NEW ISSUE - BOOK-ENTRY-ONLY

Rating: S&P: "AA" (Insured)
"A+" (Underlying)
(See "OTHER PERTINENT INFORMATION - Rating", "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein)

OFFICIAL STATEMENT
Dated: July 16, 2024

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

The City has not designated the Certificates as "Qualified Tax-Exempt Obligations"

$11,795,000
CITY OF SULPHUR SPRINGS, TEXAS
(Hopkins County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2024

Dated Date: July 15, 2024 **Due: September 1, as shown on page ii**

The City of Sulphur Springs, Texas (the "City" or the "Issuer") $11,795,000 Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, an ordinance (the "Ordinance") adopted by the City Council, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a pledge of the surplus Net Revenues derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "THE Certificates - Security for Payment" herein.)

Interest on the Certificates will accrue from July 15, 2024 (the "Dated Date") as shown above and will be payable on March 1, 2025, and on each September 1 and March 1 thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (1) street and road improvements and related drainage, signage and lighting; (2) constructing and improving the City's water and sewer system consisting of new water and sewer lines; and (3) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these 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 an insurance policy to be issued concurrently with the delivery of the Certificates by ASSURED GUARANTY MUNICIPAL CORP. or its successor ASSURED GUARANTY INC. (See "BOND INSURANCE – Bond Insurance Policy") herein.

The Purchaser (hereinafter defined) will be responsible for paying the bond insurer's bond insurance premium. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS") 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 (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through the facilities of DTC on or about August 14, 2024.

$11,795,000
CITY OF SULPHUR SPRINGS, TEXAS
(Hopkins County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2024

STATED MATURITY SCHEDULE

(Due September 1)
Base CUSIP –865525[(a)]

Stated Maturity September 1	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[(a)]
2025	$ 385,000	5.000	3.220	WD7
2026	235,000	5.000	3.190	WE5
2027	245,000	5.000	3.120	WF2
2028	255,000	5.000	3.120	WG0
2029	270,000	5.000	3.100	WH8
2030	285,000	5.000	3.100	WJ4
2031	300,000	5.000	3.100	WK1
2032	315,000	5.000	3.100	WL9
2033	325,000	5.000	3.100	WM7
2034	345,000	5.000	3.100 [(b)]	WN5
2035	365,000	5.000	3.120 [(b)]	WP0
2036	380,000	5.000	3.160 [(b)]	WQ8
2037	395,000	5.000	3.210 [(b)]	WR6
2038	420,000	5.000	3.250 [(b)]	WS4
2039	440,000	5.000	3.330 [(b)]	WT2
2040	460,000	5.000	3.420 [(b)]	WU9
2041	485,000	4.000	4.000	WV7
2042	505,000	4.000	4.040	WW5
2043	520,000	4.000	4.070	WX3
2044	545,000	4.000	4.100	WY1
2045	360,000	4.000	4.130	WZ8
2046	370,000	4.125	4.160	XA2
2047	390,000	4.125	4.180	XB0
2048	405,000	4.125	4.200	XC8
2049	420,000	4.125	4.220	XD6
2050	435,000	4.125	4.230	XE4
2051	455,000	4.125	4.240	XF1
2052	475,000	4.250	4.250	XG9
2053	495,000	4.250	4.260	XH7
2054	515,000	4.250	4.270	XJ3

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after September 1, 2034, on September 1, 2033, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest to the date of redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)

_____

(a) CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only.

(b) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on September 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 SULPHUR SPRINGS, TEXAS
125 South Davis Street
Sulphur Springs, Texas 75482
(903) 885-7541

ELECTED OFFICIALS

Name	Title	On Council Since	Term Expires May
Harold Nash, Sr.	Mayor	2019	2027
Oscar Aguilar	Mayor Pro-Tem	2020	2027
Jay Julian	Council Member	2020	2027
Tommy Harrison	Council Member	2022	2025
Gary Spraggins	Council Member	2020	2025
Tyler Law	Council Member	2023	2026
John Sellers	Council Member	2011	2026

ADMINISTRATION

Name	Position	Length of Service With the City
Marc Maxwell	City Manager	27 years
Lesa Smith	ACM / Finance Director	6 years
Natalie Burling	City Secretary	3 years
Nate Smith	City Attorney	3 years
Tory Niewiadomski	ACM / Community Development Director	7 years
Oscar Aguayo	Accounting Specialist	5 years
Gordon Frazier	ACM/ H.R. Director	18 years
David James	Fire Chief	5 years
Jason Ricketson	Police Chief	5 years
Dave Reed	City Engineer	36 years
James Jordan	Utilities Director	5 years
Bryan Craig	Public Works Director	1 year

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Certified Public Accountants	Vail & Park, P.C. Frisco, Texas

For Additional Information Please Contact:

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Mr. Andrew Friedman
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USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

NONE OF THE CITY, THE PURCHASER OR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, OR ANY MUNICIPAL BOND INSURER WITH RESPECT TO ITS MUNICIPAL BOND INSURANCE POLICY AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC AND THE MUNICIPAL BOND INSURER, RESPECTIVELY.

Assured Guaranty Municipal Corp. or its successor Assured Guaranty Inc. (the "Insurer") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, Insurer 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 Insurer supplied by Insurer and presented under the heading "BOND INSURANCE" and Appendix E – "Specimen Municipal Bond Insurance Policy".

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

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

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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 Sulphur Springs, Texas (the "Issuer" or "City") is a political subdivision of the State of Texas and is located 80 miles east of Dallas in Hopkins County (the "County"). The Issuer is a Home Rule City which operates under a Council-Manager form of government, with the City Council comprised of seven members including the Mayor. All members are elected by place number and at-large for three-year staggered terms. The City's population according to the 2020 census was 15,449, and the current estimated population is 16,861. (See "Appendix B - General Information Regarding the City of Sulphur Springs and Hopkins County, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, an ordinance (the "Ordinance") adopted by the City Council, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas Texas.
Security	The Certificates constitute direct general obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a pledge of the surplus Net Revenues derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "THE Certificates - Security for Payment" herein.
Redemption Provision	The Issuer reserves the right to redeem the Certificates maturing on and after September 1, 2034, on September 1, 2033, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest to the date of redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date of the initial delivery of the Certificates, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (1) street and road improvements and related drainage, signage and lighting; (2) constructing and improving the City's water and sewer system consisting of new water and sewer lines; and (3) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "Book-Entry-Only System" herein.)
Rating	S&P Global Ratings ("S&P") has assigned a rating of "AA" to the Certificates with the understanding that, concurrently with the delivery of the Certificates, a municipal bond insurance policy will be issued by Insurer. The City has received an underlying unenhanced rating of "A+" (stable outlook) 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 Assured Guaranty Municipal Corp. or its successor ASSURED GUARANTY INC. (See "BOND INSURANCE – Bond Insurance Policy" herein.)
Issuance of Additional Debt	The City does not anticipate the issuance of any additional debt in 2024.
Payment Record	The City has not defaulted since 1921, when there was a slight delay due to an error in bookkeeping.
Delivery	When issued, anticipated on or about August 14, 2024.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

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OFFICIAL STATEMENT
relating to

$11,795,000
CITY OF SULPHUR SPRINGS, TEXAS
(A political subdivision of the State of Texas located in Hopkins 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 City of Sulphur Springs, Texas (the "City" or the "Issuer") of its $11,795,000 Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates") identified on the cover page hereof.

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

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

THE CERTIFICATES

General

The Certificates will be dated July 15, 2024 (the "Dated Date"). The Certificates are stated to mature on September 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on March 1, 2025, and on each September 1 and March 1 thereafter until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Certificates, initially BOKF, NA, Dallas, Texas. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

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

Authority for Issuance

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

Security for Payment

The Certificates constitute direct obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a pledge of the surplus revenues derived from the operation of the City's combined Waterworks and Sewer System (the "System") remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding) which are payable from all or a part of the revenues of the System ("Net Revenues"). (See "CITY APPLICATION OF THE PROPERTY TAX CODE" herein.)

Tax Rate Limitation

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

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

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (1) street and road improvements and related drainage, signage and lighting; (2) constructing and improving the City's water and sewer system consisting of new water and sewer lines; and (3) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects.

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after September 1, 2034, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

Notice of Redemption

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

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of

Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "Book-Entry-Only System" herein.)

Selection of Certificates to be Redeemed

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

Payment Record

The City has not defaulted since 1921, when there was a slight delay due to an error in bookkeeping.

Legality

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

Defeasance

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

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Certificates have been made as described above, all rights of the City to initiate proceedings to call such Certificates for redemption or take any other action

amending the terms of such Certificates are extinguished; provided, however, that the right to call such Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of such Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

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

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

Default and Remedies

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

On April 1, 2016, the Texas Supreme Court ruled in Wasson Interests, Ltd. v. City of Jacksonville, 489 S.W.3d 427 (Tex. 2016) ("Wasson I"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify Wasson I, Wasson Interests LTD. v. City of Jacksonville, 559 S.W.3d 142 (Tex. 2018) ("Wasson II", and together with Wasson I "Wasson"), ruling that to determine whether governmental immunity applies to a breach of contract

claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In Wasson, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

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

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

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

The Certificates will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (as defined below) by check or draft mailed on March 1, 2025, and on each September 1 and March 1 thereafter until maturity or prior redemption of the Certificates, by the Paying Agent/Registrar to the last known address of the registered owner as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal of a Certificate will be paid to the registered owner at its stated maturity or its prior redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So

long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

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

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

Future Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer or Exchange of Certificates

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

Replacement Certificates

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Certificates, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") 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 appendix to this Official Statement. In the event the Certificates are issued after the effectiveness of the Merger (as defined below), the Policy relating to the Certificates will be substantively identical to the form appended to this Official Statement, except that the Policy will be issued by

AG (as defined below) in place of AGM. See "– Assured Guaranty Municipal Corp. – Planned Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.".

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AGM is obligated to pay claims under the insurance policies AGM has issued, and not AGL or any of its shareholders or other affiliates.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of Certificates insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Planned Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On July 8, 2024, AGL (together with its subsidiaries, "Assured Guaranty") announced that AGM will merge with and into its affiliate, Assured Guaranty Inc. ("AG"), with AG as the surviving company (such transaction, the "Merger"). AG, a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of AGL, was formerly known as Assured Guaranty Corp. The effective date of the Merger is expected to be on or about August 1, 2024.

The Merger is expected to expand the pool of capital available to support each new and existing insurance policy, result in a further diversification of the combined company's insured portfolio's credit profile, and strengthen Assured Guaranty's ability to continue successfully executing its strategies to achieve its business objectives. Upon the effectiveness of the Merger, the combined company, compared with either AGM or AG before the Merger, will have:

- a larger, highly diversified insured portfolio,
- a larger investment portfolio and a larger capital base, and
- more total claims-paying resources.

Currently, AGM and AG have the same financial strength ratings from S&P (AA/Stable), Moody's (A1/Stable) and KBRA (AA+/Stable). AG's insurance financial strength ratings are expected to be unaffected by the Merger.

On July 10, 2024, Moody's, following Assured Guaranty's announcement of the Merger, affirmed the insurance financial strength ratings of AGM and AG of "A1" (stable outlook). On July 9, 2024, S&P stated that the Merger will not change its assessment of the Assured Guaranty group's business risk or financial risk positions. On July 8, 2024, KBRA commented that, upon the expected August 1, 2024 closing of the Merger, AG's insurance financial strength rating of "AA+" (stable outlook) will remain unchanged.

Current Financial Strength Ratings

On July 10, 2024, Moody's announced it had affirmed AGM's insurance financial strength rating of "A1" (stable outlook).

On May 28, 2024, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook).

On October 20, 2023, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook).

AGM can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Capitalization of AGM and Pro Forma Combined AG

As of March 31, 2024
(dollars in millions)

	AGM (Actual)	AG (Pro Forma Combined)
Policyholders' surplus	$2,665	$4,013
Contingency reserve	$892	$1,312
Net unearned premium reserves and net deferred ceding commission income [(1)]	$2,036	$2,385

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[(1)] Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM or pro forma combined AG, as applicable, and (ii) the net unearned premium reserves and net deferred ceding commissions of Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM (and pro forma combined AG) and the contingency reserves, net unearned premium reserves and net deferred ceding commission income of AGM (and pro forma combined AG) were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (filed by AGL with the SEC on February 28, 2024); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 (filed by AGL with the SEC on May 8, 2024).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM 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 AGM supplied by AGM and presented under the heading "BOND INSURANCE".

BOND INSURANCE GENERAL RISKS

General

In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES - Default and Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Beneficial Owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable from the ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City as further described under "THE CERTIFICATES – Security for Payment". In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

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

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

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

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

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered Certificates registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative

of DTC. One fully-registered Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

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

Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

THE SYSTEM

Water Supply

The City has ownership in two surface water sources in the Hopkins County area. The main source of water is Cooper Lake Reservoir. The City has contracted with the U.S. Army Corps of Engineers for 13.3 million gallons of raw water per day from that reservoir.

The City can also obtain raw water from Lake Sulphur Springs, with a firm yield of 8.75 million gallons per day (mgd), pursuant to a water purchase contract (the "Contract") entered into on April 10, 1970 with the Sulphur Springs Water District (the "District"). Under the terms of the Contract, the District issued Water Revenue Bonds for the sole purpose of construction of a reservoir and all other facilities necessary to supply water to the City of Sulphur Springs. Payments by the City to the District began on August 1, 1972 and were equal to the District's ensuing semiannual debt service payments. No debt remains outstanding. The City operates the District's facilities and pays all of the District's operating and maintenance expenses. All payments made by the City under the Contract are operating expenses of the City's System within the meaning of Texas, Government Code, Chapter 1502, as amended.

Raw water is treated at the City's water treatment plant with an estimated treatment capacity of 10 million gallons per day. The plant is a conventional classification plant utilizing rapid mixing, flocculation, sedimentation, filtration, and disinfection. The City has ground storage capacity for treated water in the amount of three million gallons at the water plant site. Elevated storage capacity is provided by three elevated storage tanks located throughout the City with a total capacity of 2.25 million gallons.

Sewer System

The City owns and operates its wastewater treatment facilities under NPDES permit number TX 0058955. The System consists of two trunk lines of 27-inch diameter entering the plant. High flows are equalized in a 3.5 million gallon influent storage basin. Treatment consists of screening, grit collection, primary clarification, activated sludge treatment, final clarification, tertiary filtration, chlorination, and de-chlorination. The average rated plant capacity is 5.4 million gallons per day and average daily flow is 2.99 million gallons.

The City recently completed an $18,200,000 project with the Texas Water Development Board to upgrade the wastewater treatment plant to be able to properly treat the current organic loading of the plant with additional capacity for an estimated twenty years of residential growth. The flow capacity will remain at 5.4 million gallons per day, which is adequate for the estimated growth.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

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

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

City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or Aaam or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section

80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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

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

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

Current Investments

As of April 30, 2024 (unaudited), the City's investable funds were invested in the investment categories / percentage shown below:

Investment Description		Total Invested	Percent of Portfolio
Checking Account		$ 720,354	2.77%
Certificates of Deposit		2,541,680	9.77%
TexPool		22,748,080	87.46%
	Total	$26,010,114	100.00%

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

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

EMPLOYEE PENSION AND RETIREMENT PLAN

The City participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.org.

For more information see the Annual Comprehensive Financial Report, beginning on page 47.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2)

110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). See "Table 1 – Assessed Valuation" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code

permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

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

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

Other Exempt Property

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

Tax Increment Financing Zones

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

Tax Abatement Agreements

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

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

Public Hearing and Maintenance and Operation Tax Rate Limitations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Issuer and Taxpayer Remedies

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

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

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

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

Issuer's Rights in the Event of Tax Delinquencies

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

FUTURE LEGISLATION . . . The 88th Texas Legislature began on January 10, 2023, and adjourned on May 29, 2023. The Legislature meets in regular session in odd numbered years for 140 days. During the 88th Texas Legislative Session, the Legislature considered legislation affecting ad valorem taxation procedures and exemptions, among other legislation affecting cities, counties and other political subdivisions generally.

When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called four special sessions. The fourth special session concluded on December 5, 2023.

During the second called special session, property tax legislation was passed and signed by the Governor that, among other things, (i) prohibits school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (ii) establishes a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at $5,000,000 or less to 20 percent; (iii) excepts certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (iv) expands the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorize the legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts.

The foregoing legislation is intended to reduce the amount of property taxes paid by homeowners and businesses and will result in an increase in the State's share of the cost of funding public education.

The City is in the process of reviewing legislation that passed and can make no representation regarding the impact of such legislation at this time. Additional special sessions may be called. During this time, the Legislature may enact laws that materially change current law as it relates to property tax exemptions and procedures. The City can make no representations or predictions regarding the scope of legislation that may be considered during any additional called special session or the potential impact of such legislation at this time.

CITY APPLICATION OF THE PROPERTY TAX CODE

The City grants an exemption of $10,000 to the market value of the residence homestead of persons 65 years of age or older.

The City grants the additional up to 20% of the market value of residence homesteads.

The City taxes only business personal property.

The City collects its own property taxes and does not allow discounts.

The City took action in December 1989 to tax Article VIII, Section 1-j property ("freeport property"), but may elect to exempt freeport property anytime in the future.

The City does not grant an exemption for "goods-in-transit".

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004, as described above under "Homestead Tax Limitation" herein.

The City created a Tax Increment Reinvestment Zone ("TIRZ") in December 2007. The 2007 property values were used as the "base values" for the TIRZ and the first year for property value to be captured by the TIRZ was the 2008 tax year. The TIRZ expires December 31, 2032.

The City created Tax Increment Reinvestment Zone #2 ("TIRZ #2") in April 2024. The 2024 property values will be used as the "base values" for the TIRZ. The first year for property value to be captured by the TIRZ will be the 2024 tax year or the first year that property comes on to the tax roll. All the property within the zone is currently owned by the City of Sulphur Springs which makes it 100% exempt. The TIRZ expires September 30, 2055.

The City has entered into tax abatement agreements with Saputo and Backstory Beverages, and has adopted criteria therefore, which are prerequisites to the execution of abatement agreements. For the 2023 Tax Year, the total aggregate amount of the City's assessed valuation loss due to abatement agreements equals $43,648,155 and the latest expiration date for any of the agreements is 2027.

