being depreciated	2,511,520	344,076	1,957,076	898,520
Capital assets being depreciated:				
Buildings and improvements	1,012,154	16,372	-	1,028,526
Water system facilities	30,014,808	2,766,650	-	32,781,458
Sewer system facilities	10,868,572	700,000	-	11,568,572
Drainage system facilities	997,220	-	-	997,220
Machinery and equipment	2,921,812	75,376	69,435	2,927,753
Total capital assets being depreciated	45,814,566	3,558,398	69,435	49,303,529
Less accumulated depreciation for:				
Buildings and improvements	336,675	20,089	-	356,764
Water system facilities	21,474,417	1,701,978	-	23,176,395
Sewer system facilities	7,938,746	666,529	-	8,605,275
Drainage system facilities	490,216	55,401	-	545,617
Machinery and equipment	2,379,152	193,148	69,435	2,502,865
Total accumulated depreciation	32,619,206	2,637,145	69,435	35,186,916
Total capital assets depreciated, net	13,195,360	921,253	-	14,116,613
Business-type activities, capital assets, net	$ 15,706,880	$ 1,265,329	$ 1,957,076	$ 15,015,133

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

Governmental activities:	
General government	$ 77,549
Public safety	683,175
Streets	512,749
Culture and recreation	659,238
Total governmental activities	$ 1,932,711
Business-type activities:	
Water, sewer, and sanitation	$ 2,520,096
Stormwater drainage	117,049
Total business-type activities	$ 2,637,145

D. Interfund Transfers

Interfund activity for the year ended September 30, 2022, is as follows:

Transfer From	Transfer To	Amount
Water, Sewer and Sanitation	General Fund	$ 955,000
Total		$ 955,000

The transfer from the Water, Sewer and Sanitation Fund to the General Fund was for franchise fees, administrative costs, and a payment in lieu of tax.

E. Unearned Revenue

As September 30, 2022, the Water, Sewer and Sanitation fund reported unearned revenue in the amount of $3,632,777 for payments received under the Coronavirus State and Local Fiscal Recovery Fund that have not yet been spent.

F. Long-term Debt

Long-term liabilities consist of bonded indebtedness, financing arrangements, compensated absences. The City issues certificates of obligation to provide funds for the acquisition and construction of major capital facilities and pledges income derived from the acquired or constructed assets to pay debt service. Financing arrangements are issued for the acquisition of equipment and other machinery. Financing arrangements, and compensated absences, are generally liquidated by the general fund and the enterprise funds.

The following is a summary of changes in long-term liabilities for the year ended September 30, 2022.

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	$ 18,696,751	$ 4,925,000	$ 1,084,591	$ 22,537,160	$ 1,335,250
General refunding bonds	879,800	-	283,550	596,250	294,150
Premium on bonds	562,071	228,244	40,412	749,903	-
Financing arrangements	681,775	234,624	199,725	716,674	261,897
Compensated absences	695,433	482,996	426,003	752,426	177,583
Total	$ 21,515,830	$ 5,870,864	$ 2,034,281	$ 25,352,413	$ 2,068,880
Business-type activities:					
Certificates of obligation	$ 15,343,249	$ -	$ 530,409	$ 14,812,840	$ 549,750
General refunding bonds	6,245,200	-	666,450	5,578,750	685,850
Premium on bonds	560,478	-	48,736	511,742	-
Financing arrangements	777,426	115,376	367,376	525,426	268,429
Compensated absences	77,457	56,756	48,481	85,732	19,364
Total	$ 23,003,810	$ 172,132	$ 1,661,452	$ 21,514,490	$ 1,523,393

Bonded Debt

For governmental activities, bonds payable at September 30, 2022, are comprised of the following individual issues:

