NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P: "AA" (BAM Insured)
"A+" (Underlying)

(See: "BOND INSURANCE", "BOND INSURANCE GENERAL RISKS", and "OTHER PERTINENT INFORMATION-Rating", herein)

OFFICIAL STATEMENT
February 26, 2024

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

The Issuer HAS NOT designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

$10,755,000
CITY OF HONDO, TEXAS
(A political subdivision of the State of Texas located in Medina County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024

Dated Date: February 15, 2024 **Due: February 1, as shown on inside cover**

The $10,755,000 City of Hondo, Texas Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, Texas Government Code, as amended, the City's Home Rule Charter, and an ordinance (the "Ordinance") adopted by the City Council of the City of Hondo, Texas (the "City" or the "Issuer") on February 26, 2024. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further secured by a lien on and pledge of the "Surplus Revenues" derived from the ownership and operation of the City's municipal utility system, all as provided in the Ordinance. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Certificates will accrue from February 15, 2024 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2025, until the earlier of stated 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. 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 the securities depository, 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 for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage improvements and landscaping incidental thereto, (2) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's facilities, including the City's existing Fair Hall and airport, as well as necessary capital maintenance and utilities relocation, drainage, and landscaping necessary or incidental thereto, (3) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's utility system, including the acquisition of various water rights, (4) acquiring, purchasing, constructing, renovating, improving, equipping, repairing, enlarging and/or extending City community parks and recreation facilities that are generally accessible to the public and is part of the City's park system, (5) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (6) paying legal, fiscal and engineering fees in connection with such projects. (See "THE CERTIFICATES – Use of Certificate Proceeds" herein.)

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY (See "BOND INSURANCE" 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 the initial purchaser thereof at a competitive sale (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., San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about March 27, 2024.

$10,755,000
CITY OF HONDO, TEXAS
(A political subdivision of the State of Texas located in Medina County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024

MATURITY SCHEDULE
CUSIP Prefix No. 438146[1]

Serial Certificates

Stated Maturity 2/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [1]	Stated Maturity 2/1	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix [1]
2025	$ 170,000	5.000%	3.100%	GF3	2035	$ 545,000	5.000%	2.950%[2]	GR7
2026	XXX	XXX	XXX	XXX	2036	575,000	5.000%	3.050%[2]	GS5
2027	XXX	XXX	XXX	XXX	2037	605,000	5.000%	3.150%[2]	GT3
2028	XXX	XXX	XXX	XXX	2038	630,000	4.000%	3.550%[2]	GU0
2029	XXX	XXX	XXX	XXX	2039	655,000	4.000%	3.650%[2]	GV8
2030	XXX	XXX	XXX	XXX	2040	685,000	4.000%	3.750%[2]	GW6
2031	450,000	5.000%	2.770%	GM8	2041	710,000	4.000%	3.820%[2]	GX4
2032	470,000	5.000%	2.790%	GN6	2042	740,000	4.000%	3.880%[2]	GY2
2033	495,000	5.000%	2.820%	GP1	2043	770,000	4.000%	3.940%[2]	GZ9
2034	520,000	5.000%	2.850%[2]	GQ9	2044	805,000	4.000%	4.000%	HA3

Term Certificate
$1,930,000 5.000% Term Certificate due February 1, 2030 and priced to Yield 3.300% CUSIP Suffix [1] GL0

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2034, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2033, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Certificates maturing on February 1, 2030 are also subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix E - Specimen Municipal Bond Insurance Policy".

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[1] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. 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. None of the City, the Financial Advisor nor the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

[2] Yield calculated based on the assumption that the Certificates denoted and sold at premium will be redeemed on February 1, 2033, the earliest date of redemption for the Certificates, at a price of par plus accrued interest to the date of redemption.

CITY OF HONDO TEXAS

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)
John McAnelly Mayor	2	2025
Jose Ytuarte Mayor Pro-Tem	4	2026
Brett Williams Councilmember, Place 1	3	2024
Bobby Vela Councilmember, Place 2	6	2024
Rachel Ramirez Councilmember, Place 4	1	2026
John Villa Councilmember, Place 5	8	2025

ADMINISTRATION

Name	Position	Years With The City
John Naron	City Manager	4 months
Chris Hill	Chief Finance Officer	1 year and 9 months
Rebekah Dolphus	City Secretary	1 month*

*Ms. Rebekah Dolphus started with the City on February 5, 2024.

CONSULTANTS AND ADVISORS

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
San Antonio, Texas

Certified Public Accountants .... Pattillo, Brown & Hill, L.L.P.
Waco, Texas

Financial Advisor .... SAMCO Capital Markets, Inc.
San Antonio, Texas

For Additional Information Please Contact:

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City Manager
Mr. Chris Hill
Chief Financial Officer
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USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

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 Issuer 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.

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, ITS BOOK-ENTRY-ONLY SYSTEM, OR THE INSURER AND ITS MUNICIPAL BOND INSURANCE POLICY DESCRIBED HEREIN (OR INCORPORATED BY REFERENCE) UNDER THE HEADING "BOND INSURANCE", AND "BOND INSURANCE GENERAL RISKS", AS SUCH INFORMATION IS PROVIDED BY DTC AND THE BOND INSURER, RESPECTIVELY.

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

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 Hondo, Texas (the "City" or the "Issuer"), a municipal corporation and political subdivision of the State of Texas. The City is located 40 miles west of San Antonio, Texas and is approximately 9.6 square miles. The City operates under a Council/Manager form of government, as a Home Rule municipality, with a Mayor and a five member City Council. Policymaking and legislative authority are vested in a City Council consisting of the Mayor and five councilmembers. The City Council is responsible for establishing public policy on City matters by the passage of appropriate ordinances and resolutions. The City Manager is responsible for overseeing the day-to-day operations of the government, implementing policy established by City Council, and for appointing heads of the various departments. The 2024 estimated population is 9,000. (See "APPENDIX B – General Information Regarding the City of Hondo and Medina County, Texas" herein.)

The Certificates

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, Texas Government Code, as amended, the City's Home Rule Charter, and an ordinance (the "Ordinance") adopted by the City Council of the City, on February 26, 2024. (See "THE CERTIFICATES - Authority for Issuance" herein.)

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.

Security

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law. The Certificates are further secured by a lien on and pledge of the "Surplus Revenues" derived from the ownership and operation of the City's System. (See "THE CERTIFICATES - Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2034, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2033, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Certificates maturing on February 1, 2030 are also subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

Tax Matters

In the opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, as Bond Counsel to the City, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof. (See "TAX MATTERS" 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 for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage improvements and landscaping incidental thereto, (2) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's facilities, including the City's existing Fair Hall and airport, as well as necessary capital maintenance and utilities relocation, drainage, and landscaping necessary or incidental thereto, (3) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's utility system, including the acquisition of various water rights, (4) acquiring, purchasing, constructing, renovating, improving, equipping, repairing, enlarging and/or extending City community parks and recreation facilities that are generally accessible to the public and is part of the City's park system, (5) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (6) paying legal, fiscal and engineering fees in connection with such projects. (See "THE CERTIFICATES – Use of Certificate Proceeds" herein.)

Rating	S&P Global Ratings ("S&P") has assigned an insured rating of "AA" to the Certificates with the understanding that, concurrently with the issuance and delivery of the Certificates, a municipal bond insurance policy will be issued by Build America Mutual Assurance Company ("BAM"). The City has received an unenhanced, underlying rating of "A+" from S&P. (See "OTHER PERTINENT INFORMATION - Rating" herein.)
Bond Insurance	The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by BAM. (See "BOND INSURANCE" herein.)
Payment Record	The City has never defaulted on the payment of its general obligation or revenue indebtedness.
Future Debt Issues	The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2024.
Delivery	When issued, anticipated on or about March 27, 2024.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel.

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OFFICIAL STATEMENT
relating to

$10,755,000
CITY OF HONDO, TEXAS
(A political subdivision of the State of Texas located in Medina County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Hondo, Texas (the "City" or the "Issuer") of its $10,755,000 Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates") identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the Constitution and laws of the State. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined below). 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 upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 Northeast Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Certificates will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES

General Description of the Certificates

The Certificates are dated February 15, 2024 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of $5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2025, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, Texas Government Code, as amended, the City's Home Rule Charter, and an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on February 26, 2024.

Security for Payment

Limited Pledge of Ad Valorem Taxes. The Certificates are general obligations of the City, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See "AD VALOREM PROPERTY TAXATION" and "TAX RATE LIMITATIONS" herein.)

Pledge of Surplus Revenues. To comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the "Surplus Revenues" of the City's System. The term "Surplus Revenues" is defined in the Ordinance to mean the surplus revenues derived by the City from the City's System remaining after (a) payment of all amounts constituting operation and maintenance expenses of said System, (b) payment of all debt service, reserve, and other requirements and amounts required to be paid under all ordinances heretofore or hereafter adopted authorizing (i) all bonds, and (ii) all other obligations not on a parity with the Certificates, which are payable from and secured by any System revenues, and (c) payment of all amounts payable from any System revenues pursuant to contracts heretofore or hereafter entered into by the City in accordance with law. The City expects that such Surplus Revenues will be utilized to pay a portion of the debt service requirements on the Certificates. See Table 1 in Appendix A attached hereto**.**

Redemption Provisions of the Certificates

Optional Redemption. The District reserves the right, at its option, to redeem the Certificates maturing on and after February 1, 2034 on February 1, 2033, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption: The Certificates maturing on February 1, 2030 (the "Term Certificates") are also subject to mandatory sinking fund redemption in part prior to their stated maturity, and will be redeemed by the Issuer at the redemption prices equal to the principal amounts thereof plus interest accrued thereon to the redemption dates, on the dates and in the principal amounts shown in the following schedule:

Term Certificates February 1, 2030	
Redemption Date	Principal Amounts
2026	$ 350,000
2027	365,000
2028	385,000
2029	405,000
2030*	425,000

*Maturity

Approximately forty-five (45) days prior to each mandatory redemption date that a Term Certificate is to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable stated maturity to be redeemed on the next following February 1 from money set aside for that purpose in the Certificate Fund maintained for the payment of the Certificates. Any Term Certificate not selected for prior redemption shall be paid on the date of its stated maturity.

The principal amount of a Term Certificate of a maturity to be redeemed on each mandatory redemption date may be reduced, at the option of the City by the principal amount of the Term Certificates of such maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (1) constructing street improvements (including utilities repair, replacement, and relocation), curbs, gutters, and sidewalk improvements, including drainage improvements and landscaping incidental thereto, (2) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's facilities, including the City's existing Fair Hall and airport, as well as necessary capital maintenance and utilities relocation, drainage, and landscaping necessary or incidental thereto, (3) designing, acquiring, constructing, renovating, improving, equipping, repairing, enlarging, and/or extending the City's utility system, including the acquisition of various water rights, (4) acquiring, purchasing, constructing, renovating, improving, equipping, repairing, enlarging and/or extending City community parks and recreation facilities that are generally accessible to the public and is part of the City's park system, (5) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements, and (6) paying legal, fiscal and engineering fees in connection with such projects.

Sources and Uses

Sources		
Par Amount of the Certificates	$	10,755,000.00
Accrued Interest on the Certificates		56,910.00
Reoffering Premium		810,497.50
Total Sources of Funds	$	11,622,407.50
Uses		
Project Fund Deposit	$	11,300,000.00
Purchaser's Discount (Includes Bond Insurance Premium)		134,426.30
Interest and Sinking Fund Deposit		56,910.000
Costs of Issuance		131,071.20
Total Uses	$	11,622,407.50

Payment Record

The Issuer has never defaulted on the payment of its ad valorem tax-backed indebtedness.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof or the rate of interest thereon, (2) give any preference to any Certificate over any other Certificate, (3) extend any waiver of defaults to subsequent defaults, or (4) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Government 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 of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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 of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, 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. The 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.

Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson again in June 2018 and clarified 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 when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

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. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar 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 national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. 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 affected by the change 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 by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address 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 will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. 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 Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the party to whom interest is payable on a Certificate on any interest payment date means the fifteenth (15^{th}) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

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

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof 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 corporate trust 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 utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer of Certificates

Neither the Issuer nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Certificate redeemed in part.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and 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. The person requesting the authentication of and delivery of a replacement Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Purchaser 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, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest 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, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 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 City as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Purchaser believe to be reliable, but none of the City, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Certificates, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

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, payment or notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Certificates, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $500.0 million, $230.7 million and $269.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under this "BOND INSURANCE" heading.

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Certificates, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Certificates. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Certificates, whether at the initial offering or otherwise.

BOND INSURANCE GENERAL RISKS

The following are risk factors related to bond insurance. In the event of default of the payment of the principal or interest with respect to the Certificates when all or some become due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with the mandatory or optional prepayment of the Certificates by the City, which is recovered by the City from the Certificate owner as a voidable preference under applicable bankruptcy law may be covered by the Policy; however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the City, unless the Bond Insurer chooses to pay such amounts at an earlier date. Payment of principal and interest is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. The Bond Insurer may direct and must consent to any remedies that the Paying Agent/Registrar exercise and the Bond Insurer's consent may be required in connection with amendments to any applicable Certificate documents. In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the security provided pursuant to the applicable Certificate documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. If a Policy is acquired, the long-term ratings of the Certificates are dependent in part on the financial strength of the Bond Insurer and its claim-paying ability. The Bond Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time.