ADDITIONAL TAX COLLECTIONS

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

Municipal Sales Tax Collections

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

Optional Sales Tax

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

At a special election held on January 19, 1991 the City's registered voters approved an additional one-half percent (½%) sales tax to be collected for economic development purposes in accordance with Section 4A, Article 5190.6 of Vernon's Annotated Texas Civil Statutes. Collections of the 4A sales tax began July 1, 1991.

The City has not held an election regarding an additional sales tax for the purpose of 4B economic development or reduction of its ad valorem taxes.

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

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

Future and Proposed Legislation

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to

establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The City will provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the City of the general type included in this Official Statement. The information to be updated includes the information in Tables 1, 2, 3, 11, 12, 13, and 14 of Appendix A. The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the City's annual audited financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D to this Official Statement and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in 2024. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

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

Notice of Certain Events

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

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

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

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Agreements

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

Litigation

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

Future Debt Issuance

The City does not anticipate the issuance of any additional debt in 2024.

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

Legal Opinions and No-Litigation Certificate

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

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

Rating

S&P Global Ratings (“S&P”) has assigned a rating of “AA” to the Certificates with the understanding that concurrently with the delivery of the Certificates, the policy will be issued by Insurer. The City has received an underlying, unenhanced rating of “A+” from S&P. An explanation of the significance of such rating may be obtained from S&P. The rating of the Certificates by S&P reflect only the views of S&P at the time the rating is given, and the City 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 revisions or withdrawals of the rating may have an adverse effect on the market price or marketability of the Certificates.

Financial Advisor

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

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

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of 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 ii of this Official Statement at a price of par, plus a net premium of $556,644.25, less an underwriting discount of $185,439.52, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

At the time of payment for and delivery of the Certificates, the Purchaser will be furnished a certificate executed by the proper officials of the City acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement relating to the Certificates, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Certificates, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City and its activities, contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since September 30, 2023, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

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

Links to Websites

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

Forward-Looking Statements Disclaimer

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

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

Concluding Statement

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

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

CITY OF SULPHUR SPRINGS, TEXAS

/s/ Harold Nash, Sr.
Mayor
City of Sulphur Springs, Texas

ATTEST:

/s/ Natalie Burling
City Secretary
City of Sulphur Springs, Texas

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

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

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION — **TABLE 1**

2023 Actual Market Value of Taxable Property (100% of Actual)[(a)]		$ 1,763,256,258
Less Exemptions:		
Over -65 or Disabled Homestead	$ 12,938,531	
Homestead Exemption	74,942,337	
Disabled and Deceased Veterans'	9,572,500	
Pollution Control	1,820,798	
Productivity Value Loss/Ag Use	35,196,190	
Abatement Loss	43,648,155	
Homestead Cap Adjustment	40,240,790	
Other	135,380	
$500 Minimum Value Loss	297,906	
Anticipated Loss due to Protest	767,866	
Exempt Property	186,720,630	
Total Exemptions	$ 406,281,083	
2023 Net Taxable Assessed Valuation		1,356,975,175
Preliminary estimated 2024 Net Taxable Value		$ 1,437,364,539

[(a)] *See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE TEXAS TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.*

Source: Hopkins County Appraisal District and the Issuer.

GENERAL OBLIGATION BONDED DEBT — **TABLE 2**

General Obligation Debt Principal Outstanding: (As of July 1, 2024)	
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2012	$ 3,885,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2014	1,590,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016	14,685,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2017	2,980,000
General Obligation Refunding Bonds, Series 2017	500,000
General Obligation Refunding Bonds, Series 2019	2,550,000
Combination Tax and Revenue Certificates of Obligation, Series 2020	2,440,000
General Obligation Refunding Bonds, Series 2021	1,955,000
Total Gross General Obligation Debt Principal Outstanding:	$ 30,585,000
Current Issue General Obligation Debt Principal:	
Combination Tax and Revenue Certificates of Obligation, Series 2024 (the "Certificates")	$ 11,795,000
Total **Gross** General Obligation Debt Principal Outstanding Following the Issuance of the Certificates	$ 42,380,000
Less: Self-Supporting General Obligation Debt Principal [(a)]	
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2012 (29.99% W&S)	$ 1,165,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2014 (27.04% W&S)	430,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016 (100% W&S)	14,685,000
Combination Tax and Revenue Certificates of Obligation, Series 2017 (100% W&S)	2,980,000
General Obligation Refunding Bonds, Series 2017 (100% W&S)	500,000
General Obligation Refunding Bonds, Series 2019 (100% TIRZ)	2,550,000
Combination Tax and Revenue Certificates of Obligation, Series 2020 (100% EDC)	2,440,000
General Obligation Refunding Bonds, Series 2021 (100% W&S)	1,955,000
The Certificates (75.71% W&S)	8,930,000
Total Self-Supporting General Obligation Debt Principal	$ 35,635,000
Total **Net** General Obligation Debt Outstanding (Following the issuance of the Certificates):	$ 6,745,000
Ratio of Gross General Obligation Debt Principal to 2023 Net Taxable Assessed Valuation	3.12%
Ratio of Net General Obligation Debt Principal to 2023 Net Taxable Assessed Valuation	0.50%
Population: 1980 -12,804; 1990 - 14,007; 2000 - 14,551; 2010 - 15,449; 2020 - 16,532; Current Estimate	16,861
Per Capita 2023 Net Taxable Assessed Valuation -	$ 85,248
Per Capita **Gross** General Obligation Debt Principal -	$ 2,513
Per Capita **Net** General Obligation Debt Principal -	$ 400

[(a)] *'Although the City intends to pay such self-supporting debt from indicated sources, in the event such revenues are not sufficient or the City determines not to appropriate or otherwise provide for payment of such obligations from water and sewer revenues or other sources, the City will be required to levy an ad valorem tax to pay such debt.*

[(b)] *See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE TEXAS PROPERTY TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.*

Notes Payable:

During the year ended September 30, 2023, the following changes occurred in liabilities reported for the Corporation:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Notes payable	$ 1,464,852	$ -	$ (203,065)	$ 1,261,787	$ 234,499
	$ 1,464,852	$ -	$ (203,065)	$ 1,261,787	$ 234,499

On May 18, 2017, the Corporation borrowed $2,236,847 from Southside Bank. The loan is being repaid in 113 monthly payments of $21,051 (beginning June 1, 2017 and 24 monthly payments of $8,611 (beginning November 1, 2026), including interest computed at 3.05 percent. The note will be paid in full after the final payment on January 1, 2029.

Leases:

Effective October 1, 2021, the City implemented GASB Statement No. 87, Leases, which required the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Lessee:

The City recognizes a lease liability and an intangible right-to-use (lease asset) in the government-wide and proprietary funds financial statements.

At implementation of GASB Statement No. 87 and the commencement of leases beginning after October 1, 2021, the City initially measured the lease liability at the present value of payments expected to be made during the remaining lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset was initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

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

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

The lease rate, term and ending lease liability are as follows:

	Interest Rate	Lease Terms In Years	Ending Balance
Governmental Activities:			
Equipment Operating Leases	1.50%	2 - 5 Years	$ 451,167
Total Governmental activities			$ 451,167
Business-type Activities:			
Equipment Operating Leases	1.60%	2 - 5 Years	$ 120,453
Total Business-type activities			$ 120,453

The annual requirements to amortize leases payable outstanding as of September 30, 2023 are as follows:

	Governmental Activities		Business-type Activities	
	Interest	Principal	Interest	Principal
2024	$ 5,035	$ 209,200	$ 1,616	$ 51,659
2025	2,855	170,528	933	43,279
2026	891	68,085	316	23,957
2027	22	3,354	3	1,558
2028	-	-	-	-
	$ 8,803	$ 451,167	$ 2,868	$ 120,453

Lessor - Economic Development Corporation

At implementation of GASB Statement No. 87 and the commencement of leases beginning after October 1, 2021, the Corporation initially measured the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date, and subsequently, recognized as revenue over the life of the lease term.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the Corporation determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term and (3) lease receipts.

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

The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The Corporation monitors changes in circumstances that would require a re-measurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The lease rate, term and ending lease receivables are as follows:

	Interest Rate	Lease Terms In Years	Ending Balance
Building Leases	6%	5 - 10 Years	$ 2,562,526

Source: The Issuer's Annual Comprehensive Financial Reports.

TAXABLE ASSESSED VALUATION HISTORY FOR TAX YEARS 2014-2023 **TABLE 4**

Year	Net Taxable Assessed Valuation	Change From Preceding Year Amount ($)	Change From Preceding Year Percent
2014	$ 850,758,123	11,079,266	1.32%
2015	878,179,613	27,421,490	3.22%
2016	887,649,352	9,469,739	1.08%
2017	912,204,964	24,555,612	2.77%
2018	919,433,113	7,228,149	0.79%
2019	976,465,783	57,032,670	6.20%
2020	1,040,308,928	63,843,145	6.54%
2021	1,227,911,135	187,602,207	18.03%
2022	1,266,009,512	38,098,377	3.10%
2023	1,356,975,175	90,965,663	7.19%

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Sources: Texas Municipal Report published by the Municipal Advisory Council of Texas and Hopkins County Appraisal District.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 5**

Fiscal Year 30-Sep	Currently Outstanding Debt Service [a]	The Certificates Principal	The Certificates Interest	The Certificates Total	Combined Debt Service[a]	Less: Self Supporting Debt Service[b]	Net General Obligation Debt Service
2024	$ 3,037,929	-	-	-	$ 3,037,929	$ 2,086,266	$ 951,663
2025	2,760,882	$ 385,000	$ 600,887	$ 985,887	3,746,769	2,565,067	1,181,702
2026	2,631,354	235,000	513,556	748,556	3,379,910	2,490,897	889,013
2027	2,637,826	245,000	501,806	746,806	3,384,632	2,492,420	892,213
2028	2,146,114	255,000	489,556	744,556	2,890,670	2,321,108	569,563
2029	2,151,790	270,000	476,806	746,806	2,898,596	2,327,821	570,775
2030	1,918,097	285,000	463,306	748,306	2,666,403	2,329,966	336,438
2031	1,909,031	300,000	449,056	749,056	2,658,087	2,324,837	333,250
2032	1,913,536	315,000	434,056	749,056	2,662,592	2,327,779	334,813
2033	1,644,124	325,000	418,306	743,306	2,387,430	2,056,517	330,913
2034	1,643,871	345,000	402,056	747,056	2,390,927	2,059,164	331,763
2035	1,641,946	365,000	384,806	749,806	2,391,752	2,059,564	332,188
2036	1,588,868	380,000	366,556	746,556	2,335,424	2,018,311	317,113
2037	1,576,503	395,000	347,556	742,556	2,319,059	2,006,921	312,138
2038	1,338,081	420,000	327,806	747,806	2,085,887	1,769,187	316,700
2039	1,331,407	440,000	306,806	746,806	2,078,213	1,767,638	310,575
2040	929,230	460,000	284,806	744,806	1,674,036	1,364,836	309,200
2041	928,660	485,000	261,806	746,806	1,675,466	1,363,141	312,325
2042	927,695	505,000	242,406	747,406	1,675,101	1,368,539	306,563
2043	746,333	520,000	222,206	742,206	1,488,539	1,282,939	205,600
2044	746,322	545,000	201,406	746,406	1,492,728	1,284,728	208,000
2045	746,098	360,000	179,606	539,606	1,285,704	1,285,704	-
2046	745,658	370,000	165,206	535,206	1,280,864	1,280,864	-
2047	-	390,000	149,944	539,944	539,944	539,944	-
2048	-	405,000	133,856	538,856	538,856	538,856	-
2049	-	420,000	117,150	537,150	537,150	537,150	-
2050	-	435,000	99,825	534,825	534,825	534,825	-
2051	-	455,000	81,881	536,881	536,881	536,881	-
2052	-	475,000	63,113	538,113	538,113	538,113	-
2053	-	495,000	42,925	537,925	537,925	537,925	-
2054	-	515,000	21,888	536,888	536,888	536,888	-
	$ 37,641,349	$ 11,795,000	$ 8,750,950	$ 20,545,950	$ 53,886,717	$ 48,534,797	$ 9,652,502

[a] *Includes general obligation self-supporting debt.*

[b] *Includes debt being paid from water and sewer system revenues, EDC, and TIRZ. See Table 2, page A-1 for more detailed information.*

TAX ADEQUACY (Includes Self-Supporting Debt) **TABLE 6**

2023 Certified Net Taxable Assessed Valuation	$ 1,356,975,175
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2025)	$ 3,746,769
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.28175

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

TAX ADEQUACY (Excludes Self-Supporting Debt) **TABLE 7**

2023 Certified Net Taxable Assessed Valuation	$ 1,356,975,175
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2025)	$ 1,181,702
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.08886

* *Preliminary, subject to change.*

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

INTEREST AND SINKING FUND MANAGEMENT INDEX — TABLE 8

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2023	$	42,698
2023-24 Interest and Sinking (I&S) Fund Tax Levy of $.08120 at 98% Collections Produces		1,065,464
Total Available for Debt Service	$	1,108,162
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-24	$	951,663
Estimated Balance for Fiscal Year Ending 9-30-24	$	156,500

COMPUTATION OF WATERWORKS AND SEWER SYSTEM SELF-SUPPORTING DEBT — TABLE 9

Net System Revenues Available, Fiscal Year End September 30, 2023	$	5,568,975	
Less: 2023 Annual Debt Service Requirement on Outstanding Revenue Bonds		-	
Less: 2023 Annual Debt Service Requirement on Waterworks and Sewer System Self-Supporting Debt		1,686,932	(a)
Balance Available for Other Purposes	$	3,882,043	

(a) *Self-supporting general obligation debt being paid from revenues of the Waterworks and Sewer System. Based upon the City's 2023 Audit.*

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE — TABLE 10

(As of July 1, 2024)

Fiscal Year Ending 9-30	Principal Repayment Schedule: Outstanding Principal	The Certificates	Total	Unpaid at End of Year	Percent of Principal Retired (%)
2024	$ 1,710,000		$ 1,710,000	$ 40,670,000	4%
2025	2,100,000	385,000	2,485,000	38,185,000	10%
2026	2,020,000	235,000	2,255,000	35,930,000	15%
2027	2,075,000	245,000	2,320,000	33,610,000	21%
2028	1,640,000	255,000	1,895,000	31,715,000	25%
2029	1,690,000	270,000	1,960,000	29,755,000	30%
2030	1,500,000	285,000	1,785,000	27,970,000	34%
2031	1,530,000	300,000	1,830,000	26,140,000	38%
2032	1,575,000	315,000	1,890,000	24,250,000	43%
2033	1,340,000	325,000	1,665,000	22,585,000	47%
2034	1,370,000	345,000	1,715,000	20,870,000	51%
2035	1,400,000	365,000	1,765,000	19,105,000	55%
2036	1,380,000	380,000	1,760,000	17,345,000	59%
2037	1,400,000	395,000	1,795,000	15,550,000	63%
2038	1,195,000	420,000	1,615,000	13,935,000	67%
2039	1,215,000	440,000	1,655,000	12,280,000	71%
2040	840,000	460,000	1,300,000	10,980,000	74%
2041	855,000	485,000	1,340,000	9,640,000	77%
2042	870,000	505,000	1,375,000	8,265,000	80%
2043	705,000	520,000	1,225,000	7,040,000	83%
2044	715,000	545,000	1,260,000	5,780,000	86%
2045	725,000	360,000	1,085,000	4,695,000	89%
2046	735,000	370,000	1,105,000	3,590,000	92%
2047	-	390,000	390,000	3,200,000	92%
2048	-	405,000	405,000	2,795,000	93%
2049	-	420,000	420,000	2,375,000	94%
2050	-	435,000	435,000	1,940,000	95%
2051	-	455,000	455,000	1,485,000	96%
2052	-	475,000	475,000	1,010,000	98%
2053	-	495,000	495,000	515,000	99%
2054	-	515,000	515,000	-	100%
	$ 30,585,000	$ 11,795,000	$ 42,380,000		

CLASSIFICATION OF ASSESSED VALUATION **TABLE 11**

Category	2023-2024	% of Total	2022-2023	% of Total	2021-2022	% of Total	2020-2021	% of Total	2019-2020	% of Total
Real, Residential, Single-Family	$ 639,465,555	36.27%	$ 612,127,580	36.43%	$ 507,344,500	32.93%	$ 436,533,140	33.10%	$ 425,302,870	34.88%
Real, Residential, Multi-Family	38,102,540	2.16%	38,000,920	2.26%	34,847,140	2.26%	33,876,410	2.57%	34,063,350	2.79%
Real, Vacant Lots/Tracts	14,529,930	0.82%	12,989,440	0.77%	9,981,760	0.65%	10,253,010	0.78%	10,285,700	0.84%
Real, Acreage (Land Only)	36,016,690	2.04%	20,679,030	1.23%	19,970,960	1.30%	21,081,430	1.60%	21,339,960	1.75%
Farm & Ranch Improvements	27,399,630	1.55%	24,243,740	1.44%	20,199,850	1.31%	15,923,130	1.21%	15,039,090	1.23%
Real, Commercial	321,095,192	18.21%	348,580,038	20.74%	359,895,221	23.36%	239,744,049	18.18%	216,860,627	17.79%
Real, Industrial	76,757,880	4.35%	49,342,500	2.94%	50,977,100	3.31%	51,839,473	3.93%	40,623,823	3.33%
Real & Tangible, Personal Utilities	32,009,196	1.82%	30,716,782	1.83%	27,607,217	1.79%	25,175,971	1.91%	22,793,248	1.87%
Tangible Personal, Business	135,830,309	7.70%	128,147,827	7.63%	119,891,379	7.78%	117,747,048	8.93%	109,045,212	8.94%
Tangible Personal, Industrial	251,242,178	14.25%	236,760,852	14.09%	212,134,540	13.77%	206,266,516	15.64%	164,198,244	13.47%
Mobile Homes	1,308,260	0.07%	1,308,270	0.08%	1,313,500	0.09%	1,298,690	0.10%	1,303,470	0.11%
Real / Special Inventory	12,380,358	0.70%	12,432,808	0.74%	12,096,768	0.79%	10,602,370	0.80%	10,691,861	0.88%
Totally Exempt Property	177,118,540	10.04%	165,102,700	9.83%	163,839,730	10.64%	148,632,250	11.27%	147,743,150	12.12%
Total Appraised Value	$ 1,763,256,258	100.00%	$ 1,680,432,487	100.00%	$ 1,540,480,545	99.98%	$ 1,318,973,487	100.00%	$ 1,219,290,605	100.00%
Less Exemptions:										
Over -65 or Disabled Homestead	$ 12,938,531		$ 12,858,882		$ 12,661,910		$ 12,733,180		$ 17,439,430	
Homestead Exemption	74,942,337		67,724,949		-		-		-	
Disabled and Deceased Veterans'	9,572,500		8,273,730		5,990,910		5,129,150		833,370	
Pollution Control	1,820,798		1,780,536		791,475		835,338		2,370,841	
Productivity Value Loss/Ag Use	35,196,190		19,867,370		19,179,720		20,182,450		20,439,780	
Abatement Loss	43,648,155		68,738,955		71,278,849		75,072,199		34,574,294	
Homestead Cap Adjustment	40,240,790		56,444,110		30,603,420		7,282,300		10,863,710	
Other	135,380		-		-		-		-	
$500 Minimum Value Loss	297,906		305,206		11,824		11,102		11,157	
Anticipated Loss due to Protest	767,866		4,559,687		-		-		-	
Exempt Property	186,720,630		173,869,550		172,051,302		157,418,840		156,292,240	
Total Exemptions	$ 406,281,083		$ 414,422,975		$ 312,569,410		$ 278,664,559		$ 242,824,822	
Net Taxable Valuation	$ 1,356,975,175		$ 1,266,009,512		$ 1,227,911,135		$ 1,040,308,928		$ 976,465,783	

Source: Hopkins County Appraisal District. Figures represent Certified Appraisal Rolls and do not inclue property values under review or arbitration.