	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
Governmental Activities				
Certificates of Obligation				
Combination Tax and Limited Surplus Certificates of Obligation, Series 2010	$ 2,200,000	1.00% - 3.85%	2030	$ 1,695,000
Combination Tax and Limited Surplus Certificates of Obligation, Series 2012	2,905,000	1.50% - 3.00%	2032	1,707,160
Combination Tax and Limited Surplus Certificates of Obligation, Series 2013	3,850,000	2.00% - 3.60%	2038	2,830,000
Combination Tax and Limited Surplus Certificates of Obligation, Series 2014	6,835,000	2.00% - 4.00%	2034	4,705,000
Combination Tax and Limited Surplus Certificates of Obligation, Series 2016B	3,355,000	0.80% - 2.75%	2036	2,620,000
Combination Tax and Limited Surplus Certificates of Obligation, Series 2017	4,860,000	3.00% - 4.00%	2038	4,055,000
Combination Tax and Limited Surplus Certificates of Obligation, Series 2022	4,925,000	3.00% - 5.00%	2042	4,925,000
Total certificates of obligation				22,537,160
General Refunding Bonds				
General Obligation Refunding Bonds, Series 2013	$ 3,570,000	3.00% - 4.63%	2037	596,250
Total General Refunding Bonds				596,250
Total bonded debt - governmental activities				$ 23,133,410

Annual debt service requirements to maturity for governmental activities are as follows:

Year Ended September 30,	Principal	Interest
2023	$ 1,629,400	$ 782,043
2024	1,609,895	747,870
2025	1,473,455	693,567
2026	1,515,342	640,102
2027	1,581,000	584,593
2028-2032	7,849,318	2,053,573
2033-2037	5,405,000	844,092
2038-2042	2,070,000	194,951
	$ 23,133,410	$ 6,540,791

For business-type activities, bonds outstanding at September 30, 2022 are comprised of the following issues:

	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
Business-type Activities				
Certificates of Obligation				
Combination Tax and Limited Surplus Certificates of Obligation, Series 2010	$ 9,975,000	3.00% - 4.63%	2037	$ 7,465,000
Combination Tax and Limited Surplus Certificates of Obligation, Series 2012	4,795,000	1.50% - 3.00%	2032	2,817,840
Combination Tax and Limited Surplus Certificates of Obligation, Series 2016	6,195,000	2.00% - 3.38%	2035	4,530,000
Total certificates of obligation				14,812,840
General Refunding Bonds				
General Obligation Refunding Bonds, Series 2013	$ 3,570,000	0.50% - 3.00%	2024	528,750
General Obligation Refunding Bonds, Series 2015	$ 5,555,000	2.00% - 4.00%	2032	5,050,000
Total General Refunding Bonds				5,578,750
Total bonded debt - business-type activities				$ 20,391,590

For business-type activities, annual debt service requirements to maturity are as follows:

Year Ended September 30,	Principal	Interest
2023	$ 1,235,600	$ 742,122
2024	1,275,105	708,774
2025	1,256,545	673,469
2026	1,294,659	634,684
2027	1,339,000	592,418
2028-2032	7,460,681	2,235,140
2033-2037	6,530,000	830,581
	$ 20,391,590	$ 6,417,188

The City is required under provisions of the combination tax and limited surplus certificates of obligation to maintain interest and sinking funds adequate for payments of principal and interest. Proceeds from the bonds provided financing for the construction of water system facilities. The total principal and interest remaining to be paid on the bonds is $5.5 million. Principal and interest paid for the current year and total of pledged net surplus revenues of the water, sewer, and sanitation fund were $1,969,577 and $1,497,758 respectively. The City is in compliance with all significant financial limitations and restrictions mentioned above.