No assurance is given that the long-term ratings of the Bond Insurer and the ratings on the Certificates insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the price of the Certificates or the marketability (liquidity) for the Certificates. See "OTHER PERTINENT INFORMATION – Rating" herein. The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency of insurance companies. None of the City, the Financial Advisor, or the Purchaser have made independent investigation into the claims-paying ability of any potential Bond Insurer, and no insurance or representation regarding the financial strength or projected financial strength of any potential Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of any potential Bond Insurer, particularly over the life of the Certificates.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

In the past, Moody's Investors Service, Inc., S&P Global Ratings, and Fitch Ratings, Inc. have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, past events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of such bond insurer to pay principal and interest on the Certificates and the claims-paying ability of the bond insurer, particularly over the life of the Certificates.

INVESTMENT POLICIES

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

Legal Investments

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Texas Public Funds Investment Act.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Current Investments [(1)] **TABLE 1**

As of September 30, 2023, the City held investments as follows:

Type of Security	Market Value	Percentage of Total
TexPool	$ 10,392,723	49.24%
CD's	7,573,790	35.88%
Cash Bank Account	3,139,605	14.88%
	$ 21,106,118	100.00%

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

____

[(1)] Unaudited.

AD VALOREM PROPERTY TAXATION

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 Medina 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. Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5 million dollars (the "maximum property value") to an amount not to exceed the lesser of (1) the marker value of the Subjected Property for the most recent tax year that the market value was determined by the appraised office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026, unless extended by the State Legislature, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements – Chapter 380 Economic Development Agreement

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.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code. On April 13, 2020, the Attorney General of Texas released his opinion that "a court would likely conclude that the Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster. Thus, purely economic, non-physical damage to property caused by the COVID-19 disaster is not eligible for the temporary tax exemption provided by section 11.35 of the Tax Code." Tex. Att'y Gen. Op. No. KP-0299 (2020).

City and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at $57.2 million for the 2023 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

City's Rights in the Event of Tax Delinquencies

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

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

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

TAX RATE LIMITATIONS

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

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

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

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

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

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

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate 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 Certificates.

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

Debt Tax Rate Limitations

The State Constitution and the City Charter provide that the ad valorem taxes levied by the City for general purposes and for the purpose of paying the principal of and interest on the City's indebtedness must not exceed $2.50 for each $100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the $2.50 rate for interest and sinking fund purposes; however, the Texas Attorney General, who must approve the issuance of the Certificates, has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as the City, if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of the foregoing $2.50 maximum tax rate calculated at 90% collections. The issuance of the Certificates does not result in the City's violation of the foregoing.

The Property Tax Code as Applied to the City

The City has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

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

The City does not tax nonbusiness personal property, and the Appraisal District does not collect taxes for the City.

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

The City does not tax Goods-in-Transit.

The City does not collect an additional one-quarter of one percent sales tax for reduction of ad valorem taxes.

The City has not adopted a tax abatement policy.

The City does not participate in any tax increment financing zones.

TEXAS LEGISLATURE

The 88th Texas Legislature convened in regular session on January 10, 2023 and ended on May 29, 2023. The Texas Governor called the first special session of the 88th Texas Legislature on May 29, 2023, the second special session on June 27, 2023 (which ended sine die on July 13, 2023), the third special session began October 9, 2023 (which ended sine die on November 7, 2023), and the fourth special session began on November 7, 2023 (which ended sine die on December 5, 2023). The Texas Governor may hereafter call one or more special sessions. The City does not make any representation regarding any actions the Texas Legislature has taken or may take but is analyzing and monitoring proposed and passed legislation for any developments applicable thereto.

TAX MATTERS

Opinion

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

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

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 the issuance of the Certificates. The opinion of Bond Counsel is conditioned on compliance by the City with the covenants and requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the property financed with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of result. 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 Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the certificateholders 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 such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

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

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

Collateral Federal Income Tax Consequences

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

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

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

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.

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.

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 Certificates, although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report within 180 days after the close of the Issuer's fiscal year. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer's audit reports to any certificateholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The City will file certain updated financial information and operating data with the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement in Table 1 hereof, Tables 1 through 10 of Appendix A to this Official Statement, and in Appendix D. The Issuer will update and provide this information within twelve months after the end of each fiscal year of the City beginning in the year 2024. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, 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 are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes 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 information by the end of September in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA 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, as the case may be; (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 paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance make provision for credit enhancement (except for the potential use of bond insurance, as described herein), liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its 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 City to comply with its agreement.

The City may amend its continuing disclosure 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 City, 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 and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or Beneficial Owners of the Certificates. If the City 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. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchasers from lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

Compliance with Prior Undertakings

During the past five years, the City has not been a party to a continuing disclosure agreement made in accordance with the Rule.

LEGAL MATTERS

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 Initial Certificate is a valid and legally binding obligation 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, issued in compliance with the provisions of the Ordinance, 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 exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel to the City, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "Sources and Uses" "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), “LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas”, and “OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale” in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. 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. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

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 out of the transaction.

Litigation

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

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

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code, as amended) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See “OTHER PERTINENT INFORMATION – Rating” herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

FORWARD LOOKING STATEMENTS

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

The forward-looking statements 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.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they 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 or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

Rating

S&P Global Ratings ("S&P") has assigned an insured rating of "AA" to the Certificates with the understanding that concurrently with the issuance and delivery of the Certificates, the municipal bond insurance Policy will be issued by BAM. The City has received an unenhanced, underlying rating of "A+" from S&P. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P 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 the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the City. A revision in a rating agency's rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Certificates remain outstanding could undertake such an evaluation process.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and Ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as a 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 drafted 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 the Financial Advisor are contingent upon the issuance, sale and initial 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 Robert W. Baird & Co., Incorporated (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a reoffering premium of $810,497.50, less a Purchaser's discount of $134,426.30, 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 Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect, and (d) there has been no material adverse change in the financial condition of the City, since September 31, 2022, the date of the last financial statements of the City appearing in the Official Statement.

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Concluding Statement

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

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

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

This Official Statement has been approved by the Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF HONDO, TEXAS

/s/ John McAnelly

Mayor
City of Hondo, Texas

ATTEST:

/s/ Rebekah Dolphus

City Secretary
City of Hondo, Texas

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APPENDIX A

FINANCIAL INFORMATION RELATING TO THE CITY OF HONDO, TEXAS

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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)		$	543,805,763
Less Exemptions:			
	Optional Over-65 or Disabled Homestead	$	8,405,851
	Disabled/Deceased Veterans'		7,160,333
	Productivity Loss		6,163,720
	10% Per Year Cap on Residential Homesteads		43,787,733
	TOTAL EXEMPTIONS	$	65,517,637
2023 Certified Net Taxable Assessed Value of Taxable Property		$	478,288,126

Source: Medina County Appraisal District.

GENERAL OBLIGATION BONDED DEBT [(1)]

(as of February 1, 2024)

General Obligation Debt Principal Outstanding

General Obligation Refunding Bonds, Series 2014	$	188,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015		2,010,000
General Obligation Refunding Bonds, Series 2016		990,000
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2017		3,825,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021		3,530,000
Tax Notes, Series 2022		500,000
Tax Notes, Series 2022A		1,295,000
Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates")		10,755,000
Total Gross General Obligation Debt	$	23,093,000
Less: Self Supporting Debt		
General Obligation Refunding Bonds, Series 2014 (Utility System 37.0%)	$	69,560
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015 (Utility System 46.5%)		935,000
General Obligation Refunding Bonds, Series 2016 (8.1% Airport, 21.7% Electric, 21.7% Utility, and 22.7% EDC)		735,000
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2017 (100% Utility)		3,825,000
Tax Notes, Series 2022A (10.0% Electric)		130,000
The Certificates (2.4% Airport, 5.3% Electric, 92.3% Utility)		9,990,000
Total Self-Supporting Debt	$	15,684,560
Total Net General Obligation Debt Outstanding	$	7,408,440
2023 Net Assessed Valuation	$	478,288,126
Ratio of Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation		4.83%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation		1.55%

Population: 2000 - 7,897; 2010 - 8,803; 2020 - 8,289; est. 2024 9,000
Per Capita Certified Net Taxable Assessed Valuation - $53,143.13
Per Capita Gross General Obligation Debt Principal - $2,565.89
Per Capita Net General Obligation Debt Principal - $823.16

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

A summary of the governmental and business-type lease payables as of September 30, 2022, is as follows:

Purpose of Lease Governmental	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/2022
Right to Use:					
Neopost Mail Sorter	0.248%	2021	$ 5,844	$ 14	$ 1,950
Neopost Postage Machine	0.328%	2021	7,190	24	5,143
Xerox Printers/Copier	2.093%	2022	36,985	774	32,473
Xerox Large Format Printer	0.250%	2021	5,985	15	2,996
Golf Cart	0.328%	2021	73,339	241	48,972
Total				$ 1,068	$ 91,534

Purpose of Lease Business-type	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/22
Right to Use:					
Airport Refueler	0.475%	2021	55,704	$ 265	$ 44,728
Xerox Printers/Copiers	2.093%	2022	12,328	258	10,824
				$ 523	$ 55,552

A lease payments maturity are as follows:

Year Ending September 30,	Governmental Activities - Leases Principal	Interest
2023	$ 40,481	$ 737
2024	35,813	454
2025	10,455	209
2026	4,785	29
Total	$ 91,534	$ 1,429

Year Ending September 30,	Business-type Activities - Leases Principal	Interest
2023	$ 16,028	$ 382
2024	16,154	256
2025	16,281	129
2026	7,089	16
Total	$ 55,552	$ 783

Source: The City's Annual Comprehensive Financial Report for fiscal year ended September 30, 2022.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending (9/30)	Current Total Outstanding Debt [1]	The Certificates Principal	Interest	Total	Total Debt Service	Less: Self Supporting Debt Service	Total Net Debt Service
2024	$ 1,437,994	-	-	-	$ 1,437,994	$ 730,603	$ 707,390
2025	1,494,424	$ 170,000	$ 708,480	$ 878,480	2,372,904	1,549,096	823,807
2026	1,577,664	350,000	470,550	820,550	2,398,214	1,515,521	882,693
2027	1,581,543	365,000	452,675	817,675	2,399,218	1,515,149	884,069
2028	1,276,141	385,000	433,925	818,925	2,095,066	1,231,055	864,011
2029	1,281,591	405,000	414,175	819,175	2,100,766	1,238,144	862,622
2030	827,377	425,000	393,425	818,425	1,645,802	1,209,012	436,790
2031	833,753	450,000	371,550	821,550	1,655,303	1,213,680	441,623
2032	829,141	470,000	348,550	818,550	1,647,691	1,206,817	440,874
2033	828,620	495,000	324,425	819,425	1,648,045	1,208,329	439,716
2034	827,230	520,000	299,050	819,050	1,646,280	1,213,089	433,191
2035	829,706	545,000	272,425	817,425	1,647,131	1,205,955	441,176
2036	626,174	575,000	244,425	819,425	1,445,599	1,117,049	328,550
2037	269,125	605,000	214,925	819,925	1,089,050	759,600	329,450
2038	271,925	630,000	187,200	817,200	1,089,125	758,900	330,225
2039	269,500	655,000	161,500	816,500	1,086,000	760,000	326,000
2040	271,850	685,000	134,700	819,700	1,091,550	760,100	331,450
2041	268,975	710,000	106,800	816,800	1,085,775	759,200	326,575
2042	-	740,000	77,800	817,800	817,800	757,300	60,500
2043		770,000	47,600	817,600	817,600	759,300	58,300
2044	-	805,000	16,100	821,100	821,100	765,000	56,100
Total	$ 15,602,730	$ 10,755,000	$ 5,680,280	$ 16,435,280	$ 32,038,010	$ 22,232,898	$ 9,805,112

[1] *Includes self-supporting debt.*

TAX ADEQUACY (Includes Self-Supporting Debt)

2023 Certified Freeze Adjusted Net Taxable Assessed Valuation	$ 478,288,126	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2027)	2,399,218	*
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.51186	*

* *Includes the Certificates.*

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

TAX ADEQUACY (Excludes Self-Supporting Debt)

2023 Certified Freeze Adjusted Net Taxable Assessed Valuation	$ 478,288,126	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2027)	884,069	*
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.18861	*

* *Includes the Certificates.*

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

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(As of February 1, 2024)

	Principal Repayment Schedule			Principal	Percent of
Fiscal Year Ending 9-30	Currently Outstanding[(a)]	The Certificates	Total	Unpaid at End of Year	Principal Retired (%)
2024	$ 395,000	-	$ 395,000	$ 22,698,000	2%
2025	1,173,000	$ 170,000	1,343,000	21,355,000	8%
2026	1,285,000	350,000	1,635,000	19,720,000	15%
2027	1,320,000	365,000	1,685,000	18,035,000	22%
2028	1,045,000	385,000	1,430,000	16,605,000	28%
2029	1,080,000	405,000	1,485,000	15,120,000	35%
2030	650,000	425,000	1,075,000	14,045,000	39%
2031	675,000	450,000	1,125,000	12,920,000	44%
2032	690,000	470,000	1,160,000	11,760,000	49%
2033	710,000	495,000	1,205,000	10,555,000	54%
2034	730,000	520,000	1,250,000	9,305,000	60%
2035	755,000	545,000	1,300,000	8,005,000	65%
2036	575,000	575,000	1,150,000	6,855,000	70%
2037	235,000	605,000	840,000	6,015,000	74%
2038	245,000	630,000	875,000	5,140,000	78%
2039	250,000	655,000	905,000	4,235,000	82%
2040	260,000	685,000	945,000	3,290,000	86%
2041	265,000	710,000	975,000	2,315,000	90%
2042	-	740,000	740,000	1,575,000	93%
2043		770,000	770,000	805,000	97%
2044	-	805,000	805,000	-	100%
Total	$ 12,338,000	$ 10,755,000	$ 23,093,000		