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

PRINCIPAL TAXPAYERS **TABLE 12**

Name	Type of Business	2023 Assessed Valuation	% of Total 2023 Assessed Valuation
BEF Foods Inc.	Food Service / Processing	$ 52,102,073	3.84%
Saputo Dairy Foods USA LLC	Food Service / Processing	51,493,836	3.79%
Ocean Spray Cranberries	Food Service / Processing	28,633,320	2.11%
Load Trail LLC	Manufacturing	24,199,898	1.78%
Flowserve US Inc.	Manufacturing	22,616,140	1.67%
Wal-Mart Stores Inc.	Retail Sales	16,528,890	1.22%
Jeld-Wen Inc	Manufacturing	15,750,426	1.16%
D6 Inc.	Manufacturing	14,236,220	1.05%
CMH Manufacturing	Manufacturing	14,108,984	1.04%
GSC Enterprises	Warehousing / Distribution	12,542,600	0.92%
	Total	$ 252,212,387	18.59%

Source: Hopkins County Appraisal District.

PROPERTY TAX RATES AND COLLECTIONS [(a)] **TABLE 13**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections Current	% Collections Total	Year Ended
2014	$ 850,758,123	$ 0.440000	$ 3,878,647	99.10%	98.88%	9/30/2015
2015	878,179,613	0.440000	3,921,008	98.10%	101.15%	9/30/2016
2016	887,649,352	0.440000	3,905,657	98.20%	100.34%	9/30/2017
2017	912,204,964	0.440000	4,013,702	98.40%	100.15%	9/30/2018
2018	919,433,113	0.440000	4,045,506	98.50%	100.94%	9/30/2019
2019	976,465,783	0.440000	4,296,449	99.00%	99.70%	9/30/2020
2020	1,040,308,928	0.440000	4,577,359	98.50%	99.60%	9/30/2021
2021	1,227,911,135	0.426920	5,242,198	98.40%	99.20%	9/30/2022
2022	1,266,009,512	0.440000	5,515,954	97.96%	98.99%	9/30/2023
2023	1,356,975,175	0.440000	5,970,691	94.75% *	96.19% *	9/30/2024

**As of April 30, 2024 (Unaudited).*

(a) *See "AD VALOREM TAX PROCEDURES" and "CITY APPLICATION OF THE TEXAS TAX CODE" in the Official Statement for a description of the Issuer's taxation procedures.*

Source: Hopkins County Appraisal District and the Issuer.

TAX RATE DISTRIBUTION **TABLE 14**

	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
General Fund	$0.359880	$0.365470	$0.362410	$0.367100	$0.372400
I & S Fund	0.080120	0.074530	0.064510	0.072900	0.067600
TOTAL	$0.440000	$0.440000	$0.426920	$0.440000	$0.440000

Source: Hopkins County Appraisal District.

MUNICIPAL SALES TAX **TABLE 15**

The Issuer has adopted the provision of Chapter 321, as amended, Texas Tax Code. The voters of the City of Sulphur Springs approved a ½% sales tax for the benefit of the Sulphur Springs-Hopkins County Economic Development Corporation on January 19, 1991. Collection began on July 1, 1991. Net collections on a calendar year basis are as follows:

Calendar Year	Total Collected	1.00% City	City Collections as % of Ad Valorem Tax Levy	($) Equivalent of Ad Valorem Tax Rate	0.50% EDC
2014	5,160,969.66	3,440,646.44	93.70%	0.41	1,720,323.22
2015	5,286,182.99	3,524,121.99	93.81%	0.41	1,762,061.00
2016	5,670,544.28	3,780,362.85	96.41%	0.42	1,890,181.43
2017	5,601,068.14	3,734,045.43	95.05%	0.42	1,867,022.71
2018	6,217,781.90	4,145,187.93	102.52%	0.45	2,072,593.97
2019	6,676,970.48	4,451,313.65	109.12%	0.48	2,225,656.83
2020	6,944,270.71	4,629,513.81	107.75%	0.47	2,314,756.90
2021	7,700,522.85	5,133,681.90	112.15%	0.49	2,566,840.95
2022	8,584,810.18	5,723,206.79	109.18%	0.47	2,861,603.39
2023	8,777,616.02	5,851,744.01	106.09%	0.47	2,925,872.01
2024*	4,552,323.00	3,034,882.00			1,517,441.00

* Through June 2024.

Source: Texas Comptroller of Public Accounts, the City's 2023 ACFR.

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

OVERLAPPING DEBT DATA AND INFORMATION **TABLE 16**

(As of July 1, 2024)

Taxing Body	Gross Debt Principal Outstanding	% Overlapping	Amount Overlapping
Hopkins County	$ 11,405,000	41.85%	$ 4,772,993
Sulphur Springs ISD	36,325,000	75.25%	27,334,563
Total Gross Overlapping Debt			$ 32,107,555
City of Sulphur Springs	42,380,000 [(a)]	100.00%	42,380,000 [(a)]
Total **Gross** Direct and Overlapping Debt			$ 74,487,555 [(a)]
Ratio of Gross Direct and Overlapping Debt to 2023 Net Taxable Assessed Valuation			5.49% [(a)]
Ratio of Direct and Overlapping Debt to 2023 Actual Value			4.22% [(a)]
Per Capita Direct and Overlapping Debt			$ 4,418 [(a)]
Note: The above figures show **Gross** General Obligation Debt Principal for the City of Sulphur Springs, Texas			
The Issuer's Net General Obligation Debt Principal is			$ 6,745,000
Calculations on the basis of Net General Obligation Debt Principal would change the above figures as follows:			
Total **Net** Direct and Overlapping Debt Principal			$ 38,852,555
Ratio of Gross Direct and Overlapping Debt to 2023 Net Taxable Assessed Valuation			2.86% [(a)]
Ratio of Direct and Overlapping Debt to 2023 Actual Value			2.20% [(a)]
Per Capita Direct and Overlapping Debt			$ 2,304 [(a)]

[(a)] *Includes the Certificates.*

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

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES **TABLE 17**

Governmental Entity	2023 Assessed Valuation	% of Actual	2023 Tax Rate
Hopkins County	$ 3,198,330,388	100%	$ 0.496000
Sulphur Springs ISD	1,778,898,300	100%	0.991000

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

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

Taxing Body	Date of Authorization
Hopkins County	None
City of Sulphur Springs	None
Sulphur Springs ISD	None

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

FUND BALANCES — TABLE 19

	Audited Balance As of 9/30/2023	Unaudited Balance As of 4/30/2024
General Operating Fund	$ 6,102,343	$ 8,781,029
General Obligation Interest and Sinking Fund (Debt Service)	42,697	1,139,554
Special Revenue Fund	4,925,200	3,659,910
Water and Sewer Interest and Sinking Fund	453,782	1,030,899
Waterworks and Sewer System Operating Fund	8,493,396	8,244,784
Meter Deposit Fund	647,348	648,048
Internal Service Fund	836,433	1,031,497
Capital Projects Fund (General Fund Projects)	3,322,578	496,681
Tourism Fund	504,308	594,539
Total	$ 25,328,085	$ 25,626,941

Source: The Issuer.

GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES **TABLE 20**

	Fiscal Year Ended September 30				
	2023	**2022**	**2021**	**2020**	**2019**
Revenues:					
Taxes:					
Property	$ 4,591,484	$ 4,314,626	$ 3,903,024	$ 3,703,504	$ 3,588,870
Sales	5,892,414	5,712,018	5,213,428	4,405,088	4,424,059
Franchise	1,221,524	1,198,589	1,132,895	1,107,672	1,138,774
Alcoholic Beverage	59,818	48,978	50,553	40,060	46,960
Licenses and Permits	287,447	245,472	175,067	142,131	139,496
Intergovernmental	27,835	20,625	24,375	39,375	179,500
Charges for Services	47,979	22,732	4,485	4,871	4,302
Fines & Forfeitures	955,715	966,872	960,395	800,920	870,306
Interest	330,564	41,847	4,436	39,524	118,474
Grants &Contributions	-	56,875	221,469	667,883	-
In-Kind	-	-	-	8,890,090	-
Miscellaneous	284,421	374,521	333,809	205,809	343,983
Total Revenues	$ 13,699,201	$ 13,003,155	$ 12,023,936	$ 20,046,927	$ 10,854,724
Expenditures:					
Current:					
General Government	$ 3,019,021	$ 2,708,084	$ 2,735,936	$ 2,496,083	$ 2,640,795
Public Safety	6,400,207	6,200,641	5,828,044	5,511,021	5,451,322
Transportation	700,422	800,593	737,400	656,500	739,996
Culture & Recreation	1,587,127	1,745,915	1,293,833	1,225,570	1,448,584
Capital Outlay	290,125	307,226	368,909	9,170,154	-
Debt Service:					
Principal	367,477	-	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Total Expenditures	$ 12,364,379	$ 11,762,459	$ 10,964,122	$ 19,059,328	$ 10,280,697
Excess (Deficit) of Revenues Over Expenditures	$ 1,334,822	$ 1,240,696	$ 1,059,814	$ 987,599	$ 574,027
Other Financing Sources (Uses):					
Transfers In	$ 2,283,236	$ 1,805,949	$ 1,727,354	$ 1,684,151	$ 1,656,198
Transfers Out	(2,805,558)	(2,218,765)	(1,948,194)	(2,110,962)	(2,249,328)
Bond Proceeds	-	-	-	-	445,000
Other Uses - Bond Issuance	-	-	-	-	(9,000)
Operating Lease Liabilities Proceeds	132,543	-	-	-	-
Total Other Financing Sources (Uses)	$ (389,779)	$ (412,816)	$ (220,840)	$ (426,811)	$ (157,130)
Net Change in Fund Balances	945,043	827,880	838,974	560,788	416,897
Fund Balance - Beginning	6,200,413	5,372,533 *	4,053,529	3,492,741	3,075,844
Fund Balance - Ending	$ 7,145,456	$ 6,200,413	$ 4,892,503	$ 4,053,529	$ 3,492,741

The Issuer's estimated General Fund balance for FYE September 30, 2024 is $7,400,000.

*Restated, see the Notes section of the 2022 Annual Comprehensive Financial Report.

Source: The Issuer's Annual Comprehensive Financial Reports.

CONDENSED WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT **TABLE 21**

	Fiscal Year Ended September 30				
	2023	**2022**	**2021**	**2020**	**2019**
Revenues	$ 12,587,113	$ 11,557,496	$ 10,594,098	$ 10,241,181	$ 10,315,801
Expenses	7,018,138	5,220,514	5,170,251	5,259,247	5,814,250
Net Available for Debt Service	$ 5,568,975	$ 6,336,982	$ 5,423,847	$ 4,981,934	$ 4,501,551
Annual Revenue Bond Debt Service Requirements	$ -	$ -	$ -	$ -	$ -
Coverage of Annual Revenue Bond Requirements	N/A	N/A	N/A	N/A	N/A
Annual Requirements on all Bonds Paid from System Revenues	$ 1,686,932	$ 2,228,269	$ 2,226,493	$ 2,284,296	$ 2,362,076
Coverage of Annual Requirements on all Bonds Paid from System Revenues	3.30X	2.84X	2.44X	2.18X	1.91X
Customer Count:					
Water	6,742	6,697	6,632	6,645	6,555
Sewer	6,086	5,994	5,957	5,956	5,885

Note: All revenues and expenses associated with sanitation services are EXCLUDED from these figures.
Source: The City's Comprehensive Annual Financial Reports and the Issuer.

WATER RATES **TABLE 22**

Existing Rates

(Rates Effective October 1, 2023)

Residential and Commercial Rates		
Demand Charge Based on Meter Size		
3/4" Meter	$ 6.28	
1" Meter	$ 11.99	
1.5" Meter	$ 19.85	
2" Meter	$ 58.29	
3" Meter	$ 241.51	
4" Meter	$ 622.62	
6" Meter	$ 3,484.97	
8" Meter	$ 4,356.21	
10" Meter	$ 5,575.95	
Usage Fee	$ 4.45	/1,000 Gallons

Previous Rates

(Rates Effective October 1, 2022)

Residential Rates		
Meters Less Than Four inches in Size		
Monthly Demand Charge	$ 8.30	
Usage Fee	$ 4.60	/1,000 Gallons
Commercial Rates		
Meters Four inches in Size or Larger		
0 to 230,000 Gallons (minimum)	$ 1,066.30	
above 230,000	4.27	/1,000 Gallons

PRINCIPAL WATER CUSTOMERS 2023 **TABLE 23**

Name of Customer	Average Monthly Consumption (Gallons)	Average Monthly Bill
Saputo Foods, Inc	18,589,908	$ 80,058
North Hopkins Water Supply District	17,858,375	76,798
Ocean Spray, Inc.	7,933,492	34,205
BEF Foods, Inc.	5,468,550	23,426
Brashear Water District	4,560,917	19,614
Shady Grove Water District	2,254,625	9,669
Christus Hospital	1,213,425	5,442
Brinker Water Supply District	1,187,758	5,118
Kalashine Holdings Apartments	1,173,167	5,488
Rahman Properties	645,975	3,020
Totals	60,886,192	$ 262,838

SEWER RATES **TABLE 24**

Existing Rates

(Rates Effective October 1, 2023)

Residential and Commercial Rates			
Demand Charge Based on Meter Size			
3/4" Meter	$	12.15	
1" Meter	$	12.15	
1.5" Meter	$	18.23	
2" Meter	$	24.30	
3" Meter	$	36.45	
4" Meter	$	48.60	
6" Meter	$	72.90	
8" Meter	$	97.20	
10" Meter	$	121.50	
Usage Fee	$	4.65	1000 Gallons

Previous Rates

(Rates Effective October 1, 2022)

Avg. of 0-4000 Gal.	$	28.65	
Avg. of 4000+ Gal.	$	28.65	$4.21 per 1000 Gal. over 4000+

PRINCIPAL SEWER CUSTOMERS 2023 **TABLE 25**

Name of Customer	Average Monthly Consumption (Gallons)	Average Monthly Bill
Saputo Foods, Inc	18,589,908	$ 78,072
BEF Foods, Inc.	5,468,550	22,930
Ocean Spray, Inc.	3,459,061	14,595
Kalashine Holdings Apartments	1,181,783	5,024
Canyon Creek Apartments	823,600	3,493
Rahman Properties	645,975	2,743
Hopkins County Law	548,050	2,319
Christus Hospital	543,275	2,305
Hopkins Development	483,300	2,047
Love's Travel Center	406,000	1,721
Totals	32,149,502	$ 135,249

Source: Information from the Issuer

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF SULPHUR SPRINGS AND HOPKINS COUNTY, TEXAS

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GENERAL INFORMATION REGARDING THE CITY OF SULPHUR SPRINGS AND HOPKINS COUNTY, TEXAS

CITY OF SULPHUR SPRINGS, TEXAS

Location

The City of Sulphur Springs (the "City") is 80 miles east of Dallas, 100 miles west of Texarkana, 65 miles north of Tyler and 40 miles south of Paris.

Population:

Census Report	City of Sulphur Springs	Hopkins County
2024	16,861	38,551
2020	16,532	36,787
2010	15,449	35,161
2000	14,551	31,960
1990	14,062	28,833
1980	12,804	25,257

Sources: United States Bureau of the Census and the Issuer.

Major Employers within the City for 2023

Employer	Type of Business	Approximate Number of Employees 2023
Sulphur Springs ISD	Public Education	698
Grocery Supply Company	Wholesale Grocery	580
Saputo Foods, Inc.	Dairy Products	540
Hopkins County Hospital	Health Care Services	482
Wal-Mart Stores, Inc.	Retail Sales	375
CMH Manufacturing	Mobil Home Construction	293
Hopkins County	Government	245
Signature Solar	Solar equipment distribution	204
City of Sulphur Springs	Government	182
D6 Inc	Manufacturing & supply	162

Source: Issuer's 2023 Annual Comprehensive Financial Report

HOPKINS COUNTY, TEXAS

General

Hopkins County (the "County") is a northeast Texas county with an economy based on agriculture. The Texas Almanac designates dairy cattle, beef cattle, hay, and wheat as principal sources of agricultural income. Hopkins County is the second leading dairy county in Texas and the Southwest United States. Minerals produced in the County include oil, gas, and lignite. The County was created in 1846 from Lamar and Nacogdoches Counties. Sulphur Springs, Texas is the County seat (current population estimate, 16,162) and has an economy based on dairy farming, food processing and distribution, varied manufacturing and tourism. Other towns include Como, Cumby and Tira.