Financing Arrangements

The City finances the acquisition of certain vehicles, heavy equipment, wireless water meters, and computer equipment under noncancelable financing arrangements that expire over the next four years. The arrangements carry interest rates ranging from 1.23% to 3.20% and interest expense for the year was $29,836. Assets under financing arrangements at September 30, 2022 consisted of the following:

Machinery and equipment	$ 3,114,008
Less: accumulated amortization	2,287,709
Total	$ 826,299

Annual debt service requirements to maturity are as follows:

Year Ended September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest
2023	$ 261,897	$ 13,504	$ 268,429	$ 8,038
2024	267,304	8,095	132,939	4,333
2025	127,738	2,560	94,682	1,769
2026	59,735	735	29,376	361
	$ 716,674	$ 24,894	$ 525,426	$ 14,501

G. Employee Retirement Systems

Defined Benefit Pension Plan – Texas Municipal Retirement System

Plan Descriptions

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 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 member's 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 total member contributions and interest.

The City has approved an 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. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

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

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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	36
Inactive employees entitled to but not yet receiving benefits	77
Active employees	95
Total	208

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the city matching ratios are either 1:1(1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.58% and 15.73% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for fiscal years 2021 and 2022, were $896,485 and $982,080, respectively.

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.

Actuarial assumptions

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

Inflation	2.50% per year
Overall Payroll Growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period 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	$ 23,105,354	$ 20,288,316	$ 2,817,038
Changes for the year:			
Service cost	1,018,441	-	1,018,441
Interest	1,571,824	-	1,571,824
Difference between expected and actual experience	586,909	-	586,909
Contributions - employer	-	922,997	(922,997)
Contributions - employee	-	393,004	(393,004)
Net investment income	-	2,647,453	(2,647,453)
Benefit payments, including refunds of employee contributions	(656,588)	(656,588)	-
Administrative expense	-	(12,238)	12,238
Other changes	-	84	(84)
Net changes	2,520,586	3,294,712	(774,126)
Balance at 12/31/2021	$ 25,625,940	$ 23,583,028	$ 2,042,912

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 6,163,550	$ 2,042,912	$(1,286,185)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. The report may be obtained on the Internet at *www.tmrs.org.*

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 in the governmental activities and business-type activities in the amounts of $364,432 and $44,808, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 453,556	$ 356,519
Changes in actuarial assumptions	35,608	-
Difference between projected and actual investment earnings	-	1,355,556
Contributions subsequent to the measurement date	758,310	-
Total	$ 1,247,474	$ 1,712,075

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2023	$(245,372)
2024	(551,765)
2025	(217,400)
2026	(208,374)

H. Defined Other Post-Employment Benefit Plans

Plan Description

The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

The number of employees currently covered by the benefit terms is as follows:

Inactive employees currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	10
Active employees	95
Total	130

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.15% for 2022 and 0.14% for 2021, of which 0.06% and 0.06%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2022 and 2021 were $1,571 and $2,811, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability

The City's total OPEB liability of $261,001 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.50%
Discount rate	1.84%
Actuarial cost method	Entry Age Method
Salary increases	3.50% to 11.5% including inflation

Mortality rates were updated and are based upon the sex distinct PUB 2010 general employee mortality table with mortality improvement scale MP-2019. Per capita costs for Pre-65 retirees were derived based upon the fully insured rates on a retiree-only experience basis. Medicare eligible retirees are assumed to rescind the City's plan and take Medicare coverage. Any Medicare Part D subsidy was not reflected in the estimate. The participation rate for future retirees is based upon years of service at retirement. Any participant that retires prior to age 50 is assumed to waive the City's healthcare plan. For any future retiree assumed to elect retiree healthcare, their spouse is assumed to waive coverage. 40% of retirees are assumed to drop coverage at the time the employer subsidy ends. The per capita claims costs include a 7% load for administrative expenses and a 10% load for stop loss premiums where both are assumed to escalate with the healthcare trend rates each year.