[(a)] *Includes self-supporting debt.*

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2014-2023 **TABLE 3**

	Net Taxable	Change From Preceding Year	
Year	Assessed Valuation	Amount ($)	Percent
2014	$ 257,702,415		
2015	258,477,135	$ 774,720	0.30%
2016	253,904,187	(4,572,948)	-1.77%
2017	291,332,824	37,428,637	14.74%
2018	309,488,192	18,155,368	6.23%
2019	338,430,067	28,941,875	9.35%
2020	352,056,748	13,626,681	4.03%
2021	384,764,494	32,707,746	9.29%
2022	450,604,619	65,840,125	17.11%
2023	478,288,126	27,683,507	6.14%

Source: Medina County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION **TABLE 4**

	2023	% of Tota	2022	% of Total	2021	% of Total
Real, Residential, Single-Family	$ 330,893,537	60.85%	$ 283,162,909	56.04%	$ 223,918,923	54.28%
Real, Residential, Multi-Family	9,990,125	1.84%	9,009,137	1.78%	4,044,850	0.98%
Real, Vacant Lots/Tracts	15,749,101	2.90%	13,549,989	2.68%	12,928,908	3.13%
Real, Acreage (Land Only)	6,466,230	1.19%	6,321,460	1.25%	5,963,538	1.45%
Real, Farm and Ranch Improvements	4,919,320	0.90%	4,217,060	0.83%	3,623,110	0.88%
Real, Commercial	96,411,820	17.73%	87,011,291	17.22%	73,229,735	17.75%
Real, Industrial	4,843,850	0.89%	5,265,710	1.04%	4,729,020	1.15%
Real & Tangible, Personal Utilities	9,451,840	1.74%	8,956,470	1.77%	8,198,340	1.99%
Tangible Personal, Commercial	21,598,900	3.97%	20,973,980	4.15%	20,303,350	4.92%
Tangible Personal, Industrial	36,218,660	6.66%	58,176,880	11.51%	47,243,130	11.45%
Tangible Personal Mobile Homes	5,462,980	1.00%	6,652,000	1.32%	5,806,170	1.41%
Residential Inventory	28,940	0.01%	17,700	0.00%	37,950	0.01%
Tangible Personal, Special Inventory	1,770,460	0.33%	1,958,190	0.39%	2,492,150	0.60%
Total Appraised Value	$ 543,805,763	100.00%	$ 505,272,776	100.00%	$ 412,519,174	100.00%
Less:						
Optional Over-65 or Disabled Homestead	$ 8,405,851		$ 8,447,423		$ 8,109,050	
Disabled/Deceased Veterans'	7,160,333		5,224,700		3,995,949	
Productivity Loss	6,163,720		6,013,240		5,674,543	
Solar	-		-		27,300	
10% Per Year Cap on Res. Homesteads	43,787,733		34,982,794		9,947,838	
Net Taxable Assessed Valuation	$ 478,288,126		$ 450,604,619		$ 384,764,494	

Source: Medina County Appraisal District.

PRINCIPAL TAXPAYERS 2023 [(1)] **TABLE 5**

Name	Type of Business/Property	2023 Net Taxable Assessed Valuation	% of 2023 Assessed Valuation
Martin Operating Partnership	Distribution Center	$ 11,139,660	2.33%
M2E4 LLC	Oil & Gas pipeline	10,694,790	2.24%
Wal-Mart Real Estate Business Trust	Commercial Land	10,574,990	2.21%
Revive Las Palomas LLC	Apartments	5,047,920	1.06%
Wal-Mart Stores East Inc.	Retail Store	4,543,420	0.95%
Hoadley Irene B	Residential	4,218,790	0.88%
James Avery Craftsman Inc	Industrial Manufacturing	4,172,910	0.87%
Hondo Rail Way Co	Railroad	3,663,660	0.77%
Atkission Hondo Ltd	Dealership	3,204,080	0.67%
Medina Electric CO-OP Inc.	Uility	3,087,890	0.65%
		$ 60,348,110	12.62%

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[(1)] As shown in the table above, the total combined top ten taxpayers in the City currently account for over 12% of the City's tax base, thereby creating a concentration risk for the City. Any adverse development related to the taxpayers and their ability to continue to conduct business at their respective locations within the City's boundaries may result in significantly less local tax revenue, thereby severely affecting the City's finances and its ability to repay its outstanding indebtedness. Accordingly, the City makes no representation regarding the continued valuation of any of the property listed in the above table or the generation of future tax revenues therefrom.

TAX RATE DISTRIBUTION **TABLE 6**

	2023	2022	2021	2020	2019
General Fund	$ 0.285800	$ 0.289400	$ 0.366800	$ 0.379600	$ 0.382300
Interest and Sinking Fund	0.151200	0.147600	0.119800	0.114400	0.128600
Total Tax Rate	$ 0.437000	$ 0.437000	$ 0.486600	$ 0.494000	$ 0.510900

Source: Medina County Appraisal District.

TAX DATA **TABLE 7**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current	% of Collections Total	Year Ended
2014	$ 257,702,415	0.497400	$ 1,281,812	96.74	98.82	9/30/2015
2015	258,477,135	0.452700	1,170,126	96.45	99.10	9/30/2016
2016	253,904,187	0.513900	1,304,814	96.64	98.63	9/30/2017
2017	291,332,824	0.513900	1,497,159	96.79	99.79	9/30/2018
2018	309,488,192	0.513900	1,590,460	97.01	99.75	9/30/2019
2019	338,430,067	0.510900	1,729,039	98.10	99.71	9/30/2020
2020	352,056,748	0.494000	1,739,160	97.64	99.23	9/30/2021
2021	384,764,494	0.486600	1,872,264	97.06	98.99	9/30/2022
2022	450,604,619	0.437000	1,969,142	95.85	97.87	9/30/2023
2023*	478,288,126	0.437000	2,090,119	(In process of collection)		9/30/2024

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Source: Medina County Appraisal District.

MUNICIPAL SALES TAX COLLECTIONS **TABLE 8**

The Issuer has adopted the provisions of Chapter 321, as amended, Texas Tax Code, which grants the City power to impose and levy a 1% Local Sales and Use Tax within the City. Voters approved an additional sales and use tax of 1/2 of 1% for economic development (Type B), effective July of 2004. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2014	$ 1,349,943	105.32%	$ 0.524
2015	1,594,271	122.18%	0.617
2016	1,640,559	125.73%	0.646
2017	1,504,409	100.48%	0.516
2018	1,986,932	114.92%	0.642
2019	2,745,433	158.78%	0.811
2020	1,736,949	99.87%	0.493
2021	1,885,814	95.77%	0.490
2022	1,995,119	101.32%	0.443
2023	2,147,786	102.76%	0.449

Source: State Comptroller's Office of the State of Texas.

OVERLAPPING DEBT INFORMATION

(February 1, 2024)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt (As of 2/1/2024)	% Overlapping	Amount Overlapping
Hondo ISD	$ 31,778,000	44.59%	$ 14,169,810
Medina County	22,795,000	8.59%	1,958,091
Total Gross Overlapping Debt			$ 16,127,901
Hondo, City of			$ 23,093,000 *
Total Gross Direct and Overlapping Debt			$ 39,220,901 *
Ratio of Gross Direct Debt and Overlapping Debt			8.20%
Per Capita Gross Direct Debt and Overlapping Debt			$4,357.88

Note: The above figures show Gross General Obligation Debt for the City of Hondo, Texas. The Issuer’s Net General Obligation Debt is $7,408,440. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	$ 23,536,341
Ratio of Net Direct and Overlapping Debt	4.92%
Per Capita Net Direct and Overlapping Debt	$2,615.15

** Includes the Certificates.*

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES **TABLE 9**

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Fund Balance - Beginning of Year	$ 3,245,521	$ 3,016,855*	$ 3,020,798	$ 2,061,985	$ 2,398,334
Revenues	3,533,657	3,703,029	3,465,157	4,038,998	3,250,490
Expenditures	7,974,364	7,939,684	6,505,594	6,395,849	6,903,838
Excess (Deficit) of Revenues Over Expenditures	$ (4,440,707)	$ (4,236,655)	$ (3,040,437)	$ (2,356,851)	$ (3,653,348)
Other Financing Sources (Uses):					
Proceeds on the sale of Capital Assets	$ -	$ -	$ -	$ 12,366	$ 13,702
Payments in Lieu of Taxes				$ 3,154,988	$ 3,154,988
Transfers In	5,087,093	$ 4,581,934	3,716,742	$ 148,310	$ 148,309
Transfers out	(43,765)				
Issuance of Debt	685,000				
Leases issued	36,985				
Insurance recoveries	84,539				
Sale of Capital Assets	-	37,830	322,914	-	-
Total Other Financing Sources (Uses):	$ 5,849,852	$ 4,619,764	$ 4,039,656	$ 3,315,664	$ 3,316,999
Prior Period Adjustments	$ -	$ (154,443)	$ -	$ -	$ -
Fund Balance - End of Year**	$ 4,654,666	$ 3,245,521	$ 4,020,017	$ 3,020,798	$ 2,061,985

Source: The Issuer's Annual Comprehensive Financial Reports and information provided by the Issuer.
*The General Capital Projects Fund became a major fund in 2021 and had a balance of $1,003,162 at FYE 9/30/2020
***The City estimates a general fund balance of $6,250,094 for FYE 9/30/2023.*

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2023 Assessed Valuation	% of Actual	2023 Tax Rate
Hondo ISD	$ 1,038,090,406	100%	$ 0.938400
Medina County	6,240,125,808	100%	0.435600

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Amount Authorized	Amount Issued to Date	Amount Unissued
Hondo ISD	None			
Medina County	None			

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS **TABLE 10**

Information regarding the City's pension plan can be found within the City's audit under "NOTE D Section VII: Defined Benefit Pension Plan" in Appendix D herein.

WATER AND SEWER FUND OPERATING STATEMENT

	Fiscal Year Ended				
	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Revenues	$ 5,410,166	$ 5,287,902	$ 5,062,287	$ 4,218,286	$ 4,103,824
Expenditures	1,443,385	1,803,969	2,324,613	1,830,809	1,742,344
Revenues Available for Debt Service	$ 3,966,781	$ 3,483,933	$ 2,737,674	$ 2,387,477	$ 2,361,480
Customer Count:					
Water	2,716	2,841	2,813	2,736	2,735
Sewer	2,523	2,763	2,752	2,530	2,536

ELECTRIC UTILITY FUND OPERATING STATEMENT

	Fiscal Year Ended				
	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Revenues	$ 9,518,345	$ 9,238,193	$ 9,858,547	$ 9,370,011	$ 9,493,009
Expenditures	5,973,147	5,847,787	6,117,770	6,027,529	6,851,657
Revenues Available for Debt Service	$ 3,545,198	$ 3,390,406	$ 3,740,777	$ 3,342,482	$ 2,641,352

AIRPORT FUND OPERATING STATEMENT

	Fiscal Year Ended				
	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Revenues	$ 1,116,441	$ 750,247	$ 808,866	$ 894,012	$ 839,270
Expenditures	848,699	690,264	796,835	873,806	801,343
Revenues Available for Debt Service	$ 267,742	$ 59,983	$ 12,031	$ 20,206	$ 37,927

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF HONDO AND MEDINA COUNTY, TEXAS

CITY OF HONDO

The City of Hondo, Texas (the "City") is located approximately 40 miles west of San Antonio on U.S. Highway 90.

The City is the county seat of Medina County. The City occupies approximately 9.6 square miles of land. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The City Council is responsible for establishing public policy on City matters by the passage of appropriate ordinances and resolutions.

The City of Hondo provides a full range of services including police, fire protection, the construction and maintenance of streets, recreational facilities, cultural events, airport operations, water, electric, sanitation and sewer services.

Local Economy

The City is a community west of San Antonio. The major local employers of the City are the County, School District, and the City itself. The remaining workforce commutes to the San Antonio and surrounding area. The City is working to expand the South Texas Regional Training Center to offer job training.

MEDINA COUNTY, TEXAS

Medina County (the "County") is a political subdivision of the State of Texas and was formed on February 12, 1848 and named after the river that flows through it. The County is traversed by Interstate Highway 35, U.S. Highway 90, State Highway 172, and six farm-to-market-roads. The extreme northern part of the county lies within the Edwards Plateau, which elevates into the Texas Hill Country. The Medina Dam, the fourth largest in the nation when completed in 1913, is listed on the National Register of Historic Places. The irrigation project creating Medina Lake, was built by 1,500 skilled workers. The County was the fifth largest producing county of oats in Texas in 2016.

Historically, the County's economic environment has been characterized by steady, yet modest growth. This has been in part because of the diverse nature of the business sectors making up the local economy, without an overwhelming dominance by any one industry. Similarly, local real estate values have demonstrated steady yet modest increases over the past decade.

Principal 2023 Taxpayers Medina County

Taxpayer	Taxable Assessed Value	% of Total Taxable Assessed Value
Martin Marietta Materials SW Inc	$88,052,700	1.41%
Microsoft Corp	70,251,850	1.13%
Vulcan Materials Co.	66,961,670	1.07%
Union Pacific Railroad Co.	56,650,820	0.91%
Electric Transmission Texas	29,470,900	0.47%
Wal-Mart Real Estate Business Trust	21,152,110	0.34%
Medina Electric Co-Op Inc.	19,168,680	0.31%
North Park Chevrolet Castroville	13,743,680	0.22%
Southwest Gulf Railroad Co.	12,649,130	0.20%
AEP Texas Inc.	12,083,120	0.19%

Source: Medina County Appraisal District.