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**Source:* *Latest Texas Municipal Report published by the Municipal Advisory Council of Texas, the U.S. Census Report and the Issuer.*

Labor Force Statistics

	Hopkins County		State of Texas	
	April 2024	April 2023	April 2024	April 2023
Civilian Labor Force	19,491	18,861	15,305,019	15,001,944
Total Employed	18,948	18,315	14,762,482	14,473,233
Total Unemployed	543	546	542,537	528,711
% Unemployed	2.8%	2.9%	3.5%	3.5%
% Unemployed (United States)	3.5%	3.1%	3.5%	3.1%

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Source: Texas Workforce Commission, Labor Market Information.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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McCALL PARKHURST & HORTON

Focused on Public Finance since 1919.

Proposed Form of Opinion of Bond Counsel

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

CITY OF SULPHUR SPRINGS, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2024

IN THE AGGREGATE PRINCIPAL AMOUNT OF $11,795,000

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

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

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

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners 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, we express

no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates.

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

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

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

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

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

that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

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APPENDIX D

EXCERPTS FROM THE CITY OF SULPHUR SPRINGS ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2023

CITY MANAGER
Marc Maxwell

Prepared By:

Lesa Smith
Assistant City Manager – Finance Director

Oscar Aguayo
Accounting Specialist

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INTRODUCTORY SECTION

March 5, 2024

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Sulphur Springs, Texas

State law requires that every general-purpose local government publish and file in the office of the municipal secretary, within 180 days of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2023.

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

Vail & Park, P.C., has issued an unmodified ("clean") opinion on the City of Sulphur Springs, Texas financial statements for the year ended September 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

The City of Sulphur Springs, Texas, incorporated in 1859, is located in the northeastern part of the state. It currently occupies almost 32 square miles and serves a population of 16,408. The City of Sulphur Springs, Texas is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, although recent legislation has greatly reduced this ability.

The City of Sulphur Springs, Texas has operated under the council-manager form of government since 1947. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and six other members, all elected on a non-partisan basis. The Council appoints the government's manager, who in turn appoints the heads of the various departments. Council members serve three-year terms. The mayor is appointed each year by vote of the City Council. The mayor and council members are elected at large.

The City of Sulphur Springs, Texas provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; and recreational and cultural activities. The City of Sulphur Springs, Texas also is financially accountable for a legally separate economic development corporation which is reported separately within the City of Sulphur Springs, Texas financial statements. Additional information on this legally separate entity can be found in the notes to the financial statements.

Each year, on or before September 30, the City Council adopts the annual operating budget for the ensuing fiscal year. Financial activities of the general, debt service, water and sewer, capital project funds, internal service, and special revenue funds such as hotel/motel tax and airport are included in the City's annual appropriated budget which serves as the foundation for financial planning and control. Capital project funds are budgeted for project length. The Debt Service and Capital Project Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis. The legal level of control for each budget is at the fund level, which is to say that total expenditures for each fund should not exceed total budgeted expenditures for that fund. Department heads may transfer resources within a department as they see fit. The City Manager is authorized to transfer budgeted amounts within and among departments within any fund. The City Council must approve any budget amendment that increases appropriations by fund. The budget is prepared by fund, and department (e.g., police).

Local Economy

The economic outlook for Sulphur Springs and Hopkins County continues to remain positive despite the fluctuation of the national economy over the past couple of years. In the past, the economy of Sulphur Springs included a rich history of dairy farming and major contributors to our economy now includes 3 major food processing industries and over 20 manufacturing businesses. The combined efforts of the SS/Hop Co EDC and local governments continues to attract more industries.

With the City's acquisition of the Thermo Mine property in November 2019, the City and EDC are receiving a lot of interest from major industrial businesses. Listed below are three develop agreements the City has entered into:

- In November 2022, the City signed a tax abatement agreement with Ashoka Steel for the construction of a new 345,000 sq. ft. steel factory with an initial investment of $245,000,000. The facility must be completed by June 1, 2026. As part of the abatement, they must maintain a minimum of 315 jobs. The City will abate taxes 70% each year for the first 5 years and 50% for the next five years.

- In October of 2021, D6 Inc. announced they were moving their headquarters to Sulphur Springs from Portland, Oregon. They are estimating 231 jobs will be added once the move is complete, making 371 total employees for D6. In total, 14 new construction commercial building permits were issued with a valuation of $25,874,645.

- In November 2023, The City signed a tax abatement with Signature Solar for improvements to a previously vacant facility with a minimum investment of $5,000,000 and creation of 500 jobs over a period of 5 years.

In addition to business growth, the City has experienced residential growth as well. In 2023, 61 residential permits were issued with a valuation of $12,021,809. To address the single-family home shortage, in addition to filling in vacant lots within the City, the City Council established the Housing Infill Program in 2020. This program provides incentives to builders that construct a new single-family home in certain areas of town. To date, the program has entered into Chapter 380 Agreements for over 80 new homes with an increase in assessed valuation of $6.5 million. With the combination of our vibrant downtown, parks, schools, new jobs, and expansion along the I-30 corridor, the City expects to see our local economy flourish in the coming years.

At the end of 2023, the unemployment rate was 3.3% which is higher than 2022's rate of 3.1%. Local sales tax collection growth slowed down in Fiscal Year 2023 but there was still an increase of 5.69% for

the year. Sales tax revenue increased 5.1% in 2016 but showed no increase in 2017. In 2018, sales tax revenue increased by 10.17%. 7.17% in 2019, 4.62% in 2020, 8.74% in 2021, 11.73% in 2022 and as of February 2024, sales tax is down year over year by 0.39%.

Long-Term Financial Planning

In 1998, the City of Sulphur Springs started budgeting significant resources for its Capital Improvement Plan (CIP). The annual CIP was part of a long-term planning document which had been finalized in 1997. Funding was designed to be ongoing year by year. Significant progress was made from 2008-2016 on capital projects but has been scaled back in recent years due to budgetary constraints and an increase in the cost of materials over time. In 2018, a new CIP was adopted that includes the reconstruction of 10 streets, and associated utilities and drainage. Along with the 10 streets being reconstructed over the next 5 years, 24 streets are a part of the Street Improvement Plan (SIP) in which they will receive maintenance and overlays. The CIP and SIP are budgeted in conjunction with the annual adopted operating budget. In the past, the City has used debt to fund a significant portion of the capital projects. Our new 5-year plan does not include the issuance of any new debt for these projects. The 5-year CIP was supposed to wrap up in Fiscal Year 2023, but project delays have carried the projects into Fiscal Year 2024. A committee composed of City staff is currently working on compiling the next 5-year CIP.

To pay for the water and sewer projects in the CIP, the City completes an analysis of water and sewer cost of service annually to determine whether rate increases are necessary. The City's utility system continues to be financially sound due to the City's commitment to increasing rates as necessary to provide for adequate upkeep and expansion of the utility system.

In December 2018, the City Council approved a Street Maintenance Fee (SMF). A Street Maintenance Fee (SMF) is a fee collected from benefitted properties within the city limits for the purpose of maintaining the street system. The collected fees go into a separate fund named a Street Improvement Fund. Monies collected are separate from the General Fund and can only be applied to activities related to maintaining the street system. January 2019 marked the first month of collection of the SMF. The City initially planned to spend roughly $560,000 annually over the next five years which would allow us to maintain about 2 miles of street network a year. The additional $500,000 annually has allowed the City to essentially double our efforts for street maintenance. With the increase in the SMF in 2021, the City is now close to fully funding our street maintenance efforts.

During Fiscal Year 2008, the City of Sulphur Springs created a Tax Increment Financing Reinvestment Zone to redevelop its downtown core. The Project and Financial Plan was adopted in 2009 and financially guided that work through its completion. Work on the downtown started in the latter part of 2009 and continued through 2012. Work was completed in 2013. At this point the City is diligently working to increase commercial activity in its downtown district. Since 2007, taxable values of properties located in the TIFRZ have increased 130%.

Major Initiatives

In 2010, the State completed construction on a new section of highway linking Hwy 154 with Hwy 19 by extending Hwy 11, essentially completing a long anticipated southern section of a loop around Sulphur Springs. The section continues a road upon which both Walmart and Lowes have frontage, creating the opportunity for additional commercial development. Seven years ago, the school district opened a new Middle School on that highway. In 2012, two new apartment complexes were started on that highway and completed as of 2014. Development in that area had been largely stalled because of a Pro Rata agreement that the school district had for the water and sewer lines that they paid for. The agreement ended on February 1, 2019 and since then a storage unit business was constructed that also contains office space and a new funeral home was completed in 2022. In 2024, a new bank opened for business on Wildcat Way and there are plans for a new coffee shop on Wildcat Way as well.

In October 2018, the City signed a development agreement with Luminant Mining Company in which Luminant agreed to deed 4,858 acres located just outside of the City limits to the City. On November 22, 2019, the transfer of the land was complete. City Council annexed the City's land into the city limits on March 3, 2020. The donation of this land provides the City and its citizens with significant possibilities in the near future such as industrial parks, residential and retail development and recreational uses. City staff, along with the City Council and other taxing entities are currently working on creating Tax Increment Reinvestment Zone #2 ("TIRZ #2") which will be comprised of 4,333 acres on the property. The creation of TIRZ #2 will catalyze the growth of that property. A new 2-mile road has been engineered and construction is anticipated to begin in the summer of 2024.

Awards & Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sulphur Springs, Texas for its annual comprehensive financial report for the fiscal year ended September 30, 2020. This was the 31st consecutive year that the government has received this prestigious award. Due to timing issues created in part by the pandemic, the City did not submit the 2021 report for review and potential award. The 2022 report was submitted for review, but we did not receive the award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized annual report that satisfied both generally accepted accounting principles and applicable legal requirements.

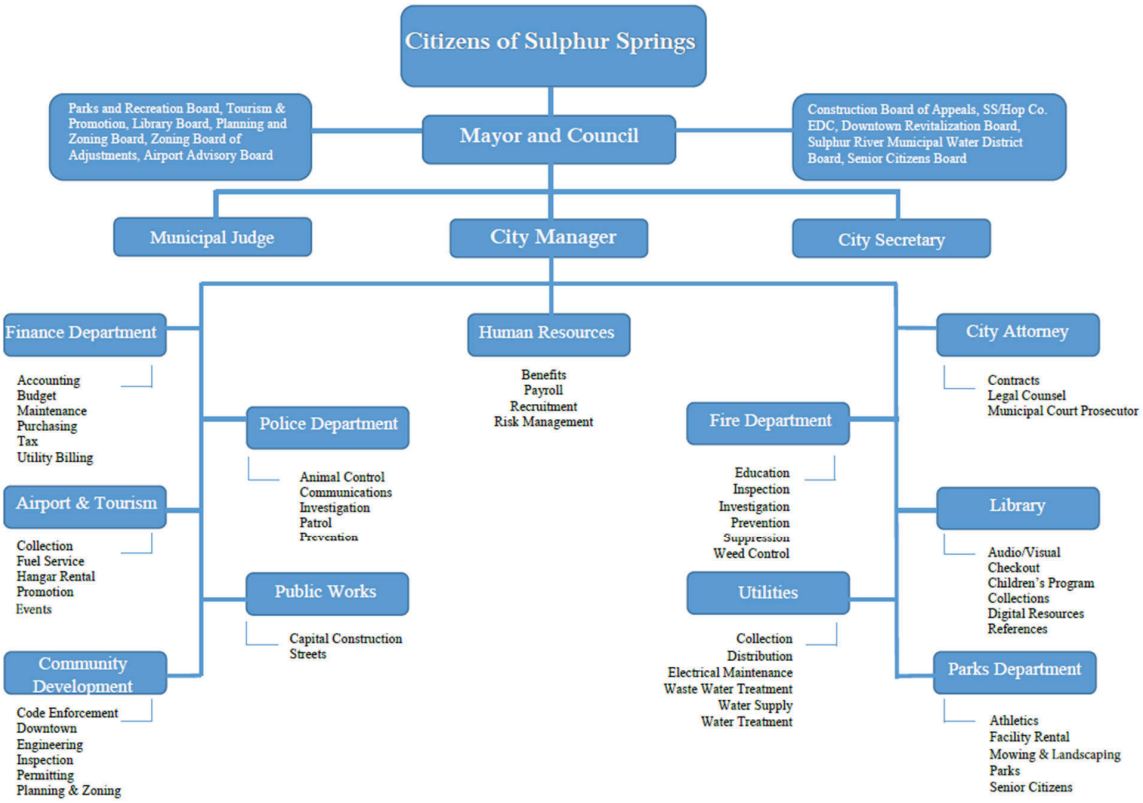
A Certificate of Achievement is valid for a period on one year only. With the recommended updates to the report, we believe that our current annual report will meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Sulphur Springs, Texas finances.

Respectfully submitted,

Marc Maxwell
City Manager

CITY OF SULPHUR SPRINGS, TEXAS
Organizational Chart
September 30, 2023



CITY OF SULPHUR SPRINGS, TEXAS

List of Principal Officials
September 30, 2023

Title	Name
Mayor	John A. Sellers
Mayor Pro-Tem	Harold Nash
Councilman	Jay Julian
Councilman	Oscar Aguilar
Councilman	Tommy Harrison
Councilman	Gary Spraggins
Councilman	Tyler Law
City Manager	Marc Maxwell
City Secretary	Natalie Burling
City Attorney	Nate Smith
ACM/Finance Director	Lesa Smith
ACM/Community Development Director	Tory Niewiadomski
ACM/Director of Human Resources	Gordon Frazier
Library Director	Hope Cain
Parks and Recreation Director	Jerry Maynard
Director of Airport and Tourism	Joseph Baker
Police Chief	Jason Ricketson
Fire Chief	David James
Utilities Director	James Jordan
Public Works Director	Bryan Craig
Accounting Specialist	Oscar Aguayo

FINANCIAL SECTION

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VAIL & PARK, P.C. | AUDIT TAX ADVISORY

Michael G. Vail, CPA
Charlie Park, CPA
Matt P. Chen, CPA
Charles T. Gregg, CPA
Don E. Graves, CPA
Susan K. LaFollett, CPA

Members:
American Institute of CPAs (AICPA)
AICPA Governmental Audit Quality Center (GAQC)
AICPA Employee Benefit Plan Audit Quality Center (EBPAQC)
Texas Society of CPAs (TXCPA)

Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
City of Sulphur Springs, Texas

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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118 Cottonbelt Road, P.O.Box 717, Tom Bean, TX 75489
Office Direct: 903-546-6975 Fax: 903-546-6017

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In performing an audit in accordance with generally accepted auditing standards 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, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Pension Contributions, and Schedule of Changes in Total OPEB Liability and Related Ratios on pages 4 - 10, 55 - 56, and 57 - 62, respectively be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 Matters

A restatement was necessary to correct the beginning balance of the enterprise fund. This resulted in an increase in enterprise fund balance by $243,329. See "Prior Period Adjustments" footnote.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2024, 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Vail + Park, P.C.

Frisco, Texas

March 4, 2024

Management's Discussion & Analysis

As management of the City of Sulphur Springs, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $80,526,219 (net position). Of this amount, $15,606,662, (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by $8,227,885. This increase can be attributed to the increases in property tax revenue, sales tax revenue, charges for services, interest revenue, and grant revenue. Total property value increased by approximately 22 percent and total taxable value of total property increased by approximately 2 percent. The increase in interest revenue was due to the City allocating more funds in interest bearing accounts and an interest rate increase of approximately 2%. The grant revenue increase was due to the City receiving more operating grant money by spending that money on specific purchases. The increase in sales tax revenue is due to an increase in population of approximately 3% and an increase in costs of goods.
- As of the close of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of $12,375,658, an increase of $2,205,176 in comparison with the prior year. The increase of governmental fund balance is largely attributed to the increases in grant revenues, sales tax, revenue, and property tax revenue, as noted above.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $7,145,456 or approximately 58 percent of total general fund expenditures.
- The City's noncurrent liabilities increased by $2,460,331 during the current fiscal year. This is due to a reduction in long-term liabilities due to principal payments of $2,637,613, which is offset by an increase in pension liabilities of $5,097,944.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities)*. The governmental activities of the City include general government, public safety, highways

and streets, culture and recreation. The business-type activities of the City include the water treatment plant and distribution system, wastewater treatment plant and collection system, as well as sanitation collection and disposal.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation (the "Corporation"). Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The economic development corporation issues separate financial statements.

The government-wide financial statements can be found on pages 11 - 12 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains eleven governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, and capital projects fund, all of which are considered to be major funds. Data from the eight other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form at *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and the airport fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 14 – 19 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer and Sanitation operations. *Internal Services Funds* are an accounting device used to accumulate and allocate costs internally among the City' various functions. The City uses internal services funds to account for its various type of insurance program including its' partially self-funded employee health plan.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Sanitation operations, which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 20 – 24 of this report.

Private Purpose Trust Funds. Private Purpose Trust funds are used to account for resources held for the benefit of parties outside the government. Private Purpose Trust funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support

the City's own programs. The accounting used for Private Purpose Trust funds is much like that used for proprietary funds.

The basic Private Purpose Trust funds financial statements can be found on pages 25 – 26 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 – 54 of this report.

Other Information: The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. The individual fund schedule provides a budgetary comparison schedule for the enterprise fund. Combining and individual fund statements and schedules can be found on pages 63 – 70 of this report.

Government – Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceed liabilities by $80,526,219 at the close of the most recent fiscal year.