The discount rate of 1.84% is based upon the yield of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The other financial assumptions for long-term inflation, payroll growth, and salary scale were taken from the TMRS actuary study.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2020	$ 239,919
Changes for the year:	
Service cost	17,966
Interest	4,944
Difference between expected and actual experience	(7,510)
Changes of assumptions or other inputs	9,051
Benefit payments	(3,369)
Net changes	21,082
Balance at 12/31/2021	$ 261,001

Changes in assumptions reflect a change in the discount rate from 2.00% to 1.84%.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (1.84%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB Liability	$ 326,638	$ 261,001	$ 210,655

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

For the year ended September 30, 2022, the City recognized OPEB expense in the governmental activities in the amounts of $29,487. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period. At September 30, 2022, the City reported deferred outflows and inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	-	$ 22,592
Changes in actuarial assumptions	51,398	-
Contributions subsequent to the measurement date	2,892	-
	$ 54,290	$ 22,592

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2023. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30	
2023	$ 6,577
2024	6,577
2025	5,527
2026	5,939
2027	3,810
2028	376

I. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has joined together with other governments in Texas to form the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen's compensation coverages. The City pays a quarterly contribution to the pool for its insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report, which can be obtained by writing the Texas Municipal League Intergovernmental Risk Pool, 1821 Rutherford Lane, Austin, Texas 78754.

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

J. Construction and Other Significant Commitments

Construction Commitments

The City has active construction projects as of September 30, 2022. At year-end, the City's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitments
Government activities:		
Street improvements - East Warren	$ 688,734	$ 218,952
Total	$ 688,734	$ 218,952

The commitments will be funded by unspent bond proceeds.

Other Commitments

The City has contracted with private companies for the collection and disposal of refuse. The City negotiated a collection contract, with an effective date of July 1, 2019, for a term of five years, with the option to renew and extend the contract for another five years. Under the terms of the contract, the City will be responsible for residential billing and collection of all waste collection fees and will pay collection fees to the companies on a monthly basis as authorized in the contract regardless of the amount collected from residents. Collection fees paid during the fiscal year were $1,166,536.

In order to provide a long-term, reliable water supply, the City entered into an agreement with the City of Waco on October 1, 2019, for a term of twenty-five years, with the option for either party to renew and extend the contract for another twenty years. The contract expires on September 30, 2045. Payments during the fiscal year were $1,086,983.

On October 1, 2019, the City entered into an agreement with five neighboring cities (the "conveying cities") and the City of Waco in which each conveying city transferred their respective ownership of the joint venture to the City of Waco. The City of Waco operates the system, called Waco Metropolitan Area Regional Sewer System ("WMARSS"). The WMARSS entered into a wholesale wastewater agreement with each conveying city. During the fiscal year, the City made payments of $612,944 under this contract.

K. Significant Forthcoming Pronouncements

A summary of pronouncements issued by the Government Accounting Standards Board ("GASB") which may impact the City but are not yet effective follows. The City has not yet determined the effects of the adoption of the pronouncements on the financial statements.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 will be implemented in fiscal year 2023 and the impact has not yet been determined.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. GASB 96 will be implemented in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62* – The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

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REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF HEWITT, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	$ 6,109,736	$ 6,109,736	$ 6,081,718	$(28,018)
Sales	3,063,000	3,063,000	4,081,086	1,018,086
Franchise	918,000	918,000	934,549	16,549
Licenses and permits	110,500	110,500	242,394	131,894
Intergovernmental	230,155	230,155	266,063	35,908
Charges for services	45,500	45,500	21,295	(24,205)
Fines	105,000	105,000	189,650	84,650
Investment earnings	20,000	20,000	65,819	45,819
Miscellaneous	51,000	51,000	100,605	49,605
Total revenues	10,652,891	10,652,891	11,983,179	1,330,288
EXPENDITURES				
Current				
General government	1,524,891	1,524,891	1,517,980	6,911
Public safety	5,819,262	5,819,262	5,766,146	53,116
Public works	1,054,114	1,054,114	955,793	98,321
Culture and recreation	713,285	713,285	685,395	27,890
Debt service				
Principal	1,567,866	1,567,866	1,567,866	-
Interest	655,734	655,734	655,734	-
Capital outlay	272,235	272,235	236,058	36,177
Total expenditures	11,607,387	11,607,387	11,384,972	222,415
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(954,496)	(954,496)	598,207	1,107,873
OTHER FINANCING SOURCES (USES)				
Issuance of financing arrangements	-	-	234,624	234,624
Proceeds from disposition of capital assets	-	-	31,903	31,903
Transfers in	955,000	955,000	955,000	-
Total other financing sources (uses)	955,000	955,000	1,221,527	266,527
NET CHANGE IN FUND BALANCES	504	504	1,819,734	1,819,230
FUND BALANCES, BEGINNING	8,139,128	8,139,128	8,139,128	-
FUND BALANCES, ENDING	$ 8,139,632	$ 8,139,632	$ 9,958,862	$ 1,819,230