Medina County Labor Force Statistics

Labor Force Statistics (1)	2023 (2)	2022 (3)	2021(3)
Civilian Labor Force	23,321	22,681	22,011
Total Employed	22,549	21,819	20,904
Total Unemployed	772	862	1,107
% Unemployment	3.3%	3.8%	5.0%
Texas Unemployment	3.5%	3.9%	5.6%

(1) Source: Texas Workforce Commission, Texas Labor Market Information.
(2) December 2023.
(3) Average Annual Statistics.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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McCALL
PARKHURST & HORTON
Focused on Public Finance since 1919.

March 27, 2024

**CITY OF HONDO, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2024
DATED AS OF FEBRUARY 15, 2024
IN THE AGGREGATE PRINCIPAL AMOUNT OF $10,755,000**

AS BOND COUNSEL FOR CITY OF HONDO, TEXAS (the *City*) 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 specified in the text of the Certificates until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Certificates, and which are subject to redemption, all in accordance with the terms and conditions stated in the text of the Certificates.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Certificates including (i) the ordinance authorizing the issuance of the Certificates (the *Ordinance*), (ii) one of the executed Certificates (*Certificate No. T-1*), and (iii) the City's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized, issued and delivered in accordance with law; that the Certificates constitute valid and legally binding general obligations of the City in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the City has the legal authority to issue the Certificates and to repay the Certificates; that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law; and that "Surplus Revenues" (as such term is defined and described in the Ordinance) received by the City from the ownership and operation of the City's utility system have been pledged to further secure the payment of the Certificates in the manner set forth in the Ordinance.

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

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In expressing the aforementioned opinions, we have relied on certain representations of the City, the accuracy of which we have not independently verified, and have assumed compliance by the City with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates

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

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

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further given, and are based on our knowledge of facts, as of the date hereof. We assume no duty or obligation to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter 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 City as the taxpayer. We observe that the City 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.

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 City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and the general 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 City, 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 we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

Respectfully,

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo, Texas 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 statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hondo, 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 Hondo, 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.

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending September 30, 2022, the City of Hondo, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility 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 the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

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

Other Information Included in the Annual Comprehensive Financial Report

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

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

This section of the City of Hondo's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2022. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net position was $53,984,712 at September 30, 2022.

- The City's governmental expenses were $629,866 less than the $9,477,799 generated in general and program revenues for governmental activities, including transfers. The total cost of the City's governmental programs decreased 5.0% from the prior year due primarily to decreases in general government and public work activities.

- The City's business-type expenses (including transfers) were $2,072,379 less than the $17,519,448 generated in charges for services and other revenues. The total cost of the City's business-type activities increased 0.57% from the prior year primarily from an increase in grant funding projects.

- The General Fund reported a fund balance of $4,654,666, an increase of $1,409,145, largely due to overall increased revenues and decreased capital outlay.

- The City issued Sales Tax Refunding Bonds, Taxable Series 2021, for the purpose of refunding the Sales Tax Revenue Bonds, Series 2010. The City also issued Tax Maintenance Notes, Series 2022, for the purpose of finance the purchase of vehicles, machinery and equipment for various City purposes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

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

- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.

- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.

- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements – The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

- The government-wide financial statements of the City include the Governmental activities. Most of the City's basic services are included here, such as general government, public safety, streets, economic development, culture and recreation, and interest on long-term debt. Property taxes and charges for services finance most of these activities.

Fund Financial Statements – The fund financial statements provide more detailed information about the City's most significant funds— not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, which explains the relationship (or differences) between them.

- *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City's combined net position was $53,984,712 at September 30, 2022. (See Figure A-1).

Figure A-1
City's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	$ 15,851,219	$ 13,867,807	$ 15,868,669	$ 9,508,291	$ 31,719,888	$ 23,376,098
Capital assets	13,995,002	14,053,261	30,520,044	31,085,356	44,515,046	45,138,617
Total assets	29,846,221	27,921,068	46,388,713	40,593,647	76,234,934	68,514,715
Deferred outflows of resources	291,073	380,857	103,952	115,644	395,025	496,501
Long-term liabilities	7,977,581	7,953,761	6,245,507	6,826,326	14,223,088	14,780,087
Other liabilities	1,738,321	920,671	1,331,457	1,305,952	3,069,778	2,226,623
Total liabilities	9,715,902	8,874,432	7,576,964	8,132,278	17,292,866	17,006,710
Deferred inflows of resources	917,898	553,865	4,434,483	168,174	5,352,381	722,039
Net position:						
Net investment in capital assets	10,625,513	11,515,548	24,672,346	25,962,052	35,297,859	37,477,600
Restricted	3,900,145	4,636,555	-	-	3,900,145	4,636,555
Unrestricted	4,977,836	2,721,525	9,808,872	6,446,787	14,786,708	9,168,312
Total net position	$ 19,503,494	$ 18,873,628	$ 34,481,218	$ 32,408,839	$ 53,984,712	$ 51,282,467

Governmental Activities

- Property tax rates for the fiscal year ending September 30, 2022 decreased, but increasing property values led to an increase in ad valorem tax revenue of 5.7%.
- Sales tax collections increased 5.6% to $1,989,510. Inflation and additional consumer spending contributed to the increase in the current year.
- Expenses decreased due to lower expenditures in general government and public works of $605,820 and 694,129, respectively.

Business-Type Activities

- Expenses increased slightly by an average of 0.57%. The largest expense increase occurred in the Airport expenses due to increases in materials and supplies of $150,935.
- Total revenues from all business-type activities increased from the prior year by $482,792, or 2.8%. The customer base and usage is fairly flat.

Figure A-2
Changes in City's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	$ 714,670	$ 715,536	$ 17,122,928	$ 16,364,357	$ 17,837,598	$ 17,079,893
Operating grants and contributions	41,269	1,191,787	-	-	41,269	1,191,787
Capital grants and contributions	11,076	102,879	32,642	311,965	43,718	414,844
General revenues:						
Property tax	1,888,019	1,785,669	-	-	1,888,019	1,785,669
Sales tax	1,989,510	1,883,673	-	-	1,989,510	1,883,673
Other taxes	201,951	190,201	-	-	201,951	190,201
Investment earnings	47,973	19,081	24,651	399	72,624	19,480
Gain on sale of capital assets	-	37,830	-	-	-	37,830
Miscellaneous	156,965	46,772	339,227	359,935	496,192	406,707
Total revenues	5,051,433	5,973,428	17,519,448	17,036,656	22,570,881	23,010,084
Expenses:						
General government	2,506,244	3,106,383	-	-	2,506,244	3,106,383
Public safety	2,275,794	2,198,655	-	-	2,275,794	2,198,655
Judicial	133,103	114,812	-	-	133,103	114,812
Public works	1,779,049	2,472,981	-	-	1,779,049	2,472,981
Culture and recreation	1,918,308	1,244,278	-	-	1,918,308	1,244,278
Interest on long-term debt	179,467	172,059	-	-	179,467	172,059
Issuance cost	55,968	-	-	-	55,968	-
Electric utility	-	-	6,101,439	5,976,797	6,101,439	5,976,797
Water and sewer	-	-	2,196,852	2,492,616	2,196,852	2,492,616
Airport	-	-	1,373,368	1,202,003	1,373,368	1,202,003
Sanitation	-	-	1,349,044	1,287,090	1,349,044	1,287,090
Total expenses	8,847,933	9,309,168	11,020,703	10,958,506	19,868,636	20,267,674
Increases in net position before transfers	(3,796,500)	(3,335,740)	6,498,745	6,078,150	2,702,245	2,742,410
Transfers	4,426,366	4,561,934	(4,426,366)	(4,561,934)	-	-
Change in net position	629,866	1,226,194	2,072,379	1,516,216	2,702,245	2,742,410
Net position, beginning	18,873,628	17,955,390	32,408,839	30,892,623	51,282,467	48,848,013
Prior period adjustment	-	(307,956)	-	-	-	(307,956)
Net position, ending	$ 19,503,494	$ 18,873,628	$ 34,481,218	$ 32,408,839	$ 53,984,712	$ 51,282,467

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- The General Fund increased its fund balance by $1,409,145, which is higher than last year's increase of $383,109 due primarily to increased taxes and less capital expenditures. Also, the Utility Billing department was moved from the General Fund to the Water and Sewer Fund. Culture and recreation expenditures increased by $647,025 largely caused by the creation of the parks department. The City separated the Parks and Facilities departments to identify the cost of maintaining the parks. The City issued Tax Maintenance Notes, Series 2022 of $685,000 to fund various costs associated with the Public Works Department.

- All of the proprietary funds generated sufficient operating revenues to cover operating expenses and debt service. The Airport rental and lease revenue increased $478,887 from 2021 totals in an effort to continue to sell available land and pursue rental agreements to cover operations. Electric charges for services increased $238,818 from 2021 totals of $9,090,890. This was largely attributed to an increase in electric consumption throughout the City.

Budgetary Highlights

- General Fund budgeted revenues exceeded actual amounts by $1,161,547, mostly due to intergovernmental revenue ($1,412,313). Sales tax varies from year to year and the sales tax was greater than budgeted amounts. Most other revenue line items were within budgeted amounts.

- General Fund expenditures were $2,302,707 under budget. A large portion of the savings was from the general government and culture and recreation. General government saw significant grant savings from budgeted amounts due to anticipated grant programs not started in current year. The City also made some minor budget amendments during the year for unexpected increases in fuel costs, street repairs costs and facility maintenance.

- The General Fund balance increased $1,409,145, which was $1,814,356 better than what the final budget projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2022, the City had invested $44,515,046 in a broad range of capital assets, including land, equipment, buildings, vehicles, and right to use. Significant changes in fiscal year 2022 included $542,720 of additions to Governmental infrastructure. Significant additions were also made to the City's Water and Sewer infrastructure, as well as various construction projects, the largest of which was the completion of the cemetery water line. (See Figure A-4)

Figure A-4
City's Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	$ 628,148	$ 628,148	$ 2,284,349	$ 2,284,349	$ 2,912,497	$ 2,912,497
Water rights	-	-	199,541	199,541	199,541	199,541
Construction in progress	14,540	-	1,374,723	1,612,213	1,389,263	1,612,213
Buildings and improvements	10,526,618	10,494,833	19,164,586	19,164,586	29,691,204	29,659,419
Infrastructure	17,971,220	17,428,500	27,976,510	27,248,348	45,947,730	44,676,848
Vehicles and equipment	3,554,975	3,277,501	2,696,731	2,573,842	6,251,706	5,851,343
Right to use	129,342	-	70,033	-	199,375	-
Accumulated depreciation	(18,829,841)	(17,775,721)	(23,246,429)	(21,997,523)	(42,076,270)	(39,773,244)
Total	$ 13,995,002	$ 14,053,261	$ 30,520,044	$ 31,085,356	$ 44,515,046	$ 45,138,617

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

Long Term Debt – The City had bonds, tax notes, leases, and compensated absences payable at year end as outlined in Figure A-5. $615,000 of Sales Tax Refunding Bonds and $685,000 of Tax Maintenance Notes were issued during the fiscal year. More detailed information about the City's debt is presented in the VII to the financial statements.

Table A-5
City's Long-Term Debt

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Bonds payable	$ 6,758,032	$ 7,136,394	$ 6,050,910	$ 6,588,440	$ 12,808,942	$ 13,724,834
Tax notes	685,000	-	-	-	685,000	-
Leases	91,534	92,357	55,552	57,704	147,086	150,061
Compensated absences	109,994	110,475	20,111	23,244	130,105	133,719
Total	$ 7,644,560	$ 7,339,226	$ 6,126,573	$ 6,669,388	$ 13,771,133	$ 14,008,614

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Hondo continues to focus on expanding the City's commercial and business districts along with the Hondo Rail Yard and Airport. We proudly announce that within the next twelve months, Boise Cascade, a Fortune 500 company, will begin construction on a 200,000+ square foot material warehouse/distribution facility that will service the Austin/San Antonio area and the South Texas region. At full operations, the facility will employ 100 people, increasing business activity in the area. The Perryman Group estimates that the gain in business activity in the City of Hondo generated by the facility will be $20.2 million in annual gross product and 186 jobs.

Over the next twelve months, the City will also see the construction of a Starbucks along HWY 90, James Avery doubling its manufacturing space in Hondo, and the opening of the TXN Central Bank.

During 2023 the City will be working on plans to create a public-private partnership for developing approximately 2,000 acres adjacent to the airport with rail access.

The City will continue to prepare for the population increase in the San Antonio region, which is estimated to increase from 3,013,139 (2020) to 5,219,393 (2070) based on population data from the Texas Water Development Board.

We will continue to be conservative in our financial matters and maintain at least ninety-day reserves.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (830) 426-3378 or visit the City's website at www.hondo-tx.org.