A portion of the City's net position (approximately 76 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF SULPHUR SPRINGS – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022 (As Restated)	2023	2022
Current & Other Assets	$17,981,190	$15,098,905	$10,262,305	$ 9,713,017	$28,243,495	$24,811,922
Capital Assets	50,454,212	47,333,308	43,368,149	43,245,809	93,822,361	90,579,117
Other Noncurrent Assets	-	959,003	-	321,662	-	1,280,665
Total Assets	68,435,402	63,391,216	53,630,454	53,280,488	122,065,856	116,671,704
Deferred Outflows	2,664,808	535,469	891,610	179,604	3,556,418	715,073
Total Assets & Deferred Outflows	71,100,210	63,926,685	54,522,064	53,460,092	125,622,274	117,386,777
Noncurrent Liabilities	16,469,819	14,058,758	22,393,287	22,344,017	38,863,106	36,402,775
Other Liabilities	4,556,025	4,167,873	1,083,603	841,473	5,639,628	5,009,346
Total Liabilities	21,025,844	18,226,631	23,476,890	23,185,490	44,502,734	41,412,121
Deferred Inflows	444,573	2,752,946	148,748	923,376	593,321	3,676,322
Total Liabilities & Deferred Inflows	21,470,417	20,979,577	23,625,638	24,108,866	45,096,055	45,088,443
Net Position						
Net Invested in Capital Assets	38,781,921	34,269,083	22,583,424	21,259,366	61,365,345	55,528,449
Restricted	3,100,430	2,408,308	453,782	383,534	3,554,212	2,791,842
Unrestricted	7,747,442	6,269,717	7,859,220	7,708,326	15,606,662	13,978,043
Total Net Position	$49,629,793	$42,947,108	$30,896,426	$29,351,226	$80,526,219	$72,298,334

An additional portion of the City's net position (approximately 4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* $15,606,662 is available for capital outlay and to meet the government's ongoing obligations to citizens and creditors.

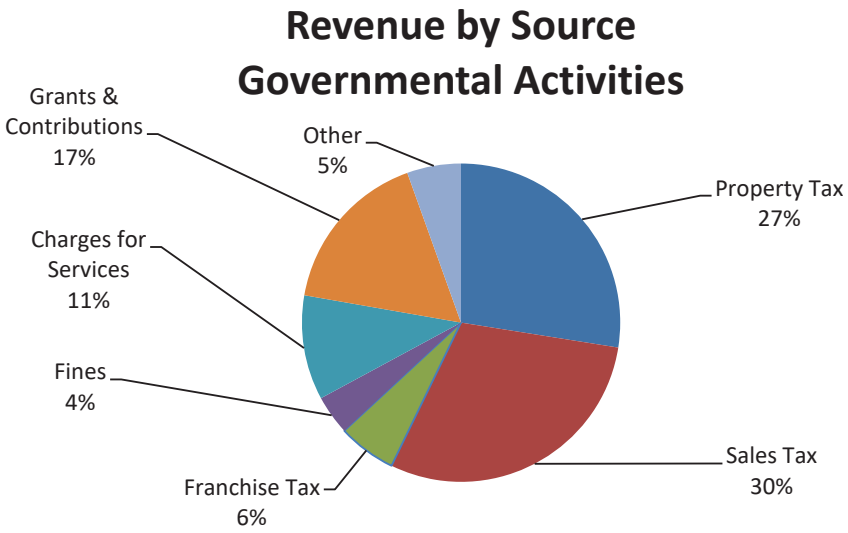
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole.

There was an increase of $5,836,896 in net investment in capital assets. This is due to a reduction in long-term liabilities related to capital assets due to principal payments of $2,593,652 and an increase in capital assets of $3,243,244.

The City's net position increased by $8,227,885 during the current fiscal year. This increase can be attributed to the increases in property tax revenue, sales tax revenue, charges for services, and grant revenue. Total property value increased by approximately 22 percent and total taxable value of total property increased by approximately 2 percent. The increase in interest revenue was due to the City allocating more funds in interest bearing accounts and an interest rate increase of approximately 2%. The increase in sales tax revenue is due to an increase in population of approximately 3% and an increase in costs of goods.

Governmental Activities

Governmental activities (after transfers) increased the City's net position by $6,682,565. This increase can be attributed to the increases in property tax revenue, sales tax revenue, interest revenue, charges for services, and grant revenue, as well as investments in capital projects. Total property value increased by approximately 22 percent and total taxable value of total property increased by approximately 2 percent. The increase in interest revenue was due to the City allocating more funds in interest bearing accounts and an interest rate increase of approximately 2%. The grant revenue increase was due to the City receiving more operating grant money by spending that money on specific purchases. The increase in sales tax revenue is due to an increase in population of approximately 3% and an increase in costs of goods.

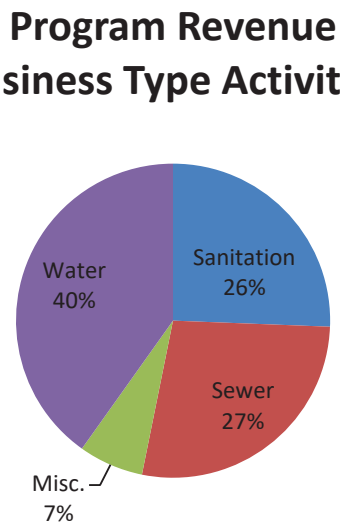


CITY OF SULPHUR SPRINGS – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022 (As Restated)	2023	2022
Revenues:						
Program Revenues:						
Charges for Services	$ 3,048,184	$ 2,631,374	$ 16,314,499	$ 15,611,016	$ 19,362,683	$ 18,242,390
Operating Grants & Contributions	719,323	259,303	-	-	719,323	259,303
Capital Grants & Contributions	2,742,949	2,470,518	-	-	2,742,949	2,470,518
General Revenues:						
Property Taxes	5,684,615	5,209,252	-	-	5,684,615	5,209,252
Other Taxes	7,420,951	7,188,757	-	-	7,420,951	7,188,757
Interest	684,339	102,446	428,351	68,520	1,112,690	170,966
Other	381,623	385,059	178,762	227,349	560,385	612,408
Total Revenues	20,681,984	18,246,709	16,921,612	15,906,885	37,603,596	34,153,594
Expenses:						
General Government	3,609,086	2,794,856	-	-	3,609,086	2,794,856
Public Safety	6,757,173	5,892,320	-	-	6,757,173	5,892,320
Transportation	3,275,050	3,102,990	-	-	3,275,050	3,102,990
Sanitation	-	-	3,792,010	3,458,569	3,792,010	3,458,569
Culture & Recreation	2,171,221	2,086,927	-	-	2,171,221	2,086,927
Interest on Long-Term Debt	377,487	387,234	-	-	377,487	387,234
Water & Sewer	-	-	9,393,684	7,686,145	9,393,684	7,686,145
Total Expenses	16,190,017	14,264,327	13,185,694	11,144,714	29,375,711	25,409,041
Increase/(Decrease) in Net Position Before Transfers	4,491,967	3,982,382	3,735,918	4,762,171	8,227,885	8,744,553
Transfers	2,190,718	2,021,960	(2,190,718)	(2,021,960)	-	-
Increase/(Decrease) in Net Position	6,682,685	6,004,342	1,545,200	2,740,211	8,227,885	8,744,553
Net Position - Beginning	42,947,108	36,942,766	29,351,226	26,611,015	72,298,334	63,553,781
Net Position - Ending	$ 49,629,793	$ 42,947,108	$ 30,896,426	$ 29,351,226	$ 80,526,219	$ 72,298,334

Business-Type Activities

Business-Type Activities (after transfers) increased the City's net position by $1,545,200. This can be attributed to increases in charges for services as a result of increased interest revenue, utility consumption, and a slight increase in utility service rates. Operating and capital expenses were lower than budgeted due to employment vacancies, project delays, and long lead times for materials and equipment.



Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of $12,375,658, an increase of $2,205,176 from the prior year. The reasons for the increases in fund balance are additional grant revenues, better than expected sales tax revenue, better than expected interest revenue, and better than expected property tax revenues. The details of these changes have been covered in the discussion of City's Governmental activities. Of the current combined ending fund balance, a total of $3,057,732 is restricted for capital projects, $42,698 is restricted for debt service, $229,998 is restricted for special revenue, $86,727 is classified as nonspendable, $1,813,047 is assigned, and the remaining $7,145,456 is unassigned in the General Fund.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $7,145,456, which increased $945,043 from the prior year. The increase in fund balance can be attributed to increases in sales tax revenue, property tax revenue, and interest revenue. The details of these changes have been covered in the discussion of City's Governmental activities. Total unassigned fund balance represents 58% of total general fund expenditures.

The Capital Project Funds have a total fund balance of $2,051,797, of which all but $877 (nonspendable for inventory) is restricted for construction. The decrease in fund balance of $325,690 is due is due to construction in progress for projects that were previously funded through budgeted funds or debt.

The American Rescue Plan Fund has a fund balance of $190,883, which increased by $14,610. The increase is due to an increase in interest revenue. This is due to the City investing more of its money into an interest-bearing account for this fund. The interest rate of the interest-bearing account had increased by approximately 2 percent.

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

Unrestricted net position of the Enterprise Fund at the end of the year amounted to $7,859,180. The total increase in net position of the Enterprise Fund was $1,545,160. The factors concerning the finances of this fund have already been addressed in the discussion of the City' business-type activities.

General Fund Budgetary Highlights

During the year, revenues were $219,369 more than budgetary estimates and expenditures were $468,866 less than budgetary estimates. The budget had called for a $646,587 increase in fund balance (prior to transfers), while actual results display an increase in fund balance of $1,334,822 (prior to transfers).

Capital Asset & Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2023, amounts to $93,822,361 (net of accumulated depreciation). This investment in capital assets includes land and right-of-way, lakes and dams, buildings, systems, improvements, and equipment.

Major capital asset events during the current fiscal year included the following:

Governmental activities

- Construction Projects - Street improvements, Senior Center, and Pacific Park

- Furniture and Equipment - Downtown Christmas Tree, Two Reel Mowers, Law Enforcement Equipment, and Purchase of Mini excavator

Business-Type activities

- Construction Projects - College Street and Ramsey Street
- Furniture and Equipment - Water Treatment Plant filter replacement, and Purchase of Wheel Loader

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 39 – 41 of this report.

Long-Term Debt. At the end of the current fiscal year, the City had bonded debt outstanding of approximately $31,195,000. Of this amount, $5,165,000 comprises General Obligation Bonds, and the remaining amount represents Combination Tax and Revenue Bonds.

Additional information on the City's long-term debt can be found in the notes to the financial statements on pages 43 – 46 of this report.

Economic Factors and Next Year's Budget & Rates

- Sales tax revenue will normally increase by at least the amount of inflation. In 2009, 2010, and 2011, the City saw a contraction, though modest, of total sales tax revenue for the last half of Fiscal Year 2012 and all of Fiscal Year 2013. The City experienced a recovery of sales tax revenue with a 10.7% increase during that period of time. During Fiscal Year 2014 – Fiscal Year 2016, sales tax revenue continued to grow, but more modestly at 3.4%, 4.3% and 5.1% respectively. Sales Tax Revenue regressed to no change in Fiscal Year 2017. Sales tax increased each year by 10.17% in 2018, 7.17% in 2019, 4.62% in 2020, 8.74% in 2021, 11.73% in 2022, and 5.69% in 2023.

- Typically, the City only budgets for the next year what it receives in Sales Tax Revenue for the preceding year, saving any good news for the next year as well as to better protect against contraction. That will continue to be true going into Fiscal Year 2024.

- The Fiscal Year 2024 budget uses $889,434 of general fund balance for transfers to the Capital Fund to purchase equipment and vehicles, including a new fire engine which was budgeted for in the prior fiscal year. The property tax rate stayed the same at $0.44 per $100. A complete overhaul of the water and sewer rate structure was made. Water and sewer base rates are now determined based on the size of the water meter. The cost per 1,000 gallons of usage of water decreased by $0.20 and the cost per 1,000 gallons of sewer increased by $0.44. Hand-collected residential and commercial sanitation rates decreased due to the water and sewer rate structure change. Employees were given a 3.0% COLA. In addition to the COLA, significant changes in the step plan for the police department were made to remain competitive in the employment market for law enforcement.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 125 S. Davis, City of Sulphur Springs, Texas 75482.

BASIC FINANCIAL STATEMENTS

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CITY OF SULPHUR SPRINGS
Statement of Net Position
September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
ASSETS				
Cash & Cash Equivalents	$ 15,644,390	$ 7,723,420	$ 23,367,810	$ 5,393,016
Restricted Cash & Cash Equivalents	-	1,870,977	1,870,977	-
Receivables (Net of Allowance for Uncollectibles):				
Utility Bills	-	556,100	556,100	-
Delinquent Property Taxes	265,556	-	265,556	-
Other Taxes	1,335,315	-	1,335,315	507,958
Other	649,202	553	649,755	29,355
Notes Receivable	-	-	-	2,326,686
Leases Receivable	-	-	-	2,562,526
Inventory	81,258	111,255	192,513	-
Prepaid Items	5,469	-	5,469	32,672
Capital Assets Not Being Depreciated/Amortized				
Land & Right of Way	9,962,696	1,452,758	11,415,454	1,451,584
Lakes	-	401,408	401,408	-
Dams/Spillways/Appurtenances	-	2,629,410	2,629,410	-
Construction in Progress	5,774,727	3,141,485	8,916,212	61,664
Capital Assets (Net of Accumulated Depreciation/Amortization):				
Right-to-use Lease Equipment	459,814	128,429	588,243	-
Building, Systems & Improvements	14,802,424	34,597,726	49,400,150	19,068,946
Furniture & Equipment	1,056,359	1,016,933	2,073,292	-
Infrastructure	18,398,193	-	18,398,193	-
Total Assets	68,435,402	53,630,454	122,065,856	31,434,407
DEFERRED OUTFLOW OF RESOURCES				
Deferred Outflows - TMRS Pension	2,639,907	883,279	3,523,186	-
Deferred Outflows - TMRS OPEB	24,901	8,331	33,232	-
Total Deferred Outflow of Resources	2,664,808	891,610	3,556,418	-
Total Assets & Deferred Outflows	$ 71,100,210	$ 54,522,064	$ 125,622,274	$ 31,434,407
LIABILITIES				
Accounts Payable	$ 1,107,095	$ 399,816	$ 1,506,911	$ 393,850
Unearned revenue	3,409,967	-	3,409,967	15,077
Accrued Interest Payable	38,963	35,699	74,662	-
Deposits	-	648,088	648,088	184,193
Noncurrent Liabilities:				
Due Within One Year	1,826,320	1,382,746	3,209,066	234,499
Due in More than One Year	10,265,967	19,545,876	29,811,843	1,027,288
Net Pension Liability Due in More Than One Year	3,970,082	1,328,338	5,298,420	-
Net OPEB Liability Due in More Than One Year	407,450	136,327	543,777	-
Total Liabilities	21,025,844	23,476,890	44,502,734	1,854,907
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - TMRS Pension	332,208	111,152	443,360	-
Deferred Inflows - TMRS OPEB	112,365	37,596	149,961	-
Deferred Inflows - Leases Related	-	-	-	2,562,526
Total Deferred Inflows of Resources	444,573	148,748	593,321	2,562,526
Total Liabilities & Deferred Inflows	21,470,417	23,625,638	45,096,055	4,417,433
NET POSITION				
Net Invested in Capital Assets	38,781,921	22,583,424	61,365,345	19,320,407
Restricted for:				
Debt Service	42,698	453,782	496,480	-
Capital Projects	3,057,732	-	3,057,732	-
Unrestricted	7,747,442	7,859,220	15,606,662	7,696,567
Total Net Position	$ 49,629,793	$ 30,896,426	$ 80,526,219	$ 27,016,974

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

CITY OF SULPHUR SPRINGS
Statement of Activities
For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	$ 3,609,086	$ 287,447	$ 597,476	$ -
Public Safety	6,757,173	834,181	94,012	-
Transportation	3,275,050	1,878,577	-	2,742,949
Culture & Recreation	2,171,221	47,979	27,835	-
Interest & Fiscal Charges	377,487	-	-	-
Total Governmental Activities	16,190,017	3,048,184	719,323	2,742,949
Business-Type Activities:				
Water & Sewer	9,393,684	11,980,000	-	-
Sanitation	3,792,010	4,334,499	-	-
Total Business-Type Activities	13,185,694	16,314,499	-	-
Total Primary Government	$ 29,375,711	$ 19,362,683	$ 719,323	$ 2,742,949
Component Unit:				
Economic Development Corporation	$ 2,469,495	$ 710,282	$ -	$ -
Total Component Unit	$ 2,469,495	$ 710,282	$ -	$ -

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Alcoholic Beverage Taxes
Unrestricted Investment Earnings
Miscellaneous Revenue
Transfers
Total General Revenues & Transfers

Change in Net Position

Net Position - Beginning, As Restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
$ (2,724,163)		$ (2,724,163)	
(5,828,980)		(5,828,980)	
1,346,476		1,346,476	
(2,095,407)		(2,095,407)	
(377,487)		(377,487)	
(9,679,561)		(9,679,561)	
	$ 2,586,316	2,586,316	
	542,489	542,489	
	3,128,805	3,128,805	
(9,679,561)	3,128,805	(6,550,756)	
			$ (1,759,213)
			(1,759,213)
5,684,615	-	5,684,615	-
6,139,609	-	6,139,609	2,944,265
1,221,524	-	1,221,524	-
59,818	-	59,818	-
684,339	428,351	1,112,690	306,689
381,623	178,762	560,385	-
2,190,718	(2,190,718)	-	-
16,362,246	(1,583,605)	14,778,641	3,250,954
6,682,685	1,545,200	8,227,885	1,491,741
42,947,108	29,351,226	72,298,334	25,525,233
$ 49,629,793	$ 30,896,426	$ 80,526,219	$ 27,016,974

CITY OF SULPHUR SPRINGS
Balance Sheet
Governmental Funds
September 30, 2023

	General Fund
ASSETS	
Cash & Cash Equivalents	$ 6,102,772
Receivables (Net of Allowance for Uncollectibles):	
Delinquent Property Taxes	265,556
Other Taxes	1,310,419
Other	83,354
Inventory	-
Prepaid Items	-
Total Assets	$ 7,762,101
LIABILITIES	
Liabilities:	
Accounts Payable	$ 254,573
Unearned Revenue	-
Total Liabilities	254,573
DEFERRED INFLOW OF RESOURCES	
Unavailable Revenue Property Taxes	277,602
Unavailable Revenue Municipal Court	84,470
Total Deferred Inflow of Resources	362,072
FUND BALANCES:	
Nonspendable:	
Inventory	-
Prepaid Items	-
Restricted:	
Debt Service	-
Capital Projects	-
Special Revenue	-
Assigned:	
Tourism	-
Police Contingency	-
Revolving Loan Fund	-
Airport Contingency	-
Unassigned	7,145,456
Total Fund Balances	7,145,456
Total Liabilities, Deferred Inflows, & Fund Balances	$ 7,762,101