BUDGETARY INFORMATION

An annual budget is adopted for the general fund. Prior to the beginning of the fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.

Public hearings are conducted at which all interested persons' comments concerning the budget are heard. Prior to September 30, the budget is legally enacted through passage of an ordinance by the City Council.

The appropriated budget is prepared by fund and department. Encumbrance accounting is not utilized by the City. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, transfers of appropriations between funds requires approval by the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. No supplementary budgetary appropriations were made during the year.

In order to provide a meaningful comparison of actual results with the budget, the actual and budget amounts are presented in accordance with the City's budgetary basis in the financial statements of the individual funds.

CITY OF HEWITT, TEXAS

SCHEDULE OF CHANGES IN TMRS NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement Date December 31,	**2014**	**2015**	**2016**
A. Total pension liability			
Service Cost	$ 562,384	$ 677,066	$ 789,084
Interest (on the Total Pension Liability)	968,575	1,069,693	1,113,527
Difference between expected and actual experience	289,232	82,445	232,482
Change of assumptions	-	(99,647)	-
Benefit payments, including refunds of employee contributions	(410,019)	(455,951)	(684,443)
Net change in total pension liability	1,410,172	1,273,606	1,450,650
Total pension liability - beginning	13,760,604	15,170,776	16,444,382
Total pension liability - ending (a)	$ 15,170,776	$ 16,444,382	$ 17,895,032
B. Plan fiduciary net position			
Contributions - employer	$ 567,026	$ 611,595	$ 689,247
Contributions - employee	268,007	279,449	315,470
Net investment income	631,326	17,826	846,118
Benefit payments, including refunds of employee contributions	(410,019)	(455,951)	(684,443)
Administrative expenses	(6,591)	(10,861)	(9,560)
Other	(542)	(535)	(515)
Net change in plan fiduciary net position	1,049,207	441,523	1,156,317
Plan fiduciary net position - beginning	11,034,947	12,084,154	12,525,677
Plan fiduciary net position - ending (b)	$ 12,084,154	$ 12,525,677	$ 13,681,994
C. Net pension liability - ending (a) - (b)	$ 3,086,622	$ 3,918,705	$ 4,213,038
D. Plan fiduciary net position as a percentage of total pension liability	79.65%	76.17%	76.46%
E. Covered payroll	$ 3,828,666	$ 3,992,134	$ 4,488,532
F. Net position liability as a percentage of covered payroll	80.62%	98.16%	93.86%

Note: The schedule is intended to show 10 years of information, additional years will be presented as it becomes available.