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BASIC
FINANCIAL STATEMENTS

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CITY OF HONDO, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 11,279,271	$ 6,664,954	$ 17,944,225
Investments	2,762,947	-	2,762,947
Receivables, net:			
Taxes	106,263	-	106,263
Accounts	506,910	3,692,543	4,199,453
Internal balances	69,039	(69,039)	-
Lease receivable	-	4,137,274	4,137,274
Interest receivable	-	6,905	6,905
Inventory	-	620,251	620,251
Prepaid expenses	7,734	-	7,734
Total current assets	14,732,164	15,052,888	29,785,052
Noncurrent assets:			
Restricted assets:			
Cash and investments	578,799	622,836	1,201,635
Capital assets (net of accumulated depreciation):			
Non-depreciable	642,688	3,858,613	4,501,301
Depreciable	13,352,314	26,661,431	40,013,745
Net pension asset	540,256	192,945	733,201
Total noncurrent assets	15,114,057	31,335,825	46,449,882
Total assets	29,846,221	46,388,713	76,234,934
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	230,702	82,392	313,094
Deferred outflows related to OPEB -SDBF	60,371	21,560	81,931
Total deferred outflows of resources	291,073	103,952	395,025
LIABILITIES			
Current liabilities:			
Accounts payable	430,131	787,518	1,217,649
Accrued liabilities	104,171	37,022	141,193
Interest payable	32,991	25,298	58,289
Unearned revenue	1,171,028	24,503	1,195,531
Customer deposits	-	457,116	457,116
Long-term liabilities:			
Due in one year:			
Bonds payable	424,620	544,380	969,000
Tax maintenance notes	90,000	-	90,000
Leases	40,481	16,028	56,509
Compensated absences	21,999	4,022	26,021
Due in more than one year:			
Bonds payable	6,012,470	5,506,530	11,519,000
Bonds premium	320,942	-	320,942
Tax maintenance notes	595,000	-	595,000
Leases	51,053	39,524	90,577
Compensated absences	87,995	16,089	104,084
Total OPEB liability - SDBF	333,021	118,934	451,955
Total liabilities	9,715,902	7,576,964	17,292,866
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	898,837	321,008	1,219,845
Deferred inflows related to OPEB - SDBF	19,061	6,806	25,867
Deferred inflows related to leases	-	4,106,669	4,106,669
Total deferred inflows of resources	917,898	4,434,483	5,352,381
NET POSITION			
Net investment in capital assets	10,625,513	24,672,346	35,297,859
Restricted for:			
Nonexpendable perpetual care trust	566,576	-	566,576
Debt service	189,475	-	189,475
Economic development	2,914,574	-	2,914,574
Police, municipal court, and library	5,727	-	5,727
Tourism development	194,213	-	194,213
Community programs	24,863	-	24,863
Grants	4,717	-	4,717
Unrestricted	4,977,836	9,808,872	14,786,708
Total net position	$ 19,503,494	$ 34,481,218	$ 53,984,712

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

CITY OF HONDO, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

		Program Revenue		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 2,506,244	$ 406,575	$ 12,000	$ -
Public safety	2,275,794	49,720	14,453	-
Judicial	133,103	42,216	-	-
Culture and recreation	1,918,308	216,159	14,816	11,076
Public works	1,779,049	-	-	-
Interest on long-term debt	179,467	-	-	-
Issuance cost	55,968	-	-	-
Total governmental activities	8,847,933	714,670	41,269	11,076
Business-type activities:				
Electric Utility	6,101,439	9,329,708	-	-
Water and Sewer	2,196,852	5,250,831	-	3,070
Airport	1,373,368	1,116,441	-	29,572
Sanitation	1,349,044	1,425,948	-	-
Total business-type activities	11,020,703	17,122,928	-	32,642
Total primary government	$ 19,868,636	$ 17,837,598	$ 41,269	$ 43,718

General revenues and transfers:

Taxes:

Property

Sales

Other

Unrestricted investment income

Miscellaneous

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 (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$(2,087,669)	$ -	$(2,087,669)
(2,211,621)	-	(2,211,621)
(90,887)	-	(90,887)
(1,676,257)	-	(1,676,257)
(1,779,049)	-	(1,779,049)
(179,467)	-	(179,467)
(55,968)	-	(55,968)
(8,080,918)	-	(8,080,918)
-	3,228,269	3,228,269
-	3,057,049	3,057,049
-	(227,355)	(227,355)
-	76,904	76,904
-	6,134,867	6,134,867
$(8,080,918)	$ 6,134,867	$(1,946,051)
$ 1,888,019	$ -	$ 1,888,019
1,989,510	-	1,989,510
201,951	-	201,951
47,973	24,651	72,624
156,965	339,227	496,192
4,426,366	(4,426,366)	-
8,710,784	(4,062,488)	4,648,296
629,866	2,072,379	2,702,245
18,873,628	32,408,839	51,282,467
$ 19,503,494	$ 34,481,218	$ 53,984,712

CITY OF HONDO, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	General	American Rescue Plan	General Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 3,823,686	$ 1,717,557	$ 4,058,087	$ 1,679,941	$ 11,279,271
Investments	889,392	-	-	1,873,555	2,762,947
Receivables (net of allowances for uncollectibles):					
Accounts	341,462	-	-	165,448	506,910
Taxes	80,407	-	-	25,856	106,263
Due from other funds	81,118	-	-	-	81,118
Prepaid items	7,734	-	-	-	7,734
Restricted cash and investments	-	-	-	578,799	578,799
Total assets	5,223,799	1,717,557	4,058,087	4,323,599	15,323,042
LIABILITIES					
Accounts payable	337,331	-	1,549	91,251	430,131
Accrued liabilities	101,399	-	-	2,772	104,171
Due to other funds	-	-	-	12,079	12,079
Unearned revenue	5,050	1,712,840	-	34,248	1,752,138
Total liabilities	443,780	1,712,840	1,549	140,350	2,298,519
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	74,661	-	-	24,124	98,785
Unavailable revenue - court fines	50,692	-	-	-	50,692
Total deferred inflows of resources	125,353	-	-	24,124	149,477
FUND BALANCES					
Nonspendable:					
Prepaid items	7,734	-	-	-	7,734
Perpetual care trust	-	-	-	566,576	566,576
Restricted for:					
Debt service	-	-	-	198,342	198,342
Economic development	-	-	-	2,914,574	2,914,574
Police department	-	-	-	5,727	5,727
Tourism development	-	-	-	194,213	194,213
Capital projects	-	-	4,056,538	-	4,056,538
Community programs	-	-	-	24,863	24,863
Grants	-	4,717	-	-	4,717
Committed for:					
South TX regional training center	-	-	-	252,811	252,811
Other	-	-	-	2,019	2,019
Assignment for:					
Blue santa program	6,967	-	-	-	6,967
Unassigned	4,639,965	-	-	-	4,639,965
Total fund balances	4,654,666	4,717	4,056,538	4,159,125	12,875,046
Total liabilities, deferred inflows of resources and fund balances	$ 5,223,799	$ 1,717,557	$ 4,058,087	$ 4,323,599	$ 15,323,042

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

CITY OF HONDO, 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	$ 12,875,046
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.	13,995,002
Certain receivables will not be collected soon enough to pay for the current period's expenditures and are, therefore, reported as deferred inflows of resources in the funds:	
Property taxes	74,661
Property tax penalties and interest	24,124
Court fines and fees	50,692
Intergovernmental receivables	581,110
Accrued bond interest is not due and payable in the current period and, therefore, is not reported in the funds.	(32,991)
Long-term liabilities and deferred losses on bond refundings, reported as deferred outflows of resources, are not due and payable in the current period and, therefore, are not reported in the funds. A summary of these items are as follows:	
Long-term liabilities:	
Bonds payable	(6,437,090)
Tax notes payable	(685,000)
Bonds premium	(320,942)
Compensated absences	(109,994)
Leases	(91,534)
The City had a net pension asset of $540,256, this included a deferred outflow of $230,702 and deferred inflow of $898,837. These items are not payable in the current period and therefore are not reported in the governmental funds balance sheet.	(127,879)
The total OPEB liability and related deferred inflows and outflows are not included in the fund financial statements.	(291,711)
Net position of governmental activities	$ 19,503,494

CITY OF HONDO, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General	American Rescue Plan	General Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property tax	$ 1,433,047	$ -	$ -	$ 449,112	$ 1,882,159
Sales tax	1,328,979	-	-	660,531	1,989,510
Other taxes	78,759	-	-	123,192	201,951
Licenses and permits	169,709	-	-	-	169,709
Intergovernmental	27,478	629,889	-	-	657,367
Charges for services	358,414	-	-	159,103	517,517
Fines and forfeitures	42,776	-	-	-	42,776
Investment income	24,193	4,717	15,117	3,946	47,973
Miscellaneous	70,302	-	-	2,124	72,426
Total revenues	3,533,657	634,606	15,117	1,398,008	5,581,388
EXPENDITURES					
Current:					
General government	2,059,121	-	-	340,794	2,399,915
Public safety	2,250,874	-	-	501	2,251,375
Judicial	141,326	-	-	-	141,326
Culture and recreation	1,704,261	-	-	116,108	1,820,369
Public works	1,386,959	-	-	-	1,386,959
Capital outlay	365,469	-	557,260	-	922,729
Debt service:					
Principal	37,808	-	-	416,470	454,278
Interest	546	-	-	163,777	164,323
Issuance costs	28,000	-	-	44,860	72,860
Total expenditures	7,974,364	-	557,260	1,082,510	9,614,134
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,440,707)	634,606	(542,143)	315,498	(4,032,746)
OTHER FINANCING SOURCES (USES)					
Transfers in	5,087,093	-	-	219,651	5,306,744
Transfers out	(43,765)	(629,889)	-	(206,724)	(880,378)
Issuance of debt	685,000	-	-	-	685,000
Refunding bonds issued	-	-	-	615,000	615,000
Payment to refunded bond escrow agent	-	-	-	(570,140)	(570,140)
Leases issued	36,985	-	-	-	36,985
Insurance recoveries	84,539	-	-	-	84,539
Total other financing sources and uses	5,849,852	(629,889)	-	57,787	5,277,750
NET CHANGE IN FUND BALANCES	1,409,145	4,717	(542,143)	373,285	1,245,004
FUND BALANCES, BEGINNING	3,245,521	-	4,598,681	3,785,840	11,630,042
FUND BALANCES, ENDING	$ 4,654,666	$ 4,717	$ 4,056,538	$ 4,159,125	$ 12,875,046

CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Net change in fund balances - total governmental funds	$ 1,245,004
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount of capital outlay recorded in the current period.	903,504
Depreciation on capital assets is reported in the Statement of Activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(1,054,120)
Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Posiiton.	454,278
Issuance of debt	(1,336,985)
Bond refunding	560,000
Amortization of:	
Premium on bond issuance	16,892
Interest is accrued in the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	(5,004)
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences liability	481
Net OPEB liability	107,141
Net Pension liability	353,169
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(614,494)
Change in net position of governmental activities	$ 629,866

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

CITY OF HONDO, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2022

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 5,054,819	$ 1,137,116	$ -	$ 473,019	$ 6,664,954
Receivables, net	1,190,911	2,287,766	86,245	127,621	3,692,543
Lease receivable	-	-	4,137,274	-	4,137,274
Interest receivable	-	-	6,905	-	6,905
Inventory	183,629	388,349	48,273	-	620,251
Net pension asset	94,961	61,009	36,975	-	192,945
Total current assets	6,524,320	3,874,240	4,315,672	600,640	15,314,872
Noncurrent assets:					
Restricted cash and investments	622,836	-	-	-	622,836
Capital assets:					
Nondepreciable	1,911,989	137,104	1,809,520	-	3,858,613
Depreciable	12,623,117	1,336,583	12,701,731	-	26,661,431
Total noncurrent assets	15,157,942	1,473,687	14,511,251	-	31,142,880
Total assets	21,682,262	5,347,927	18,826,923	600,640	46,457,752
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	40,551	26,052	15,789	-	82,392
Deferred outflows related to OPEB - SDBF	10,611	6,817	4,132	-	21,560
Total deferred outflows of resources	51,162	32,869	19,921	-	103,952

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

CITY OF HONDO, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(Continued)

SEPTEMBER 30, 2022

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
LIABILITIES					
Current liabilities:					
Accounts payable	$ 62,462	$ 568,027	$ 31,175	$ 125,854	$ 787,518
Accrued liabilities	20,532	9,560	6,930	-	37,022
Due to other funds	-	-	69,039	-	69,039
Accrued interest payable	24,029	957	312	-	25,298
Unearned revenue	-	19,653	4,850	-	24,503
Customer deposits	114,905	342,211	-	-	457,116
Noncurrent liabilities:					
Due in one year:					
Bonds payable	479,380	50,000	15,000	-	544,380
Leases	1,566	-	14,462	-	16,028
Compensated absences	2,025	1,231	766	-	4,022
Total current liabilities	704,899	991,639	142,534	125,854	1,964,926
Due in more than one year:					
Bonds payable	5,161,530	265,000	80,000	-	5,506,530
Leases	4,063	-	35,461	-	39,524
Compensated absences	8,100	4,924	3,065	-	16,089
Total OPEB liability - SDBF	58,535	37,607	22,792	-	118,934
Total noncurrent liabilities	5,232,228	307,531	141,318	-	5,681,077
Total liabilities	5,937,127	1,299,170	283,852	125,854	7,646,003
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to to pensions	157,989	101,502	61,517	-	321,008
Deferred inflows related to OPEB - SDBF	3,350	2,152	1,304	-	6,806
Lease related	-	-	4,106,669	-	4,106,669
Total deferred inflows of resources	161,339	103,654	4,169,490	-	4,434,483
NET POSITION					
Net investment in capital assets	8,962,331	1,343,687	14,366,328	-	24,672,346
Unrestricted	6,672,627	2,634,285	27,174	474,786	9,808,872
Total net position	$ 15,634,958	$ 3,977,972	$ 14,393,502	$ 474,786	$ 34,481,218