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

Capital Projects Fund	American Rescue Plan Act (ARPA)	Nonmajor Governmental Funds	Total Governmental Funds
$ 2,367,998	$ 3,600,850	$ 2,832,047	$ 14,903,667
-	-	-	265,556
-	-	24,896	1,335,315
424,106	-	141,742	649,202
877	-	80,381	81,258
-	-	5,469	5,469
$ 2,792,981	$ 3,600,850	$ 3,084,535	$ 17,240,467
$ 741,184	$ -	$ 72,117	$ 1,067,874
-	3,409,967	-	3,409,967
741,184	3,409,967	72,117	4,477,841
-	-	24,896	302,498
-	-	-	84,470
-	-	24,896	386,968
877	-	80,381	81,258
-	-	5,469	5,469
-	-	42,698	42,698
2,050,920	-	1,006,812	3,057,732
-	190,883	39,115	229,998
-	-	502,271	502,271
-	-	845,762	845,762
-	-	134,072	134,072
-	-	330,942	330,942
-	-	-	7,145,456
2,051,797	190,883	2,987,522	12,375,658
$ 2,792,981	$ 3,600,850	$ 3,084,535	$ 17,240,467

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CITY OF SULPHUR SPRINGS

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2023

Total Fund Balances - Governmental Funds	$	12,375,658
The government uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consideration is to increase net position.		701,502
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was $73,148,378 and the accumulated depreciation was $(25,815,070). In addition, long-term liabilities, including bonds payable of $(13,064,225), are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		34,269,083
Current year capital outlays of $5,784,402 and long-term debt principal payments of $1,524,477 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.		7,308,879
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net position.		(38,963)
The current year depreciation and amortization expense increases accumulated depreciation and amortization. The net effect of the current year's depreciation and amortization is to decrease net position.		(2,536,686)
Included in the noncurrent liabilities is the recognition of the City's net pension asset (liability) required by GASB 68 in the amount of $(3,970,082), a deferred resource inflow in the amount of $(332,208), and a deferred resource outflow in the amount of $2,639,907. The net effect of the GASB 68 adjustment is to decrease net position.		(1,662,383)
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of $(407,450), and a deferred resource inflow in the amount of $(112,365), and a deferred resource outflow in the amount of $24,901. The net effect of the GASB 75 adjustment is to decrease net position.		(494,914)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue as revenue, recognizing the liabilities associated with compensated absences, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the gain or loss on disposal of capital assets. The net effect of these reclassifications is to decrease net position.		(292,383)
Net Position of Governmental Activities	$	49,629,793

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

CITY OF SULPHUR SPRINGS

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended September 30, 2023

	General Fund
REVENUES	
Taxes:	
Property	$ 4,591,484
Sales	5,892,414
Franchise	1,221,524
Alcoholic Beverage	59,818
Licenses & Permits	287,447
Intergovernmental	27,835
Charges for Services	47,979
Fines & Forfeitures	955,715
Interest	330,564
Grants & Contributions	-
Miscellaneous	284,421
Total Revenues	13,699,201
EXPENDITURES	
Current:	
General Government	3,019,021
Public Safety	6,400,207
Transportation	700,422
Culture & Recreation	1,587,127
Capital Outlay	290,125
Debt Service:	
Principal	367,477
Interest & Fiscal Charges	-
Total Expenditures	12,364,379
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	1,334,822
OTHER FINANCING SOURCES (USES)	
Transfers In	2,283,236
Transfers Out	(2,805,558)
Operating Lease Liabilities Proceeds	132,543
Total Other Financing Sources (Uses)	(389,779)
Net Change in Fund Balances	945,043
Fund Balances - Beginning	6,200,413
Fund Balances - Ending	$ 7,145,456

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

Capital Projects Fund	American Rescue Plan Act (ARPA)	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 1,013,591	$ 5,605,075
-	-	247,195	6,139,609
-	-	-	1,221,524
-	-	-	59,818
-	-	-	287,447
-	-	101,140	128,975
-	-	1,878,577	1,926,556
-	-	62,153	1,017,868
74,748	176,273	96,583	678,168
2,662,486	496,336	174,475	3,333,297
-	-	64,714	349,135
2,737,234	672,609	3,638,428	20,747,472
-	-	-	3,019,021
-	-	59,139	6,459,346
962	-	792,815	1,494,199
28,176	-	236,878	1,852,181
5,350,565	-	143,712	5,784,402
-	-	1,157,000	1,524,477
-	-	381,931	381,931
5,379,703	-	2,771,475	20,515,557
(2,642,469)	672,609	866,953	231,915
2,511,835	-	766,708	5,561,779
(195,056)	(496,336)	(224,111)	(3,721,061)
-	-	-	132,543
2,316,779	(496,336)	542,597	1,973,261
(325,690)	176,273	1,409,550	2,205,176
2,377,487	14,610	1,577,972	10,170,482
$ 2,051,797	$ 190,883	$ 2,987,522	$ 12,375,658

CITY OF SULPHUR SPRINGS

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended September 30, 2023

Total Net Change in Fund Balances - Governmental Funds	$ 2,205,176
The government uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The net loss of the internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	120,502
Current year capital outlays of $5,784,402 and long-term debt principal payments of $1,524,477 are expenditures and sources in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.	7,308,879
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to increase net position.	4,444
Depreciation and amortization are not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation and amortization is to decrease net position.	(2,536,686)
GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/22 caused the change in the ending net position to increase. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position. The City's reported TMRS net pension expense had to be recorded. The net effect of the GASB 68 adjustment is to decrease net position by $(343,079).	(343,079)
GASB 75 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/22 caused the change in the ending net position to increase. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position. The City's reported TMRS net OPEB expense had to be recorded. The net effect of the GASB 75 adjustment is to increase net position by 1,578.	1,578
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue, recognizing the liabilities associated with compensated absences and changes in unfunded pension obligation. The net effect of these reclassifications is to decrease net position.	(78,128)
Change in Net Position of Governmental Activities	$ 6,682,685

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

CITY OF SULPHUR SPRINGS
Statement of Net Position
Proprietary Funds
September 30, 2023

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
ASSETS		
Current Assets:		
Cash & Cash Equivalents	$ 7,723,420	$ 740,723
Restricted Cash & Cash Equivalents	1,870,977	-
Receivables (Net of Allowance of Uncollectibles)		
Utility Bills	556,100	-
Other	553	-
Inventory	111,255	-
Total Current Assets	10,262,305	740,723
Noncurrent Assets:		
Capital Assets:		
Land & Right-of-Way	1,452,758	-
Lakes	401,408	-
Dams/Spillways/Appurtenances	2,629,410	-
Buildings & Systems	66,585,844	-
Right-to-use Equipment	213,998	
Equipment	2,790,016	-
Construction in Progress	3,141,485	
Less: Accumulated Depreciation	(33,846,770)	-
Total Capital Assets (Net of Accumulated Depreciation)	43,368,149	-
Total Noncurrent Assets	43,368,149	-
Total Assets	53,630,454	740,723
Deferred Outflow of Resources:		
Deferred Outflows - TMRS Pension	883,279	-
Deferred Outflows - TMRS OPEB	8,331	-
Total Deferred Outflow of Resources	891,610	-
Total Assets & Deferred Outflows	$ 54,522,064	$ 740,723

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

CITY OF SULPHUR SPRINGS
Statement of Net Position
Proprietary Funds
September 30, 2023
continued

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 399,816	$ 39,221
Accrued Interest	35,699	-
Deposits	648,088	-
Compensated Absences Payable	143,897	-
Current Portion of Revenue Certificates of Obligation Payable	857,190	-
Current Portion of General Obligation Enterprise Bonds Payable	330,000	-
Current Portion of Operating Leases Payable	51,659	-
Total Current Liabilities	2,466,349	39,221
Noncurrent Liabilities:		
Revenue Certificates of Obligation Payable	16,872,083	-
General Obligation Bonds Enterprise Payable	2,604,999	-
Operating Leases Payable	68,794	-
Net Pension Liability	1,328,338	-
Net OPEB Liability	136,327	-
Total Noncurrent Liabilities	21,010,541	-
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - TMRS Pension	111,152	-
Deferred Inflows - TMRS OPEB	37,596	-
Total Deferred Inflows of Resources	148,748	-
Total Liabilities & Deferred Inflows	23,625,638	39,221
NET POSITION		
Net Invested in Capital Assets	22,583,424	-
Restricted for:		
Revenue Bond Current Debt Service	453,782	-
Unrestricted	7,859,220	701,502
Total Net Position	$ 30,896,426	$ 701,502

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

CITY OF SULPHUR SPRINGS
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended September 30, 2023

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
OPERATING REVENUES		
Charges for Sales & Services	$ -	$ 1,582,576
Water Sales	6,792,966	-
Sewer Charges	4,663,593	-
Sanitation Charges	4,334,499	-
Service Charges	189,817	-
Water & Sewer Connections	333,624	-
Miscellaneous Revenues	137,507	-
Total Operating Revenues	16,452,006	1,582,576
OPERATING EXPENSES		
Cost of Sales & Services	-	1,472,463
Administration	99,304	378,270
Personnel Services	3,023,484	-
Supplies	1,662,845	-
Contractual Services	6,061,515	-
Depreciation and Amortization	1,891,899	-
Total Operating Expenses	12,739,047	1,850,733
Operating Income (Loss)	3,712,959	(268,157)
NONOPERATING REVENUES/(EXPENSES)		
Interest Revenue	428,351	6,171
Interest Expense & Fiscal Charges	(446,647)	-
Gain on Sale of Assets	41,255	-
Insurance Proceeds	-	78,546
Insurance Claim Expenses	-	(46,058)
Total Nonoperating Revenues (Expenses)	22,959	38,659
Net Income/(Loss) Before Transfers	3,735,918	(229,498)
Transfers In	46,336	350,000
Transfers Out	(2,237,054)	-
Change in Net Position	1,545,200	120,502
Net Position - Beginning, As Restated	29,351,226	581,000
Net Position - Ending	$ 30,896,426	$ 701,502

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

CITY OF SULPHUR SPRINGS
Statement of Cash Flows
Proprietary Funds
For the Fiscsal Year Ended September 30, 2023

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Cash Received from Customers & Users	$ 17,375,537	$ 1,582,576
Cash Payments to Suppliers for Goods & Services	(7,603,917)	(1,870,619)
Cash Payments to Employees for Services	(2,937,468)	-
Net Cash Provided by/(Used in) Operating Activities	6,834,152	(288,043)
Cash Flows from Noncapital Financing Activities:		
Transfers to Other Funds	(2,237,054)	-
Transfers from Other Funds	46,336	350,000
Insurance Proceeds, Net	-	32,488
Net Cash Provided by/(Used in) Noncapital Financing Activities	(2,190,718)	382,488
Cash Flows from Capital & Related Financing Activities:		
Acquisition & Construction of Capital Assets	(2,145,140)	-
Principal Paid on Bonds	(1,125,000)	-
Interest Paid on Debt	(379,999)	-
Net Cash Provided by/(Used in) Capital & Related Financing Activities	(3,650,139)	-
Cash Flows from Investing Activities:		
Proceeds from Sale of Assets	41,255	-
Interest on Deposits & Investments	428,351	6,171
Net Cash Provided by/(Used in) Investing Activities	469,606	6,171
Net Increase/(Decrease) in Cash, Cash Equivalents, and Restricted Cash	1,462,901	100,616
Cash, Cash Equivalents, & Restricted Cash - Beginning	8,131,496	640,107
Cash, Cash Equivalents, & Restricted Cash - Ending	$ 9,594,397	$ 740,723

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

CITY OF SULPHUR SPRINGS
Statement of Cash Flows
Proprietary Funds
For the Fiscsal Year Ended September 30, 2023
continued

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	Business-Type Activities — Enterprise Fund	Governmental Activities — Internal Service Fund
Operating Income/(Loss)	$ 3,712,959	$ (268,157)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used in) Operating Activities		
Depreciation and Amortization Expense	1,891,899	-
(Increase)/Decrease in Right of Use Asset	130,901	
(Increase)/Decrease in Accounts Receivable	903,293	-
(Increase)/Decrease in Other Receivables	(553)	-
(Increase)/Decrease in Inventory	10,873	-
(Increase)/Decrease in Deferred Outflows	(712,006)	-
Increase/(Decrease) in Accounts Payable	221,339	(19,886)
Increase/(Decrease) in Customer Deposits	20,791	-
Increase/(Decrease) in Compensated Absences	(26,744)	-
Increase/(Decrease) in Operating Lease Liability	(143,366)	
Increase/(Decrease) in Net Pension Liability/Asset	1,650,000	-
Increase/(Decrease) in Net OPEB Liability	(50,606)	-
Increase/(Decrease) in Deferred Inflows	(774,628)	-
Total Adjustments	3,121,193	(19,886)
Net Cash Provided by/(Used in) Operating Activities	$ 6,834,152	$ (288,043)

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

CITY OF SULPHUR SPRINGS
Statement of Fiduciary Net Position
Private Purpose Trust Funds
September 30, 2023

ASSETS	
Cash & Cash Equivalents	$ 126,541
Total Assets	126,541
LIABILITIES	
Accounts Payable	15,031
Total Liabilities	15,031
NET POSITION	
Net Position Restricted for Pensions	$ 111,510

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

CITY OF SULPHUR SPRINGS
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Fiscal Year Ended September 30, 2023

ADDITIONS	
Contributions	$ 267,824
Interest Income	3,065
Total Additions	270,889
DEDUCTIONS	
General Government	224,396
Total Deductions	224,396
Change in Net Position	46,493
Net Position, Beginning	65,017
Net Position, Ending	$ 111,510

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The more significant of the government's accounting policies are described below.

Reporting Entity

The government is a municipal corporation governed by an elected seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. Each discretely presented component unit has a September 30 year end.

Discretely Presented Component Unit. The Sulphur Springs Hopkins County Economic Development Corporation (the "Corporation") serves all citizens of the government and is governed by a board appointed by the government's elected council. The government can impose its will on the Corporation and affect the day-to-day operations of the Corporation by removing appointed board members at will. The scope of public service of the Corporation benefits the government and its citizens and is operated primarily within the geographic boundaries of the government. The Corporation is presented as a governmental fund type.

Complete financial statements for the individual component unit may be obtained at the entity's administration offices.

Sulphur Springs Hopkins County
Economic Development Corporation
1200 Enterprise Lane
Sulphur Springs, Texas 75482

Government – Wide & Fund Financial Statements

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Focus, Basis of Accounting & Financial Statement Presentation

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

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

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

The government reports the following major governmental funds:

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

- The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

- The *American rescue plan act fund* accounts for grant funds received and spent from the American Rescue Plan. It transfers the grant money to reimburse other funds spending money related to the plan. The money is restricted only to that specific purpose.

The government reports the following proprietary funds:

- The *enterprise fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The government's enterprise fund is for water and sewer operations.

- The *internal service fund* accounts for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The government's internal service fund is for self-insurance.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Focus, Basis of Accounting & Financial Statement Presentation *(continued)*

Additionally, the government reports the following private purpose trust funds:

- The *volunteer firemen pension fund* is used to account for dues and contributions that are received pursuant to a trust agreement that restricts the use of those dues and contributions to providing payments to volunteer firemen. This was a volunteer single-employer defined contribution plan for volunteer fire fighters before the City established a fire department. No contributions are being made into the plan and once assets are depleted the plan will be closed.

- The *deferred compensation plan fund* is used to account for employee contributions and employers match to an employee supplemental retirement plan. This is a volunteer single-employer define contribution plan established under section 457(b) of the Internal Revenue Code. The 457 plan is a 67% match with the maximum city participation at $335 per month. Total City contributions were $223,096.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *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 enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Upcoming and Newly Implemented Accounting Pronouncements

The GASB has issued the following statements:

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, improves financial reporting by addressing these relationships and availability payment arrangements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The City is currently evaluating the impact of this Statement. The adoption of Statement No. 94 has no impact on the City's financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Upcoming and Newly Implemented Accounting Pronouncements *(continued)*

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements, provides guidance on accounting and financial reporting for subscription-based information technology arrangements ("SBITA") 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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The City has evaluated all subscription based IT arrangements and determined that there is no material impact on the City.

GASB Statement No. 99, "Omnibus 2022" enhances comparability in accounting and financial reporting and aims to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain provisions of Statement No. 99 are effective upon issuance, while other provisions of Statement No. 99 are effective for fiscal years beginning after June 15, 2022, or 2023. The City has determined that the provisions applicable to the City have no impact on the City's financial statements. The City is evaluating the effect of other provisions that are not yet effective.

GASB issued Statement No. 100, "Accounting Changes and Error Corrections-Amendment of GASB Statement No. 62," which prescribes the accounting and financial reporting for each type of accounting change and error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating the prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement are effective for reporting periods beginning after June 15, 2023. The City is evaluating the impact the implementation of this Statement will have on its financial statements.

GASB issued Statement No. 101, "Compensated Absences," that clarifies the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for financial statements for reporting periods beginning after December 15, 2023. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

Deposits & Investments

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments.

Short – Term Inter-Fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/payables." There were no inter-fund balances as of September 30, 2023.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories & Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. When the government incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

Capital Assets

Capital assets, which include property, plant, equipment, lease assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $20,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30-40
Building improvements	20-30
Street infrastructure	10-30
System infrastructure	15-25
Equipment	5-10
Vehicles	5-7

Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Long – Term Obligations

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

In the fund financial statements, governmental fund types 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 received, are reported as debt service expenditures.

Fund Equity

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

- Non-spendable: 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.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), 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 formal action 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 (ordinance) 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. The City did not have any committed resources as of September 30, 2023.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Manager to which the City Council delegates this authority. This delegation of authority was granted by ordinance.

- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the governmental funds.