2017	2018	2019	2020	2021
$ 822,083	$ 838,824	$ 842,000	$ 933,172	$ 1,018,441
1,209,174	1,289,282	1,384,349	1,494,824	1,571,824
(95,913)	6,076	756	(633,793)	586,909
-	-	94,624	-	-
(784,782)	(729,056)	(725,683)	(735,615)	(656,588)
1,150,562	1,405,126	1,596,046	1,058,588	2,520,586
17,895,032	19,045,594	20,450,720	22,046,766	23,105,354
$ 19,045,594	$ 20,450,720	$ 22,046,766	$ 23,105,354	$ 25,625,940
$ 721,451	$ 747,341	$ 757,848	$ 797,653	$ 922,997
321,665	328,399	336,608	360,696	393,004
1,895,854	(474,030)	2,427,887	1,403,594	2,647,453
(784,782)	(729,056)	(725,683)	(735,615)	(656,588)
(9,827)	(9,162)	(13,705)	(9,073)	(12,238)
(499)	(479)	(411)	(352)	84
2,143,862	(136,987)	2,782,544	1,816,903	3,294,712
13,681,994	15,825,856	15,688,869	18,471,413	20,288,316
$ 15,825,856	$ 15,688,869	$ 18,471,413	$ 20,288,316	$ 23,583,028
$ 3,219,738	$ 4,761,851	$ 3,575,353	$ 2,817,038	$ 2,042,912
83.09%	76.72%	83.78%	87.81%	92.03%
$ 4,595,210	$ 4,691,408	$ 4,808,681	$ 5,152,801	$ 5,614,336
70.07%	101.50%	74.35%	54.67%	36.39%

CITY OF HEWITT, TEXAS

SCHEDULE OF TMRS CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Fiscal Year September 30,	**2015**	**2016**	**2017**
Actuarial determined contribution	$ 590,017	$ 668,083	$ 710,979
Contributions in relation to the actuarially determined contribution	(590,017)	(668,083)	(710,979)
Contribution deficiency (excess)	-	-	-
Covered payroll	3,885,239	4,362,967	4,611,360
Contributions as a percentage of covered payroll	15.19%	15.31%	15.42%

NOTES TO SCHEDULE OF TMRS CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Note: The schedule is intended to show 10 years of information, additional years will be presented as it becomes available.

2018	2019	2020	2021	2022
$ 728,018	$ 751,097	$ 822,591	$ 896,485	$ 982,080
(728,018)	(751,097)	(822,591)	(896,485)	(982,080)
-	-	-	-	-
4,587,966	4,751,386	5,288,613	5,526,772	6,170,429
15.87%	15.81%	15.55%	16.22%	15.92%

CITY OF HEWITT, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - TEXAS MUNICIPAL RETIREMENT SYSTEM
SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Measurement Date December 31,	**2017**	**2018**	**2019**
A. Total OPEB liability			
Service Cost	$ 7,812	$ 9,383	$ 8,656
Interest (on the Total OPEB Liability)	5,327	5,577	6,088
Differences between expected and actual experience	-	(5,324)	(7,878)
Changes of assumptions	14,550	(12,716)	34,058
Benefit payments, including refunds of employee contributions	(919)	(938)	(962)
Net change in Total OPEB liability	26,770	(4,018)	39,962
Total OPEB liability - beginning	137,488	164,258	160,240
Total OPEB liability - ending (a)	$ 164,258	$ 160,240	$ 200,202
B. Covered-employee payroll	$ 4,595,210	$ 4,691,408	$ 4,808,681
C. Total OPEB liability as a percentage of covered-employee payroll	3.57%	3.42%	4.16%

Notes to Schedule:

- No assets are accumulated in a trust for the SDB plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.
- This schedule is required to have 10 years of information, but the information prior to 2017 is not available.
- The changes of assumptions generally includes the annual change in the municipal bond index rate.

	2020	2021
	$ 12,882	$ 17,966
	5,669	4,944
	(12,752)	(7,510)
	34,949	9,051
	(1,031)	(3,369)
	39,717	21,082
	200,202	239,919
	$ 239,919	$ 261,001
	$ 5,152,801	$ 5,614,336
	4.66%	4.65%

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and
Members of the City Council
City of Hewitt, Texas

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hewitt, Texas (the "City") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statement and have issued our report thereon dated March 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such as opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose on Compliance and Other Matters

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas
March 20, 2023

Financial Advisory Services
Provided By:

SAMCO Capital