CITY OF HONDO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
OPERATING REVENUES					
Charges for services					
Utility service	$ 5,250,831	$ 9,329,708	$ -	$ 1,425,948	$ 16,006,487
Fuel sales	-	-	451,373	-	451,373
Rentals and leases	-	-	665,068	-	665,068
Miscellaneous	140,714	184,281	-	14,232	339,227
Total operating revenues	5,391,545	9,513,989	1,116,441	1,440,180	17,462,155
OPERATING EXPENSES					
Personnel services	840,505	471,725	297,312	-	1,609,542
Materials and supplies	89,795	371,471	360,203	-	821,469
Contractual services	513,085	5,129,951	191,184	1,349,044	7,183,264
Depreciation	604,023	122,311	522,572	-	1,248,906
Total operating expenses	2,047,408	6,095,458	1,371,271	1,349,044	10,863,181
OPERATING INCOME (LOSS)	3,344,137	3,418,531	(254,830)	91,136	6,598,974
NONOPERATING REVENUES (EXPENSES)					
Investment income	18,621	4,356	-	1,674	24,651
Interest expense	(149,444)	(5,981)	(2,097)	-	(157,522)
Total nonoperating revenues (expenses)	(130,823)	(1,625)	(2,097)	1,674	(132,871)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	3,213,314	3,416,906	(256,927)	92,810	6,466,103
Capital contributions - Intergovernmental	3,070	-	29,572	-	32,642
Transfers in	44,349	353,649	13,857	-	411,855
Transfers out	(1,524,444)	(3,068,364)	(96,613)	(148,800)	(4,838,221)
Total capital contributions and transfers	(1,477,025)	(2,714,715)	(53,184)	(148,800)	(4,393,724)
CHANGE IN NET POSITION	1,736,289	702,191	(310,111)	(55,990)	2,072,379
TOTAL NET POSITION, BEGINNING	13,898,669	3,275,781	14,703,613	530,776	32,408,839
TOTAL NET POSITION, ENDING	$ 15,634,958	$ 3,977,972	$ 14,393,502	$ 474,786	$ 34,481,218

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

CITY OF HONDO, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	$ 5,641,451	$ 9,574,104	$ 1,053,544	$ 1,451,016	$ 17,720,115
Cash paid to employees	(887,773)	(536,134)	(320,086)	-	(1,743,993)
Cash paid to suppliers for goods and services	(725,793)	(5,434,749)	(637,124)	(1,338,207)	(8,135,873)
Net cash provided by operating activities	4,027,885	3,603,221	96,334	112,809	7,840,249
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants	3,070	-	29,572	-	32,642
Principal repayment on bonds	(466,901)	(50,000)	34,923	-	(481,978)
Interest and related fees paid on long-term debt	(150,815)	(6,101)	(2,110)	-	(159,026)
Acquisition and construction of capital assets	(607,630)	-	(75,963)	-	(683,593)
Net cash used by capital and related financing activities	(1,222,276)	(56,101)	(13,578)	-	(1,291,955)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on investments and cash equivalents	18,621	4,356	-	1,674	24,651
Net cash provided by investing activities	18,621	4,356	-	1,674	24,651
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payments in lieu of taxes and transfers	(1,480,095)	(2,714,715)	(82,756)	(148,800)	(4,426,366)
Net cash used by noncapital financing activities	(1,480,095)	(2,714,715)	(82,756)	(148,800)	(4,426,366)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,344,135	836,761	-	(34,317)	2,146,579
CASH AND CASH EQUIVALENTS, BEGINNING	4,333,520	300,355	-	507,336	5,141,211
CASH AND CASH EQUIVALENTS, ENDING	$ 5,677,655	$ 1,137,116	$ -	$ 473,019	$ 7,287,790

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

CITY OF HONDO, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Business-type Activities - Enterprise Funds				
	Water and Sewer	Electric Utility	Airport	Sanitation	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income	$ 3,344,137	$ 3,418,531	$(254,830)	$ 91,136	$ 6,598,974
Adjustments to reconile operating income to net cash provided (used) by operating activities:					
Depreciation	604,023	122,311	522,572	-	1,248,906
(Increase) decrease in:					
Accounts receivable	247,246	30,567	(25,622)	10,856	263,047
Interest receivable	-	-	(6,905)	-	(6,905)
Lease receivable	-	-	(4,137,274)	-	(4,137,274)
Inventories	(73,075)	21,818	(21,058)	-	(72,315)
Deferred outflows of resources	(776)	12,493	(25)	-	11,692
Increase (decrease) in:					
Accounts payable	(49,838)	44,855	2,728	10,837	8,582
Accrued liabilities	(2,036)	(8,464)	(3,497)	-	(13,997)
Unearned revenue	-	19,653	235	(20)	19,868
Customer deposits	2,660	9,895	-	-	12,555
Deferred inflows of resources	88,065	37,686	4,140,558	-	4,266,309
Net OPEB liability	7,992	(7,897)	2,835	-	2,930
Net pension liability/ (asset)	(137,938)	(99,700)	(53,945)	-	(291,583)
Compensated absences	(2,575)	1,473	(2,031)	-	(3,133)
Total adjustments	683,748	184,690	351,164	21,673	1,241,275
Net cash provided by operating activities	$ 4,027,885	$ 3,603,221	$ 96,334	$ 112,809	$ 7,840,249

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hondo, Texas ("City") was incorporated in 1942 under the provisions of the State of Texas. The City operates under a Home Rule Charter adopted May 12, 2007. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

Based on these criteria, the financial information of the following entity has been blended within the financial statements.

Blended Component Unit

The City exerts significant control over the Economic Development Corporation (EDC), a legally separate entity. The EDC uses the taxing authority of the City and provides services almost exclusively to the City and its constituents. This poses a significant benefit to the City. The Component unit's governing body is substantially the same as the governing body of the primary government. City Council appoints all members of the Board, approves the Budget, and is charged with hiring and firing of EDC employees. In addition, management of the City has operational responsibility for the component unit. The City is entitled to and can otherwise access all of the resources of the EDC. This qualifies the EDC as a component unit, which is recorded as a separate Special Revenue Fund of the City, using the blended method described in the previous paragraph. The EDC collects a ½ cent sales tax to promote economic growth in the City of Hondo. The EDC does not issue separate financial statements.

B. Government-wide Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All of the City's proprietary funds are all major funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are aggregated in a separate column in the fund financial statements. The non-major funds are detailed in the combining section of this report.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the component unit. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 revenue 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 level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In applying the susceptible to accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Generally, monies must be expended on a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. Ad valorem taxes are recognized as revenues in the year for which they are levied. Sales taxes, other taxes, charges for services and fines are recognized as revenue as earned, when measurable and available. Licenses, permits, and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

All proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the personnel services, materials and supplies, contractual services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column. However, interfund services provided and used are not eliminated in the process of consolidation.

Governmental Funds

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

The City reports the following major governmental funds:

The ***General Fund*** is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, sales taxes, and payments in lieu of taxes from proprietary funds. Primary expenditures are for general administration, public safety, recreation, and public works.

The ***American Rescue Plan Fund*** is used to account for grant receipts and expenditures related to the American Rescue Plan grant related to COVID-19.

The ***General Capital Projects Fund*** is used to account for financial resources to be used for the acquisition or major construction of major capital facilities.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The following is a description of the major proprietary funds of the City:

The ***Electric Utility Fund*** accounts for the City owned electric distribution system and is in charge of the electrical supply to the City's customers.

The ***Water and Sewer Fund*** accounts for the activities associated with providing water and sewer utility services primarily to residents of the City of Hondo.

The ***Airport Fund*** accounts for transactions related to the South Texas Regional Airport at Hondo and those related to the property given to the City by the War Assets Department in 1948, i.e. the Old Army Airfield.

The ***Sanitation Utility Fund*** accounts for the activities associated with providing sanitation utility services to customers.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and cash equivalents and restricted cash*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash is reported as restricted only if the restriction on the cash is narrower than the purpose of the fund as a whole. For the City, these balances generally consist of the cemetery trust and unspent bond proceeds for specific projects.

Proceeds from the sale of burial plots are permanently restricted in the Perpetual Care permanent fund. The principal may not be spent for any purpose. Earnings on these balances may be used to maintain the cemetery.

Restricted cash reported in the Water and Sewer Fund represents unspent 2017 Series bond proceeds, which are restricted for the plant improvements. The cash is held in an escrow account controlled by the Texas Water Development Board and is released on a reimbursement basis.

2. *Investments*

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit and qualifying external investment pools which are carried at amortized cost.

3. *Property Taxes and Other Receivables*

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2021 and past due after January 31, 2022. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for uncollectibles of $29,733 and $9,561 in the General and Debt Service funds, respectively.

Assessed values are established by the Medina County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2021, upon which the fiscal 2022 levy was based, was $383 million (i.e., market value less exemptions). The estimated market value was $430 million, making the taxable value 89% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to $2.50 per $100 of taxable assessed valuation for all governmental purposes. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2022, was $0.4866 per $100 of assessed value. The City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts.

4. *Inventories and Prepaid Items*

Inventories are valued at average cost on a first-in, first-out basis. Inventories in the General Fund are recorded using the consumption method (i.e., recorded as an expenditure when used rather than when purchased).

Prepaid items are payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A corresponding portion of fund balance is shown as nonexpendable in governmental funds to indicate it is not available for other subsequent expenditures. Prepaid items are defined as payments that benefit future periods. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

5. *Capital Assets*

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of $5,000 or more and a useful life in excess of 1 year. Infrastructure assets include City-owned streets, sewer, sidewalks, curbs, and utilities. Capital assets are recorded at historical costs if purchased or constructed. In general, donated capital assets are recorded at estimated fair market value at the date of donation. However, donated works of art and capital assets received in a service concession arrangement are reported at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	10 - 40
Streets, utilities, and infrastructure	10 - 60
Furniture, fixtures, and vehicles	5 - 30
Right to use - vehicles and equipment	2-5

6. *Deferred Inflows and Outflows of Resources*

In addition to assets, the statement of net 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 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.

- Differences between expected and actual economic experience for the City's pension plan– These effects on the pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

- Changes in actuarial assumptions and other inputs included in determining the pension and OPEB liability – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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

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

In addition, the City has deferred inflows of resources which are required to be reported on the Statements of Net Position under the full accrual basis of accounting. Deferred inflows of resources reported in the Statements of Net Position are as follows:

- Differences between expected and actual economic experience for the City's pension and OPEB plan – These effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees).

- Changes in actuarial assumptions and other inputs included in determining the OPEB liability – 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.

- Unavailable revenue – Receivables not collected soon enough to pay or the current period's expenditures. This item arises only under the modified accrual basis of accounting.

- Deferred inflows related to leases for its lessor transactions. These amounts offset the receivable related to the lease and will be recognized systematically in future years over the life of the lease.

7. *Compensated Absences*

Full-time employees earn vacation leave at varying rates depending on length of service. No more than 80 hours may be carried over annually based on the employee's anniversary date. Accumulated vacation leave is paid on termination up to 120 hours. Full-time employees earn sick leave at 10 hours per month up to a maximum of 320 hours. Unused sick leave is not paid upon termination.

Liabilities for compensated absences are recognized in the fund statements only to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements.

8. *Long-term Debt*

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

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

9. *Leases*

The City has The City has entered into various lease agreements as either lessee and lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

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

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

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

10. *Pensions*

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.

11. *Other Postemployment Benefits (OPEB)*

The total OPEB liability (and related deferred inflows and outflows of resources) and OPEB expense of the TMRS supplemental death benefits fund, have been determined on the same basis as they are reported by TMRS.

The total OPEB liability (and related deferred inflows and outflows of resources) and OPEB expense of the retiree insurance plan, have been determined on the economic resources measurement focus. There are no trusts for these plans as they are pay as you go. On the government-wide and proprietary statements, a liability is recorded for the present value of future benefits. In the governmental funds, a liability is recorded only to the extent benefits are due and payable.

12. *Fund Balance Classification*

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:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- 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.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has, by resolution, authorized the City Manager and Finance Director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover the gap between estimated revenue and appropriations in the subsequent year's budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

- 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 of assigned fund balance amounts.

13. *Fund balance flow assumptions*

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.

14. *Net position flow assumption*

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

15. *Change in Accounting Principle*

GASB Statement No. 87, Leases, was adopted effective October 1, 2021. The statement addresses accounting and financial reporting for lease contracts. Statement No. 87 establishes standards for recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and revenues and expenses related to leases in the basic financial statements, in addition to requiring more extensive note disclosures. The adoption of this standard did not result in a restatement of beginning fund balance or net position, but assets, deferred inflows and liabilities were recognized, and more extensive note disclosures were required.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Compliance

For the year ended September 30, 2022, expenditures exceeded appropriations in the following funds:

- General Fund – General Government – Tax by $150
- General Fund – Culture and Recreation – Library by $23,241
- General Fund – Debt Service by $66,354
- Debt Service Fund – Issuance Costs by $44,860
- Debt Service Fund – Other Financing Sources and Uses by $653,605

- Perpetual Care Fund – General Government – Perpetual Care by $179
- South Texas Regional Training Center Fund – General Government – Services by $23,229

These excess expenditures were funded by greater than anticipated revenues and/or available fund balance.

III. DEPOSITS AND INVESTMENTS

A. Deposits

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2022, the carrying amount of the City's deposits were fully collateralized.

B. Investments

The City's investments at September 30, 2022 consist of $3,344,849 in certificates of deposit covered by pledged securities from the City's depository. The certificates are reported at amortized cost.

C. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures. The City has reviewed its risk exposure and does not believe it is exposed to significant credit risk, custodial credit risk, or concentration of credit risk.