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 unassigned funds, then assigned funds, and finally committed funds, as needed.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Equity *(continued)*

As of September 30, 2023, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Rescue Plan Act (ARPA)	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory	$ -	$ 877	$ -	$ 80,381	$ 81,258
Prepaid Items	-	-	-	5,469	5,469
Restricted:					
Debt Service	-	-	-	42,698	42,698
Capital Projects	-	2,050,920	-	1,006,812	3,057,732
Special Revenue	-	-	190,883	39,115	229,998
Assigned:					
Tourism	-	-	-	502,271	502,271
Police Contingency	-	-	-	845,762	845,762
Revolving Loan Fund	-	-	-	134,072	134,072
Airport	-	-	-	330,942	330,942
Unassigned	7,145,456	-	-	-	7,145,456
Total Fund Balances	$7,145,456	$2,051,797	$ 190,883	$2,987,522	$12,375,658

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS.

For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

RECONCILIATION OF GOVERNMENT–WIDE & FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet & the Government – Wide Statement of Net position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this ($292,383) adjustment are as follows:

Long-Term Debt:	
Proceeds from Long-term Debt	$ (132,543)
Compensated Absences Payable	(419,996)
Unavailable Revenue:	
To Remove the Uncollected Tax Levy from Unavailable Revenue	302,498
To Remove the Uncollected Municipal Court Revenue from Unavailable Revenue	84,470
Capital Assets	
Disposal of Capital Assets	(126,812)
Net Adjustment to Decrease Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	$ (292,383)

RECONCILIATION OF GOVERNMENT–WIDE & FUND FINANCIAL STATEMENTS *(continued)*

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances & the Government – Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting." The details of this ($78,128) adjustment are as follows:

Long-Term Debt:	
Proceeds from Long-term Debt	$ (132,543)
Changes in Compensated Absences Payable	17,217
Taxes:	
To Move the Unavailable Revenues to Revenues	386,968
To Remove the Prior Year Collections from Current Year Revenue	(222,958)
	164,010
Capital Assets:	
Disposal of Capital Assets	(126,812)
Net Adjustment to Decrease Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	$ (78,128)

STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund, special revenue fund (airport fund), and water and sewer fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds. Annual budgets are not adopted for non-major special revenue funds or the debt service fund.

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

1. Prior to September 1, the City Manager and staff meet with the City Council in a series of workshops to work on the budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. On the first Tuesday in September, the City Manager officially presents the budget to the City Council for consideration. A second Council meeting and second reading of the budget ordinance is scheduled before October 1 to finalize the adoption of the new budget.

4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY *(continued)*

Budgetary Information *(continued)*

5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund and Special Revenue Fund. No supplemental appropriations were made during the fiscal year for the General Fund or Special Revenue Fund.

6. The budget approved for the Water and Sewer Fund follows similar approval procedures but departs from accounting principles generally accepted in the United States of America by not including depreciation in the approved budget. These amounts are reported at year end as part of the "actual" column. No supplemental appropriations were made during the fiscal year.

7. The Debt Service and Capital Project Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis. The non-major governmental funds are not budgeted.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbered amounts lapse at year end. At year end, encumbrances are canceled or re-appropriated as part of the following year budget.

Budget/GAAP Reconciliation

The following schedule reconciles the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Position – Budget and Actual to the amounts on the Statement of Revenues, Expenses and Changes in Fund Net Position – Enterprise Fund:

	Water & Sewer Fund
Net Position (Budget)	$ 29,778,178
Depreciation	(1,891,899)
Net Position (GAAP)	$ 27,886,279

DEPOSITS & INVESTMENTS

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were insured up to $250,000 or collateralized as required by State statutes at September 30, 2023. At year-end, the carrying amount of the City's demand deposits was a balance of $25,238,787– bank balance of $25,740,566 The bank balance and certificates of deposits for the primary government were covered by FDIC insurance and collateral held in the City's name by the pledging financial institution's trust department or agent in the government's name.

The carrying amount of deposits for the Corporation, a discretely presented component unit, was $5,393,016 and the bank balance was $5,410,176. Of the bank balance, $500,000 was covered by federal depository insurance and the remaining was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

DEPOSITS & INVESTMENTS *(continued)*

Investments – State statutes, city policies, and city resolutions authorize the City's investments. The Director of Financial Services and the Assistant Director of Financial Services are authorized by the City Council to invest all available funds consistent with the investment policy. The City is authorized to invest in United States obligations or its agencies and instrumentalities, direct obligations of the State of Texas or its agencies and instrumentalities, other obligations backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, obligations of states, agencies, counties, cities, and other political subdivisions of any State having an investment rating of not less than "A" or its equivalent, fully collateralized repurchase agreements, certificates of deposit issued by a depository institution that has its main office or branch office in the State of Texas, money market mutual funds regulated by the Securities and Exchange Commission with a dollar weighted average portfolio maturity of 90 days or less, and local government investment pools organized and operating in compliance with the Inter-local Cooperation Act.

In compliance with the Public Funds Investment Act, the government has adopted a deposit and investment policy. That policy addresses the following risks:

Credit Risk is the risk that a security issuer may default on an interest or principal payment. It is the government's policy to limit its investments to those investments rated at least AAAm. The credit quality rating for TexPool at year end was AAAm by Standard & Poor's.

Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the government's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The government's funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC insurance coverage protected by approved pledged securities held on behalf of the government. Public funds investment pools created to function as money market mutual funds must mark their portfolios to market daily, and, to the extent reasonably possible, stabilize at a $1 net asset value. The government's policy manages custodial credit risk by requiring securities purchased by a broker-dealer for the government to be held in a Safekeeping account in the government's name. The policy also requires that security transactions be conducted on a delivery-versus-payment basis.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the government's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. It is the government's policy to not allow for a concentration of credit risk. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The government is not exposed to concentration of credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the government's investment in external investment pools is less than 60 days.

Foreign Currency Risk is the potential for loss due to fluctuations in exchange rates. The government's policy does not allow for any direct foreign investments, and therefore the government is not exposed to foreign currency risk.

DEPOSITS & INVESTMENTS *(continued)*

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

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

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

The City has recurring fair value measurements as presented in the table below. Investment balances of such investments are as follows:

		Fair Value Measurements using		
Primary Government	September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash & Cash Equivalents:				
Bank Deposits	$ 912,138	$ -	$ -	$ -
Certificates of Deposit	2,514,618	-	-	-
Total Cash & Cash Equivalents	3,426,756	-	-	-
Investments measured at Amortized Costs:				
Texpool	21,812,031	-	-	-
Total Investments	21,812,031	-	-	-
Total Cash & Investments	$25,238,787	$ -	$ -	$ -

Investment Pools are measured at amortized costs and are exempt from fair value reporting.

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

DEPOSITS & INVESTMENTS *(continued)*

The *Texpool* investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool The investment pool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonable foreseeable redemptions. Texpool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

RECEIVABLES

Receivables at September 30, 2023 consist of the following:

	General	Capital Projects	Nonmajor Governmental Funds	Enterprise	Total
Receivables:					
Utility Bills	$ -	$ -	$ -	$ 556,100	$ 556,100
Delinquent Taxes	277,602	-	-	-	277,602
Sales Taxes	1,013,775	-	24,896	-	1,038,671
Alcoholic Beverage Taxes	7,894	-	-	-	7,894
Franchise Taxes	287,634	-	-	-	287,634
Municipal Court	760,974	-	-	-	760,974
Grant	-	424,106	-	-	424,106
Other	-	-	141,742	553	142,295
Gross Receivables	2,347,879	424,106	166,638	556,653	3,495,276
Less: Allowance for Uncollectibles	(688,550)	-	-	-	(688,550)
Net Total Receivables	$1,659,329	$ 424,106	$ 166,638	$ 556,653	$2,806,726

Taxes are levied on October 1 and are payable until February 1 without penalty. Property taxes attach as an enforceable lien on property as of February 1. No discounts are allowed for early payment. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 up to the date collected by the government at the rate of 1% per month. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes applicable to personal property may be deemed uncollectible by the government. The government's current policy is to write-off uncollectible personal property taxes after four years.

At September 30, 2023, the Corporation had sales taxes receivable of $507,958. No allowance for uncollectibles has been made.

RECEIVABLES *(continued)*

Notes Receivable – Economic Development Corporation

On December 7, 2016, the Corporation sold certain real property (a lot at the municipal airport) for $280,000 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in interest free annual payments beginning December 30, 2016 and continuing until December 30, 2027.

On November 1, 2017, the Corporation sold certain real property to Plant Process Fabricators for $3,000,000 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in monthly payments of $25,000, including 4.0% interest, beginning December 1, 2017. The note was refinanced on June 1, 2021, with the same payment term and interest rate, and continuing until March 1, 2032.

The Corporation has made loans to small and emerging enterprises in the local areas. The loans are being repaid in monthly installments, including interest compute at 2 percent, and are secured by specific equipment.

The following summarizes changes in the Corporation's notes receivable for the fiscal year.

	Beginning Balance	Additions	Retirements	Ending Balance
Notes Receivable	$ 2,573,593	$ -	$ (246,907)	$ 2,326,686

CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated/Amortized:				
Land	$ 9,857,180	$ 105,516	$ -	$ 9,962,696
Construction in Progress	1,503,693	4,532,325	(261,291)	5,774,727
Total Capital Assets Not Being Depreciated/Amortized	11,360,873	4,637,841	(261,291)	15,737,423
Capital Assets Being Depreciated/Amortized:				
Right-to-use Lease Equipment	941,729	142,505	(256,472)	827,762
Buildings & Improvements	25,251,500	-	-	25,251,500
Furniture & Equipment	5,142,777	203,665	(86,215)	5,260,227
Infrastructure	30,451,499	1,061,682	-	31,513,181
Total Capital Assets Being Depreciated/Amortized	61,787,505	1,407,852	(342,687)	62,852,670
Less: Accumulated Depreciation/Amortization for:				
Right-to-use Lease Equipment	(268,396)	(229,212)	129,660	(367,948)
Buildings & Improvements	(9,624,719)	(824,357)	-	(10,449,076)
Furniture & Equipment	(4,041,074)	(249,009)	86,215	(4,203,868)
Infrastructure	(11,880,881)	(1,234,107)	-	(13,114,988)
Total Accumulated Depreciation and Amortization	(25,815,070)	(2,536,686)	215,875	(28,135,881)
Total Capital Assets Being Depreciated/Amortized, Net	35,972,435	(1,128,834)	(126,812)	34,716,789
Governmental Activities Capital Assets, net	$ 47,333,308	$ 3,509,007	$ (388,103)	$ 50,454,212

CAPITAL ASSETS *(continued)*

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities:				
Capital Assets Not Being Depreciated/Amortized:				
Land	$ 1,452,760	$ -	$ -	$ 1,452,760
Lakes	401,408	-	-	401,408
Dam/Spillway	2,629,410	-	-	2,629,410
Construction in Progress	1,446,095	1,926,694	(231,306)	3,141,483
Total Capital Assets Not Being Depreciated/Amortized	5,929,673	1,926,694	(231,306)	7,625,061
Capital Assets Being Depreciated/Amortized:				
Right-to-use Lease Equipment	347,169	-	(133,171)	213,998
Buildings & Plant	66,354,538	231,306	-	66,585,844
Equipment	3,014,990	218,446	(443,420)	2,790,016
Total Capital Assets Being Depreciated/Amortized	69,716,697	449,752	(576,591)	69,589,858
Less: Accumulated Depreciation/Amortization for:				
Right-to-use Lease Equipment	(87,839)	-	2,270	(85,569)
Buildings & Plant	(30,252,788)	(1,735,330)	-	(31,988,118)
Equipment	(2,059,934)	(156,569)	443,420	(1,773,083)
Total Accumulated Depreciation and Amortization	(32,400,561)	(1,891,899)	445,690	(33,846,770)
Total Capital Assets Being Depreciated, Net	37,316,136	(1,442,147)	(130,901)	35,743,088
Business-Type Activities Capital Assets, net	$ 43,245,809	$ 484,547	$ (362,207)	$ 43,368,149

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

Governmental Activities:	
General Government	$ 415,437
Public Safety	82,415
Transportation	1,758,328
Culture & Recreation	280,506
Total Depreciation and Amortization Expense - Governmental Activities	$ 2,536,686
Business-Type Activities: Water & Sewer	$ 1,891,899
Total Depreciation and Amortization Expense - Business-Type Activities	$ 1,891,899

CAPITAL ASSETS *(continued)*

Capital asset activity for the Corporation for the year ended September 30, 2023 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Component Unit:				
Capital Assets Not Being Depreciated:				
Land	$ 1,451,584	$ -	$ -	$ 1,451,584
Constrution in Progress	1,536,649	1,937,086	(3,412,071)	61,664
Total Capital Assets Not Being Depreciated	2,988,233	1,937,086	(3,412,071)	1,513,248
Capital Assets Being Depreciated:				
Land Improvements	215,610	-	-	215,610
Buildings	17,561,507	3,978,033	-	21,539,540
Office Equipment	37,588	-	-	37,588
Total Capital Assets Being Depreciated	17,814,705	3,978,033	-	21,792,738
Less Accumulated Depreciation for:				
Land Improvements	(73,323)	(10,781)	-	(84,104)
Buildings	(2,127,836)	(474,264)	-	(2,602,100)
Office Equipment	(37,132)	(456)	-	(37,588)
Total Accumulated Depreciation	(2,238,291)	(485,501)	-	(2,723,792)
Total Capital Assets Being Depreciated, Net	15,576,414	3,492,532	-	19,068,946
Component Unit Capital Assets, net	$18,564,647	$ 5,429,618	$ (3,412,071)	$20,582,194

LEASES

Effective October 1, 2021, the City implemented GASB Statement No. 87, Leases, which required the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Lessee

The City recognizes a lease liability and an intangible right-to-use (lease asset) in the government-wide and proprietary funds financial statements.

At implementation of GASB Statement No. 87 and the commencement of leases beginning after October 1, 2021, the City initially measured the lease liability at the present value of payments expected to be made during the remaining lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset was initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

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

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

LEASES *(continued)*

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

The lease rate, term and ending lease liability are as follows:

	Interest Rate	Lease Terms In Years	Ending Balance
Governmental Activities:			
Equipment Operating Leases	1.50%	2- 5 Years	$ 451,167
Total Governmental activities			$ 451,167
Business-type Activities:			
Equipment Operating Leases	1.60%	2- 5 Years	$ 120,453
Total Business-type activities			$ 120,453

The annual requirements to amortize leases payable outstanding as of September 30, 2023 are as follows:

	Governmental Activities		**Business-type Activities**	
	Interest	Principal	Interest	Principal
2024	$ 5,035	$ 209,200	$ 1,616	$ 51,659
2025	2,855	170,528	933	43,279
2026	891	68,085	316	23,957
2027	22	3,354	3	1,558
2028	-	-	-	-
	$ 8,803	$ 451,167	$ 2,868	$ 120,453

Lessor – Economic Development Corporation

At implementation of GASB Statement No. 87 and the commencement of leases beginning after October 1, 2021, the Corporation initially measured the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date, and subsequently, recognized as revenue over the life of the lease term.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the Corporation determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term and (3) lease receipts.

- The Corporation uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The Corporation monitors changes in circumstances that would require a re-measurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

LEASES *(continued)*

The lease rate, term and ending lease receivables are as follows:

	Interest Rate	Lease Terms In Years	Ending Balance
Building Leases	6%	5- 10 Years	$ 2,562,526

INTER-FUND TRANSFERS

Inter-fund transfer activity for the year ended September 30, 2023, was as follows:

	Transfers Out:						
	General Fund	Capital Projects	Tax Increment Financing	Police Fund	American Rescue Plan Act	Water & Sewer Fund	Total
Transfers In:							
General Fund	$ -	$ -	$ -	$ 6,061	$ 450,000	$ 1,827,175	$2,283,236
Airport Fund	20,000	15,000	-	-	-	10,000	45,000
Debt Service Fund	-	180,056	218,050	-	-	169,478	567,584
Capital Projects	2,461,835	-	-	-	-	50,000	2,511,835
Tax Incremental Financing	40,349	-	-	-	-	-	40,349
Tourism	112,210	-	-	-	-	-	112,210
Police	1,565	-	-	-	-	-	1,565
Internal Services Fund	169,599	-	-	-	-	180,401	350,000
Water & Sewer Fund	-	-	-	-	46,336	-	46,336
Total	$ 2,805,558	$ 195,056	$ 218,050	$ 6,061	$ 496,336	$ 2,237,054	$5,958,115

Purpose of Transfers

Each transfer represents a specific budgetary policy decision by the City Council. Starting with Fiscal Year 2005, the City Council assessed the three city utilities, Water, Sewer and Sanitation, all part of the Enterprise Fund, a franchise fee of 4% which is similar to franchise fees assessed on the other utilities such as electric, gas and communications. Thus, the Enterprise Fund sent the General Fund $1,827,175, which includes its percentage of Administration, Finance, Planning, and Engineering. The General Fund transferred $2,461,835 to the Capital Fund to pay for street and drainage projects. The Airport Fund received $20,000 from the General Fund, $15,000 from the Capital Fund, and $10,000 from the Enterprise Fund to assist with operations as well as match grants for capital work. The transfers from the Capital, Tax Increment Financing, and Enterprise Funds to the Debt Service Fund made specific debt service payments. The General Fund and Enterprise Fund transferred $169,599 and $180,401 respectively to the Internal Services Fund to pay for Property and Liability Insurance.

LONG-TERM DEBT

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds have been issued for both governmental and business-type activities. The government also issues revenue bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

LONG-TERM DEBT*(continued)*

Long-term liability activity for the year ended September 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	$12,218,124	$ -	$ (1,130,000)	$11,088,124	$ 1,168,124
Operating Leases Payable	686,101	132,543	(367,477)	451,167	209,200
Note Payable	160,000	-	(27,000)	133,000	29,000
	13,064,225	132,543	(1,524,477)	11,672,291	1,406,324
Compensated Absences	437,213	-	(17,217)	419,996	419,996
Totals	$13,501,438	$ 132,543	$ (1,541,694)	$12,092,287	$ 1,826,320

The bonds will be repaid by the debt service fund, while the note will be repaid by the general fund. Compensated absences will be liquidated by the general fund.