IV. RECEIVABLES

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

	General	Nonmajor Governmental	Water and Sewer	Electric Utility	Airport	Sanitation
Sales and Mixed Beverage	$ 222,432	$ 109,824	$ -	$ 28,248	$ -	$ 8,165
Taxes	110,140	35,417	-	-	-	-
Franchise Fees	15,659	-	-	-	-	-
Hotel Occupancy	-	28,363	-	-	-	-
Customer Charges	-	-	1,201,183	2,351,780	110,775	124,501
Court Fines	533,356	-	-	-	-	-
Gross Receivables	52,679	27,261	313	27,956	-	-
Lease Receivable	-	-	-	-	4,137,274	-
Interest Receivable	-	-	-	-	6,905	-
Less Allowance for Uncollectibles	(512,397)	(9,561)	(10,585)	(120,218)	(24,530)	(5,045)
Total	$ 421,869	$ 191,304	$ 1,190,911	$ 2,287,766	$ 4,230,424	$ 127,621

Leases Receivable

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

A summary of the City's lease receivables as of September 30, 2022 is as follows:

Purpose of Lease	Interest Rate	Amount of Initial Lease Receivable	Interest Current Year	Reductions Current Year	Amounts Receivable 9/30/22
Right to Use:					
Land	0.632%-1.8710%	$ 394,799	$ 5,458	$ 65,797	$ 329,003
Buildings	.2130%-1.8710%	3,974,885	57,086	169,562	3,808,271
Totals			$ 62,544	$ 110,664	$ 4,137,274

V. CAPITAL ASSETS

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

Primary Government

	Beginning Balance	Additions	Transfers and Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 628,148	$ -	$ -	$ 628,148
Construction in progress	-	14,540	-	14,540
Total assets not being depreciated	628,148	14,540	-	642,688
Capital assets, being depreciated:				
Buildings and improvements	10,494,833	31,785	-	10,526,618
Infrastructure	17,428,500	542,720	-	17,971,220
Vehicles and equipment	3,277,501	277,474	-	3,554,975
Right to use - vehicles and equipment	92,357	36,985	-	129,342
Total capital assets being depreciated	31,293,191	888,964	-	32,182,155
Less accumulated depreciation:				
Buildings and improvements	(3,485,753)	(262,264)	-	(3,748,017)
Infrastructure	(11,996,763)	(441,104)	-	(12,437,867)
Vehicles and equipment	(2,293,205)	(313,572)	-	(2,606,777)
Right to use - vehicles and equipment	-	(37,180)	-	(37,180)
Total accumulated depreciation	(17,775,721)	(1,054,120)	-	(18,829,841)
Total capital assets being depreciated, net	13,517,470	(165,156)	-	13,352,314
Governmental activities capital assets, net	$ 14,145,618	$(150,616)	$ -	$ 13,995,002

	Beginning Balance	Additions	Adjustments/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 2,284,349	$ -	$ -	$ 2,284,349
Water rights	199,541	-	-	199,541
Construction in progress	1,612,213	108,111	(345,601)	1,374,723
Total assets not being depreciated	4,096,103	108,111	(345,601)	3,858,613
Capital assets, being depreciated:				
Buildings and improvements	19,164,586	-	-	19,164,586
Infrastructure	27,248,348	382,561	345,601	27,976,510
Vehicles and equipment	2,573,842	122,889	-	2,696,731
Right to use	57,704	12,329	-	70,033
Total capital assets being depreciated	49,044,480	517,779	345,601	49,907,860
Less accumulated depreciation:				
Buildings and improvements	(7,833,070)	(458,461)	-	(8,291,531)
Infrastructure	(12,735,020)	(254,005)	-	(12,989,025)
Vehicles and equipment	(1,429,433)	(14,529)	-	(1,443,962)
Right to use	-	(521,911)	-	(521,911)
Total accumulated depreciation	(21,997,523)	(1,248,906)	-	(23,246,429)
Total capital assets being depreciated, net	27,046,957	(731,127)	345,601	26,661,431
Business-type activities capital assets, net	$ 31,143,060	$(623,016)	$ -	$ 30,520,044

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

Governmental activities:		
General government	$	198,004
Public safety		177,350
Public works		479,886
Culture and recreation		198,880
Total depreciation expense - governmental activities	$	1,054,120
Business-type activities:		
Electric utility	$	122,311
Water and sewer		604,023
Airport		522,572
Total depreciation expense - business-type activities	$	1,248,906

VI. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2022, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund		Amount
General	Nonmajor Governmental	$	12,079
General	Airport		69,039
		$	81,118

Interfund balances for all of the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid in one year or less.

Interfund Transfers

Interfund transfers during the year ending September 30, 2022 were as follows:

Transfer In	Transfer Out		Amount	Purpose
Nonmajor	Nonmajor	$	169,876	Contributions toward debt payments
Nonmajor	General		43,765	Fair Hall maintenance
General	Nonmajor		36,848	Cemetery maintenance and EDC IT
General	Water and Sewer		1,524,444	General administration
General	Electric Utility		3,068,364	General administration
General	Airport		96,613	General administration
General	Sanitation		148,800	General administration
General	American Rescue Plan		212,024	Recognition pay
Electric Utility	American Rescue Plan		353,649	Recognition pay and utility credits
Water and Sewer	American Rescue Plan		44,349	Recognition pay
Airport	American Rescue Plan		13,857	Recognition pay
Nonmajor	American Rescue Plan		6,010	Recognition pay
		$	5,718,599	

LONG-TERM LIABILITIES

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2022:

	Balance 9/30/2021	Increases	Reductions	Balance 9/30/2022	Due Within One Year
Governmental activities:					
General obligation bonds -					
Private placement	$ 1,288,560	$ -	$(221,470)	$ 1,067,090	$ 219,620
Certificates of obligation -					
Private placement	4,950,000	-	(130,000)	4,820,000	140,000
Sales tax revenue bonds	560,000	-	(560,000)	-	-
Sales tax refunding bonds	-	615,000	(65,000)	550,000	65,000
Bond premium	337,834	-	(16,892)	320,942	-
Tax maintenance notes	-	685,000	-	685,000	90,000
Leases	92,357	36,985	(37,808)	91,534	40,481
Compensated absences	110,475	53,056	(53,537)	109,994	21,999
Total governmental long-term liabilities	$ 7,339,226	$ 1,390,041	$(1,084,707)	$ 7,644,560	$ 577,100
Business-type activities:					
General obligation bonds -					
Private placement	$ 1,103,440	$ -	$(177,530)	$ 925,910	$ 179,380
Certificates of obligation -					
Private placement	5,485,000	-	(360,000)	5,125,000	365,000
Leases	57,704	12,328	(14,480)	55,552	16,028
Compensated absences	23,244	17,432	(20,565)	20,111	4,022
Total business-type long-term liabilities	$ 6,669,388	$ 29,760	$(572,575)	$ 6,126,573	$ 564,430

Accrued Compensated Absences

Accrued compensated absences are payable from the fund responsible for the employee's compensation. Of the liability attributed to governmental activities at September 30, 2022, significantly all is payable from the General Fund.

Net Pension Liability and Total Other Post Employment Benefit (OPEB) Liabilities

When these liabilities are liquidated for governmental activities, the General Fund will be primarily responsible.

Bonds Payable

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

Sales Tax Revenue Bonds, Series 2010

The City (through the Economic Development Corporation) issued $1,000,000 in revenue bonds in 2010 for improvements to the South Texas Regional Training Center. The debt service is funded by the sales tax collections of the Economic Development Corporation. The bonds mature serially through February 1, 2030 and bear interest at rates between 2.75% and 5.00%. These bonds were privately placed through a bank and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2013

The City issued $490,000 in certificates of obligation in May 2013 for utility system improvements. The debt service on the certificates are to be paid by the water/sewer utility fund. The bonds mature serially through February 1, 2023 and bear interest at rates between 0.38% and 1.86%. These bonds were privately placed through the Texas Water Development Board and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

General Obligation Refunding Bonds, Series 2014

The City issued $1,672,000 in general obligation bonds in May 2014 to refund the majority of the Certificates of Obligation, Series 2005. The debt service on the 2014 series will be paid in the same ratio as the series 2005 bonds: 63% General Fund and 37% Water/Sewer utility. The bonds mature serially through February 1, 2025 and bear interest at rates between 0.95% and 3.15%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015

In December 2015, the City issued $3,450,000 in bonds: $2.03 million for library construction to be repaid with property taxes and $1.42 million for water utility improvements to be repaid with excess utility revenues. The bonds mature serially through August 1, 2035 and bear interest of 0.67% and 3.62%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

General Obligation Refunding Bonds, Series 2016

In November 2016, the City issued $2,635,000 in bonds to refund series 2007. All of the funds originally involved in the 2007 bonds are to service the same percentage of the 2016 bonds: General Fund (Debt Service) (27%), Electric Utility (22%), Water/Sewer Utility (22%), Airport (7%) and Economic Development Corporation (22%). The bonds mature serially through February 1, 2027 and bear interest at rates between 0.963% and 2.012%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2017

In January 2017, the City issued $5,470,000 in bonds through the Texas Water Development Board's Drinking Water State Revolving Fund for water and sewer plant improvements. The bonds will be serviced by the Water & Sewer Fund, mature serially through August 1, 2036 and bear interest at rates between 0.11% and 2.92%. The proceeds are held in an escrow account and released by the TWDB upon approved outlay requests. The unspent proceeds are reported as restricted cash on the Statement of Net Position. These bonds were privately placed through the Texas TWDB and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021

In September 2021, the City issued $3,725,000 in bonds to reconstruct streets and to be repaid with property taxes. The bonds mature serially through February 1, 2041 and bear interest at a rate of 3.00%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Sales Tax Revenue Refunding Bonds, Taxable Series 2021

In October 2021, the City (through the Economic Development Corporation) issued $615,000 in bonds to fully refund the Sales Tax Revenue Bonds, Series 2010. The debt service on the 2021 series will be paid in the same ratio as the series 2010 bonds: 100% Economic Development Corporation. The bonds mature serially through February 1, 2030 and bear interest at rate of 2.00%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Tax Maintenance Notes, Series 2022

In March 2022, the City issued $685,000 in bonds to finance the purchase of vehicles, machinery and equipment for various City purposes, such as animal control, information technology and costs associated with the City's Public Works Department and to be repaid with property taxes. The bonds mature serially through February 1, 2029 and bear interest at a rate between 1.07% and 1.89%. These bonds were privately placed through local banks and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Changes in Bonds Payable

	Balance 9/30/2021	Increases	Reductions	Balance 9/30/2022	Due Within One Year
Governmental activities:					
Bonds payable					
2010 Series	$ 560,000	$ -	$(560,000)	$ -	$ -
2014 Series - private placement	448,560	-	(106,470)	342,090	109,620
2015 Series - private placement	1,225,000	-	(75,000)	1,150,000	75,000
2016 Series - private placement	840,000	-	(115,000)	725,000	110,000
2021 Series - private placement	3,725,000	615,000	(120,000)	4,220,000	130,000
2022 Series - private placement	-	685,000	-	685,000	90,000
Total governmental activities	$ 6,798,560	$ 1,300,000	$(976,470)	$ 7,122,090	$ 514,620
Business-type activities:					
Bonds payable					
2013 Series - private placement	$ 100,000	$ -	$(50,000)	$ 50,000	$ 50,000
2014 Series - private placement	263,440	-	(62,530)	200,910	64,380
2015 Series - private placement	1,065,000	-	(65,000)	1,000,000	65,000
2016 Series - private placement	840,000	-	(115,000)	725,000	115,000
2017 Series - private placement	4,320,000	-	(245,000)	4,075,000	250,000
Total business-type activities	$ 6,588,440	$ -	$(537,530)	$ 6,050,910	$ 544,380

The annual requirements to amortize all private placement long-term debt and obligations outstanding as of September 30, 2022, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities - Private Placement Principal		Interest	
2023	$	514,620	$	189,078
2024		544,030		173,523
2025		573,440		161,066
2026		600,000		146,768
2027		825,000		138,947
2028-2032		1,625,000		498,471
2033-2037		1,420,000		260,458
2038-2041		1,020,000		62,250
Total	$	7,122,090	$	1,630,561

Year Ending September 30,	Business-type Activities - Private Placement Principal		Interest	
2023	$	544,380	$	149,295
2024		501,970		139,334
2025		514,560		128,925
2026		520,000		118,040
2027		535,000		54,355
2028-2032		1,850,000		413,170
2033-2036		1,585,000		144,443
Total	$	6,050,910	$	1,147,562

Leases Payable

For the year ended September 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. For additional information, refer to the disclosures below.

A summary of the governmental and business-type lease payables as of September 30, 2022, is as follows:

Purpose of Lease - Governmental	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/22
Right to Use:					
NeoPost Mail Sorter	0.248%	2021	$ 5,844	$ 14	$ 1,950
NeoPost Postage Machine	0.328%	2021	7,190	24	5,143
Xerox Printers/ Copiers	2.093%	2022	36,985	774	32,473
Xerox Large Format Printer	0.25%	2021	5,985	15	2,996
Golf Cart	0.328%	2021	73,339	241	48,972
Totals				$ 1,068	$ 91,534

Purpose of Lease - Business-type	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/22
Right to Use:					
Airport Refueler	0.4750%	2021	$ 55,704	$ 265	$ 44,728
Xerox Printers/ Copiers	2.093%	2022	12,328	258	10,824
Totals				$ 523	$ 55,552

A lease payments maturity are as follows:

Year Ending September 30,	Governmental Activities - Leases Principal		Interest	
2023	$	40,481	$	737
2024		35,813		454
2025		10,455		209
2026		4,785		29
Total	$	91,534	$	1,429

Year Ending September 30,	Business-type Activities - Leases Principal		Interest	
2023	$	16,028	$	382
2024		16,154		256
2025		16,281		129
2026		7,089		16
Total	$	55,552	$	783

VII. DEFINED BENEFIT PENSION PLAN

Plan Description. The City participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at 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 as if the sum of the member's contributions, with interest, and 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.

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	75
Inactive employees entitled to but not yet receiving benefits	113
Active employees	106
Total	294

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rate for the City was 8.56% and 8.00% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were $383,135 and were equal to the required contributions.

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

Actuarial assumptions:

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%

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 are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	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 the statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2020	$ 17,353,786	$ 16,930,300	$ 423,486
Changes for the year:			
Service cost	571,407	-	571,407
Interest	1,157,171	-	1,157,171
Difference between expected and actual experience	(24,144)	-	(24,144)
Contributions - employer	-	416,802	i
Contributions - employee	-	249,305	(249,305)
Net investment income	-	2,205,156	(2,205,156)
Benefit payments, including refunds of employee contributions	(992,432)	(992,432)	-
Administrative expense	-	(10,212)	10,212
Other changes	-	70	(70)
Net changes	712,002	1,868,689	(1,156,687)
Balance at 12/31/2021	$ 18,065,788	$ 18,798,989	$(733,201)

The following represents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher 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 asset	$ 1,983,257	$(733,201)	$(2,918,646)

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.com.

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

For the year ended September 30, 2022, the City recognized pension expense of $80,906.

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	$ 6,013	$ 85,893
Changes in actuarial assumptions	16,691	-
Difference between projected and actual investment earnings	-	1,133,952
Contributions subsequent to the measurement date	290,390	-
Total	$ 313,094	$ 1,219,845

$290,390 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as an increase 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	$(234,438)
2024	(509,698)
2025	(240,532)
2026	(212,473)
Total	$(1,197,141)

<u>**Defined Other Post-Employment Benefit Plans**</u>

TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

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 or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	16
Active members	106
Total	179

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.22% for 2022 and 0.21% for 2021, of which 0.14% and 0.12%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered-employee 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 $6,410 and $5,544, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions. The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	1.84%
Projected salary increases	3.5% to 11.5% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases were based on a service-related table.

Mortality rates for active members, retirees, and beneficiaries were based on the gender distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with both male and female rates multiplied by 107.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used for males and females with both multiplied by 107.5% with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3%% minimum mortality rate is applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. As such, a single discount rate of 1.84% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2021.

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%)
City's total OPEB liability	$ 559,838	$ 451,955	$ 370,253

OPEB Liability, Expense, and Deferred Outflows of Resources Related to OPEB. The City's total OPEB liability of $451,955 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date. For the year ended September 30, 2022, the City recognized OPEB expense of $49,018. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability (a)
Balance at 12/31/2020	$ 428,823
Changes for the year:	
Service cost	21,440
Interest	8,731
Difference between expected and actual experience	(15,481)
Changes of assumptions	14,425
Benefit payments	(5,983)
Net changes	23,132
Balance at 12/31/2021	$ 451,955

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 20,564
Changes in actuarial assumptions	76,706	5,303
Contributions subsequent to the measurement date	5,225	-
Total	$ 81,931	$ 25,867

$5,225 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, 2022. Other amounts of the reported as deferred outflows and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2023	$ 15,960
2024	18,289
2025	14,315
2026	2,283
2027	(8)
Total	$ 50,839

VIII. EDUCATION FACILITY CORPORATIONS

On August 6, 2013, the City created City of Hondo, Texas Higher Education Facilities Corporation (HHEFC), a nonprofit corporation under Section 53.35(b) of The Texas Education code. The HHEFC was established for the purpose of assisting in the financing of accredited primary and secondary schools as provided by state law. In accordance with the terms establishing the nonprofit corporation, the City is not liable for any expenses incurred in establishing or administering the HHEFC. The HHEFC is not consolidated into the financial statements of City because it does not meet the requirements of being treated as a component unit of the City under governmental accounting standards. As of September 30, 2022, the HHEFC had issued three series of bonds:

Issue	Original Principal	Amount Outstanding	Maturity
2013 Series	$ 2,500,000	$ 2,500,000	2028
2016 Series	5,000,000	4,219,000	2035
2019 Series	5,000,000	4,562,500	2024

IX. COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various other claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City’s liability in these cases, if decided adversely to the City, will not have a material effect on the City’s financial position.

X. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to $1,000,000.

XI. SIGNIFICANT FORTHCOMING STANDARDS

Statement No. 91, Conduit Debt Obligations – This Statement provides a single method of reporting conduit debt obligation by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 will be implemented in fiscal year 2023 and the impact has not yet been determined.

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.

XII. SUBSEQUENT EVENTS

In October 2022, the City issued $1,455,000 in tax notes. The notes mature serially through February 1, 2029 and bear an interest rate between 3.06% and 3.29%.

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REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF HONDO, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property tax	$ 1,438,456	$ 1,438,456	$ 1,433,047	$(5,409)
Sales tax	1,150,000	1,150,000	1,328,979	178,979
Other taxes	41,300	41,300	78,759	37,459
Licenses and permits	137,000	137,000	169,709	32,709
Intergovernmental	1,439,791	1,439,791	27,478	(1,412,313)
Charges for services	358,857	383,857	358,414	(25,443)
Fines and forfeitures	62,900	62,900	42,776	(20,124)
Investment income	10,500	10,500	24,193	13,693
Miscellaneous	31,400	31,400	70,302	38,902
Total revenues	4,670,204	4,695,204	3,533,657	(1,161,547)
EXPENDITURES				
Current:				
General government				
Council	65,725	65,725	46,769	18,956
Administration	486,254	591,254	568,562	22,692
Tax	37,500	37,500	37,650	(150)
Finance	247,623	272,623	247,803	24,820
Code compliance	438,935	438,935	413,476	25,459
City secretary	121,802	121,802	110,531	11,271
Nonprofits	20,880	20,880	16,380	4,500
Human resources	126,754	129,754	119,795	9,959
Information technology	532,267	527,267	457,747	69,520
Grants	1,671,330	1,671,330	40,408	1,630,922
Total general government	3,749,070	3,877,070	2,059,121	1,817,949
Public safety				
Police	2,099,017	2,225,017	2,085,037	139,980
Emergency	19,250	19,250	7,581	11,669
Animal control	145,058	161,558	158,256	3,302
Total public safety	2,263,325	2,405,825	2,250,874	154,951
Judicial				
Municipal court	142,224	142,224	141,326	898
Total judicial	142,224	142,224	141,326	898
Culture and recreation				
Library	362,715	362,715	385,956	(23,241)
Parks	666,928	666,928	580,120	86,808
Recreation	562,611	562,611	453,000	109,611
Golf	307,481	326,791	285,185	41,606
Total culture and recreation	1,899,735	1,919,045	1,704,261	214,784
Public works				
Streets	695,854	743,354	734,691	8,663
Buildings and grounds	467,234	500,134	497,171	2,963
Public works administration	234,503	234,503	155,097	79,406
Total public works	1,397,591	1,477,991	1,386,959	91,032
Debt Service				
Principal	-	-	37,808	(37,808)

The accompanying notes are an integral part of this schedule.

CITY OF HONDO, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
Interest	-	-	546	(546)
Issuance costs	-	-	28,000	(28,000)
Total debt service	-	-	66,354	(66,354)
Capital outlay	449,916	454,916	365,469	89,447
Total expenditures	9,901,861	10,277,071	7,974,364	2,302,707
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(5,231,657)	(5,581,867)	(4,440,707)	1,141,160
OTHER FINANCING SOURCES (USES)				
Transfers in	4,908,421	4,908,421	5,087,093	178,672
Transfers out	(43,765)	(43,765)	(43,765)	-
Issuance of debt	300,000	300,000	685,000	385,000
Leases	-	-	36,985	36,985
Sale of capital assets	12,000	12,000	-	(12,000)
Insurance recoveries	-	-	84,539	84,539
Total other financing sources (uses)	5,176,656	5,176,656	5,849,852	673,196
NET CHANGE IN FUND BALANCES	(55,001)	(405,211)	1,409,145	1,814,356
FUND BALANCES, BEGINNING	3,245,521	3,245,521	3,245,521	-
FUND BALANCES, ENDING	$ 3,190,520	$ 2,840,310	$ 4,654,666	$ 1,814,356

The accompanying notes are an integral part of this schedule.

CITY OF HONDO, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Plan Year	**2014**	**2015**
A. Total pension liability		
Service Cost	$ 380,720	$ 454,101
Interest (on the total pension liability)	876,063	928,615
Difference between expected and actual experience	(9,620)	(333,876)
Changes of assumptions	-	66,360
Benefit payments, including refunds of employee contributions	(530,190)	(536,015)
Net change in total pension liability	716,973	579,185
Total pension liability - beginning	12,589,918	13,306,891
Total pension liability - ending (a)	$ 13,306,891	$ 13,886,076
B. Plan fiduciary net position		
Contributions - employer	$ 367,137	$ 375,069
Contributions - employee	191,417	199,868
Net investment income	652,089	17,814
Benefit payments, including refunds of employee contributions	(530,190)	(536,015)
Administrative expense	(6,808)	(10,850)
Other	(560)	(538)
Net change in plan fiduciary net position	673,085	45,348
Plan fiduciary net position - beginning	11,399,193	12,072,278
Plan fiduciary net position - ending (b)	12,072,278	12,117,626
C. Net pension liability/(asset) - ending (a) - (b)	$ 1,234,613	$ 1,768,450
D. Plan fiduciary net position as a percentage of total pension liability	90.72%	87.26%
E. Covered payroll	$ 3,828,342	$ 3,997,364
F. Net pension liability as a percentage of covered payroll	32.25%	44.24%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2022, only 8 years are included and additional years will be added in the future as the information becomes available.

2016	2017	2018	2019	2020	2021
$ 451,176	$ 529,405	$ 525,962	$ 536,045	$ 580,429	$ 571,407
930,512	966,146	1,003,207	1,052,133	1,117,674	1,157,171
(147,843)	(199,900)	(140,952)	39,421	(166,323)	(24,144)
-	-	-	109,421	-	-
(652,613)	(837,486)	(652,242)	(684,644)	(891,818)	(992,432)
581,232	458,165	735,975	1,052,376	639,962	712,002
13,886,076	14,467,308	14,925,473	15,661,448	16,713,824	17,353,786
$ 14,467,308	$ 14,925,473	$ 15,661,448	$ 16,713,824	$ 17,353,786	$ 18,065,788
$ 361,571	$ 388,643	$ 398,019	$ 380,018	$ 406,669	$ 416,802
199,981	221,323	222,300	227,138	247,202	249,305
819,014	1,778,722	(430,504)	2,149,110	1,211,124	2,205,156
(652,613)	(837,486)	(652,242)	(684,644)	(891,818)	(992,432)
(9,249)	(9,220)	(8,323)	(12,148)	(7,842)	(10,212)
(497)	(466)	(436)	(365)	(307)	70
718,207	1,541,516	(471,186)	2,059,109	965,028	1,868,689
12,117,626	12,835,833	14,377,349	13,906,163	15,965,272	16,930,300
12,835,833	14,377,349	13,906,163	15,965,272	16,930,300	18,798,989
$ 1,631,475	$ 548,124	$ 1,755,285	$ 748,552	$ 423,486	$(733,201)
88.72%	96.33%	88.79%	95.52%	97.56%	104.06%
$ 3,869,430	$ 4,426,466	$ 4,445,998	$ 4,542,753	$ 4,944,033	$ 4,986,101
42.16%	12.38%	39.48%	16.48%	8.57%	-14.70%

CITY OF HONDO, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Fiscal Year	**2015**	**2016**
Actuarial determined contribution	$ 374,593	$ 353,707
Contributions in relation to the actuarially determined contribution	375,510	353,707
Contribution deficiency (excess)	(917)	-
Covered payroll	3,979,540	3,887,020
Contributions as a percentage of covered payroll	9.41%	9.10%

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31st and become effective in January, 13 months and a day 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: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2022, only 8 years are included and additional years will be added in the future as the information becomes available.

2017	2018	2019	2020	2021	2022
$ 387,082	$ 409,452	$ 381,972	$ 378,922	$ 455,991	$ 383,135
387,082	409,452	381,972	378,922	455,991	383,135
-	-	-	-	-	
4,283,333	4,586,352	4,482,180	4,587,930	5,481,700	4,720,058
9.04%	8.93%	8.52%	8.26%	8.32%	8.12%

CITY OF HONDO, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
SUPPLEMENTAL DEATH BENEFIT

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Plan Year	**2017**	**2018**	**2019**	**2020**	**2021**
Total OPEB liability					
Service Cost	$ 11,951	$ 13,338	$ 12,265	$ 18,787	$ 21,440
Interest (on the total OPEB liability)	9,304	9,615	10,314	9,676	8,731
Difference between expected and actual experience	-	(12,219)	(9,076)	(1,748)	(15,481)
Changes of assumptions	24,197	(20,899)	59,222	60,898	14,425
Benefit payments	(1,771)	(1,778)	(1,817)	(2,472)	(5,983)
Net change in total OPEB liability	43,681	(11,943)	70,908	85,141	23,132
Total OPEB liability - beginning	241,036	284,717	272,774	343,682	428,823
Total OPEB liability - ending	$ 284,717	$ 272,774	$ 343,682	$ 428,823	$ 451,955
Covered-employee payroll	$ 4,426,466	$ 4,445,998	$ 4,542,753	$ 4,944,033	$ 4,986,101
Total OPEB liability as a percentage of Covered-employee payroll	6.43%	6.14%	7.57%	8.67%	9.06%

Notes to Schedule:

GASB Statement No. 75 requires 10 years of data to be provided in this schedule. As of September 30, 2022, only 5 years are included. Additional years will be added in the future as the information becomes available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The levels of budgetary control are established at the department basis and at the fund level. However, additional information about expenditures at the object level is also included. The City Manager is authorized to adjust the budget within departments so long as it does not change the department total.

The following are the funds which have legally adopted annual budgets: General Fund, Debt Service, Economic Development, STRTC Fund, Hotel Fund and Perpetual Care Fund.

Budgetary preparation and control are exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE

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BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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Financial Advisory Services
Provided By:

SAMCO Capital