Bonds payable at September 30, 2023 are comprised of the following issues for the debt service fund:

Combination Tax and Revenue Certificates of Obligation A bond issue of $7,440,000 dated July 1, 2012 maturing serially September 1, 2013 to September 1, 2042. Interest rates range from 1.25% to 3.75%, payable March 1 and September 1 to September 1, 2042.	$ 3,885,000
Combination Tax & Limited Surplus Revenue Certificates of Obligation A bond issue of $5,350,000 (93.37% Debt Service Fund portion) dated December 4, 2014 maturing serially July 1, 2016 to July 1, 2035. Interest rates range from 1.5% to 3.5%, payable January 1 and July 1 to July 1, 2035.	2,040,000
Combination Tax & Limited Surplus Revenue Certificates of Obligation A bond issue of $5,230,000 (20.92% Debt Service Fund portion) dated August 17, 2017 maturing serially September 1, 2018 to September 1, 2037. Interest rates range from 2.0% to 4.0%, payable March 1 and September 1 to September 1,	173,124
General Obligation Refunding Bonds A bond issue of $3,505,000 dated June 6, 2019 maturing serially September 1, 2020 to September 1, 2039. Interest rates range from 3.00% to 4.00%, payable March 1 and September 1 to September 1, 2039.	2,550,000
Combination Tax and Revenue Certificates of Obligation A bond issue of $7,440,000 dated July 1, 2012 maturing serially September 1, 2013 to September 1, 2042. Interest rates range from 1.25% to 3.75%, payable March 1 and September 1 to September 1, 2042.	2,440,000
Combined Debt	$11,088,124

On December 7, 2016, the City bought certain real property (a lot at the municipal airport) for $280,000 and financed the purchase. The loan is collateralized by the real property. The note is to be paid in interest free annual payments beginning December 30, 2016 and continuing until December 30, 2027. Outstanding balance of the note is $133,000.

LONG-TERM DEBT *(continued)*

The annual requirements to amortize the long-term debt outstanding for the governmental funds as of September 30, 2023 are as follows:

Year Ending	Principal	Interest	Total
2024	$ 1,197,124	$ 348,659	$ 1,545,783
2025	1,054,000	316,763	1,370,763
2026	955,000	290,163	1,245,163
2027	990,000	259,963	1,249,963
2028	660,000	228,663	888,663
2029-2033	2,655,000	856,113	3,511,113
2034-2038	2,650,000	443,275	3,093,275
2039-2043	1,060,000	75,750	1,135,750
Totals	$ 11,221,124	$ 2,819,346	$14,040,470

During the year ended September 30, 2023, the following changes occurred in liabilities reported in the Water and Sewer Fund.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds Payable	$ 21,231,875	$ -	$ (1,125,000)	$ 20,106,875	$ 1,152,748
Operating Leases Payable	263,819	-	(143,366)	120,453	51,659
Compensated Absences	170,641	-	(26,744)	143,897	143,897
	21,666,335	-	(1,295,110)	20,371,225	1,348,304
Bond Cost	(101,090)	-	101,090	-	
Bond Premium	591,839	-	(34,442)	557,397	34,442
	$ 22,157,084	$ -	$ (1,228,462)	$ 20,928,622	$ 1,382,746

Bonds payable at September 30, 2023 are comprised of the following issues for the Water and Sewer fund:

Combination Tax & Revenue Certificates of Obligation A bond issue of $18,200,000 dated October 4, 2016 maturing serially September 1, 2017 to September 1, 2046. Interest rates range from 0.01% to 1.45%, payable March 1 and September 1 to September 1, 2046.	$ 14,685,000
General Obligation Refunding Bonds A bond issue $1,555,000 dated August 17, 2017 maturing serially July 1, 2018 to July 1, 2027. Interest is 2.20%, payable January 1 and July 1 to July 1, 2027. These bonds were issued to redeem $1,515,000 of Combination Tax and Revenue Refunding Bonds dated July 1, 2007.	660,000
Combination Tax & Limited Surplus Revenue Certificates of Obligation A bond issue of $5,230,000 (79.08% Debt Service Fund portion) dated August 17, 2017 maturing serially September 1, 2018 to September 1, 2037. Interest rates range from 2.0% to 4.0%, payable March 1 and September 1 to September 1, 2037.	2,806,875
General Obligation Refunding Bonds A bond issue of $2,120,000 dated November 1, 2021 maturing serially September 1, 2023 to September 1, 2032. Interest rates range from 2.00% to 5.00%, payable March 1 and September 1, 2023 to September 1, 2039.	1,955,000
Combined Debt	$ 20,106,875

These bonds will be repaid by the Water and Sewer Fund.

LONG-TERM DEBT *(continued)*

The annual requirements to amortize all bonded debt outstanding for the Water and Sewer Fund as of September 30, 2023 are as follows:

Year Ending	Principal	Interest	Total
2024	$ 1,152,748	$ 369,270	$ 1,522,018
2025	1,080,000	344,120	1,424,120
2026	1,100,000	321,192	1,421,192
2027	1,120,000	302,864	1,422,864
2028	980,000	277,452	1,257,452
2029-2033	4,980,000	1,045,464	6,025,464
2034-2038	4,095,000	600,992	4,695,992
2039-2043	3,425,000	302,576	3,727,576
2044-2048	2,174,127	63,078	2,237,205
Totals	$ 20,106,875	$ 3,627,008	$ 23,733,883

Notes Payable – Economic Development Corporation

During the year ended September 30, 2023, the following changes occurred in liabilities reported for the Corporation:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Notes payable	$ 1,464,852	$ -	$ (203,065)	$ 1,261,787	$ 234,499
	$ 1,464,852	$ -	$ (203,065)	$ 1,261,787	$ 234,499

On May 18, 2017, the Corporation borrowed $2,236,847 from Southside Bank. The loan is being repaid in 113 monthly payments of $21,051 (beginning June 1, 2017) and 24 monthly payments of $8,611 (beginning November 1, 2026), including interest computed at 3.05 percent. The note will be paid in full after the final payment on January 1, 2029.

RESTRICTED ASSETS & LIABILITIES

The balances of the restricted asset and liabilities accounts in the enterprise funds are as follows:

Customer Deposits	$ 648,088
Accrued Interest Payable	35,699
Current Revenue CO's Payable	857,190
Current GO Bonds Payable	330,000
Total Restricted Assets	$ 1,870,977

RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to $2,000,000 per insured event. There was no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

The government has chosen to establish a risk financing fund for risks associated with the employee's health insurance plan. The risk financing fund is accounted for as an internal service fund where assets are set aside for claim settlements. A premium is charged to each fund that accounts for full-time employees. The total charge allocated to each of the funds (the allocation is based upon number of employees in each fund) is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims. Stop-loss coverage is $80,000 per employee and $1,602,341 in the aggregate.

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

Changes in the medical claims liability amounts in fiscal year 2023 were as follows:

	2023
Unpaid Claims, Beginning of Year	$ 28,720
Incurred Claims (Including IBNR)	1,129,214
Claim Payments	(1,129,214)
Unpaid Claims, End of Year	$ 28,720

UNEARNED REVENUE

In 2021, the American Rescue Plan Act was signed into law and established the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund, which together make up the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. As September 30, 2023, the governmental funds recognized $3,409,967 of unearned revenue from unspent grant proceeds.

RETIREMENT SYSTEM – PENSION PLAN

Plan Description - The City participates as one of 919 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 TMRS Act, Subtitle G, Title 8, Texas Government Code (the 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 is not fiscally dependent on 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.

RETIREMENT SYSTEM – PENSION PLAN - **Benefits Provided** *(continued)*

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

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

	Plan Year 2022	Plan Year 2021
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%, Transfers	100%, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms - At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	129
Inactive Employees Entitled to but Not Yet Receiving Benefits	96
Active Employees	145
	370

Contributions - Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.54% and 6.82% in calendar year 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were $723,022 and were equal to required contributions.

Net Pension Liability - The City's Net Pension Liability (NPL) was measured as of December 31, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

- Inflation – 2.5% per year
- Overall payroll growth 2.75% per year, adjusted down for population declines, if any
- Investment Rate of Return – 6.75%, net of pension plan investment expense, including inflation

RETIREMENT SYSTEM – PENSION PLAN – **Net Pension Liability** *(continued)*

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. The assumptions 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 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 targe asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative), and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.00%	7.70%
Core Fixed Income	6.00%	4.90%
Non-Core Fixed Income	20.00%	8.70%
Other Public and Private Markets	12.00%	8.10%
Real Estate	12.00%	5.80%
Hedge Funds	5.00%	6.90%
Private Equity	10.00%	11.80%
	100.00%	

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

RETIREMENT SYSTEM – PENSION PLAN – **Net Pension Liability** *(continued)*

Changes in the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2021	$ 46,998,532	$ 48,279,197	$ (1,280,665)
Changes for the Year:			
Service Cost	1,220,089	-	1,220,089
Interest	3,137,215	-	3,137,215
Change of Benefit Terms	-	-	-
Diff. Between Expected/Actual Experience	(11,304)	-	(11,304)
Changes of Assumptions	-	-	-
Contributions - Employer	-	726,369	(726,369)
Contributions - Employee	-	553,747	(553,747)
Net Investment Income	-	(3,519,096)	3,519,096
Benefit Payments, Including Refunds of Employee Contributions	(2,262,637)	(2,262,637)	-
Administrative Expenses	-	(30,496)	30,496
Other Changes	-	36,391	(36,391)
Net Changes	2,083,363	(4,495,722)	6,579,085
Balance at 12/31/2022	$ 49,081,895	$ 43,783,475	$ 5,298,420

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

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
City's Net Pension Liability	$11,364,977	$ 5,298,420	$ 223,213

Pension Plan Fiduciary Net Position Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at trms.com.

Pension Expense and Deferred Outflows and Inflows of Resources - For the year ended September 30, 2023, the City recognized pension expense in the amount of $456,878. At September 30, 2023, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected & Actual Economic Experience (net of current year amortization)	$ -	$ 443,360
Changes in Actuarial Assumptions	4,403	-
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	2,997,630	-
Contributions Subsequent to the Measurement Date	521,153	-
Total	$ 3,523,186	$ 443,360

RETIREMENT SYSTEM – PENSION PLAN -
Pension Expense and Deferred Outflows and Inflows of Resources *(continued)*

$521,153 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2023	$ (135,594)
2024	534,195
2025	804,486
2026	1,355,586
2027	-
Thereafter	-
	$ 2,558,673

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS

Plan Description - The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). SDBF is an unfunded multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Texas Municipal Retirement System (TMRS).

OPEB Plan Fiduciary Net Position - Detailed information about the TMRS SDBF's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. This report may be obtained at www.tmrs.com.

Benefits Provided – SDBF is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. 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 another postemployment benefit and is a fixed amount of $7,500.

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

Employees for the City were not required to contribute to the SDBF. The contribution rates for the City were 0.30% and 0.44% in calendar year 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were $25,774 and were equal to required contributions.

Employees Covered by Benefit Terms - At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	97
Inactive Employees Entitled to but Not Yet Receiving Benefits	16
Active Employees	145
	258

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS *(continued)*

Actuarial Assumptions - The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate*	4.05%
Retirees' share of benefit related costs	$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - service retirees	2019 Municpal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - disabled retirees	2019 Municipal Reitrees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

Note: The actuarial assumption used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 – December 31, 2018.

Total OPEB Liability - The City's Total OPEB Liability was determined by an actuarial valuation as of December 31, 2022.

	Increase/(Decrease) Total OPEB Liability
Balance at 12/31/2021	$ 744,253
Changes for the Year:	
Service Cost	31,379
Interest	13,822
Change of Benefit Terms	-
Diff. Between Expected/Actual Experience	7,521
Changes of Assumptions	(235,663)
Contributions - Employer	-
Contributions - Employee	-
Net Investment Income	-
Benefit Payments, Including Refunds of Employee Contributions	(17,535)
Administrative Expenses	-
Other Changes	-
Net Changes	(200,476)
Balance at 12/31/2022	$ 543,777

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS *(continued)*

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

	1% Decrease 3.05%	Discount Rate 4.05%	1% Increase 5.05%
City's total OPEB Liability	$ 636,000	$ 543,777	$ 469,690

OPEB Expense and Deferred Outflows and Inflows of Resources - For the year ended September 30, 2023, the City recognized OPEB benefit in the amount of $2,456. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected & Actual Economic Experience (net of current year amortization)	$ 981	$ 32,354
Changes in Actuarial Assumptions	-	117,607
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	-	-
Contributions Subsequent to the Measurement Date	32,251	-
Total	$ 33,232	$ 149,961

$32,251 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ended December 31,	
2023	$ (22,249)
2024	(19,931)
2025	(35,558)
2026	(41,485)
2027	(29,757)
Thereafter	-
	$ (148,980)

TAX ABATEMENTS

The City enters into economic development agreements authorized under Chapter 380 of the Texas Local Government Code. These agreements are planning tools designed to stimulate economic activity, redevelopment, community improvement, and provide a return on investment for the community. These programs abate or rebate property taxes and may include other incentive payments such as fee reductions or construction cost reimbursements. Economic Development agreements are considered on a case by case basis by the City Council and generally contain recapture provisions, which may require repayment or termination if recipients do not meet the required provisions of the economic incentives. A summary of the tax abatements for the 2023 and 2022 tax years follow:

TAX ABATEMENTS *(continued)*

Company	Abatements 2023 Tax Year	Abatements 2022 Tax Year	Begins	Ends
BEF Foods	$ -	$ 25,475,852	2013	2022
Saputo Dairy Foods	42,748,155	42,363,103	2018	2027
Backstory Beverages	597,470	597,470	2019	2023
Backstory Beverages	302,530	302,530	2019	2023
Total	$ 43,648,155	$ 68,738,955		

PRIOR PERIOD ADJUSTMENTS

A summary of prior period adjustments to restate beginning fund balance and beginning net position is as follows:

Net Position Restatement	Business-Type
Net Position - As Originally Reported	$ 29,107,897
Increase in Accounts Receivable	243,329
Net Position - Restated	$ 29,351,226

EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 17, 2024, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SULPHUR SPRINGS

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

General Fund

For the Fiscal Year Ended September 30, 2023

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Taxes:			
Property	$ 4,596,744	$ 4,591,484	$ (5,260)
Sales	5,762,572	5,892,414	129,842
Franchise	1,227,000	1,221,524	(5,476)
Alcoholic Beverages	50,000	59,818	9,818
License & Permits	239,000	287,447	48,447
Intergovernmental	63,700	27,835	(35,865)
Charges for Services	16,650	47,979	31,329
Fines & Forfeitures	1,054,200	955,715	(98,485)
Interest	260,000	330,564	70,564
Miscellaneous	203,500	284,421	80,921
Total Revenues	13,473,366	13,699,201	225,835
EXPENDITURES			
General Government			
Administration	775,855	761,052	14,803
Finance & Tax	444,678	451,383	(6,705)
Municipal Court	609,240	589,496	19,744
Community Development	870,185	709,818	160,367
Maintenance	328,175	373,027	(44,852)
Department Capital	499,500	-	499,500
Contingency	60,000	56,065	3,935
Economic Development Agreements	116,300	78,180	38,120
Total General Government	3,703,933	3,019,021	684,912
Public Safety:			
Police	4,182,129	3,763,460	418,669
Principal - Police	-	367,477	(367,477)
Fire	2,701,175	2,636,747	64,428
Department Capital	701,600	142,505	559,095
Total Public Safety	7,584,904	6,910,189	674,715
Transportation:			
Street	796,430	700,422	96,008
Department Capital	32,000	30,574	1,426
Total Transportation	828,430	730,996	97,434
Culture & Recreation:			
Library	377,813	379,099	(1,286)
Parks & Recreation	1,088,249	1,208,028	(119,779)
Department Capital	182,992	117,046	65,946
Total Culture & Recreation	1,649,054	1,704,173	(55,119)
Total Expenditures	13,766,321	12,364,379	1,401,942
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(292,955)	1,334,822	1,627,777

CITY OF SULPHUR SPRINGS

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

General Fund

For the Fiscal Year Ended September 30, 2023

continued

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfer In	2,277,175	2,283,236	6,061
Transfer Out	(2,806,658)	(2,805,558)	1,100
Operating Lease Liabilities Proceeds	-	132,543	132,543
Total Other Financing Sources (uses)	(529,483)	(389,779)	139,704
Net Change in Fund Balances	(822,438)	945,043	1,767,481
Fund Balances - Beginning	6,200,413	6,200,413	-
Fund Balances - Ending	$ 5,377,975	$ 7,145,456	$ 1,767,481

CITY OF SULPHUR SPRINGS

Schedule of Changes in Net Pension Liability and Related Ratios

For the Year Ended September 30, 2023

	Plan Year Ended December 31,			
	2022	2021	2020	2019
Total Pension Liability				
Service Cost	$ 1,220,089	$ 1,150,609	$ 1,118,869	$ 1,134,768
Interest (on the Total Pension Liability)	3,137,215	3,053,413	2,939,171	2,837,419
Changes of Benefit Terms	-	-	-	-
Difference Between Expected & Actual Experience	(11,304)	(812,402)	(82,940)	(142,855)
Change of Assumptions	-	-	-	88,307
Benefit Payments, Including Refunds of Employee Contributions	(2,262,637)	(2,107,075)	(2,489,908)	(2,314,585)
Net Change in Total Pension Liability	2,083,363	1,284,545	1,485,192	1,603,054
Total Pension Liability - Beginning	46,998,532	45,713,987	44,228,795	42,625,741
Total Pension Liability - Ending (a)	$ 49,081,895	$ 46,998,532	$ 45,713,987	$ 44,228,795
Plan Fiduciary Net Position				
Contributions - Employer	$ 726,269	$ 680,016	$ 693,360	$ 636,073
Contributions - Employee	553,747	521,818	508,577	508,864
Net Investment Income	(3,519,096)	5,670,749	3,161,767	5,740,055
Benefit Payments, Including Refunds of Employee Contributions	(2,262,637)	(2,107,075)	(2,489,908)	(2,314,585)
Administrative Expense	(30,496)	(26,263)	(20,476)	(32,453)
Other	36,391	180	(799)	(975)
Net Change in Plan Fiduciary Net Position	(4,495,822)	4,739,425	1,852,521	4,536,979
Plan Fiduciary Net Position - Beginning	48,279,197	43,539,772	41,687,250	37,150,271
Plan Fiduciary Net Position - Ending (b)	$ 43,783,375	$ 48,279,197	$ 43,539,771	$ 41,687,250
Net Pension Liability - Ending (a) - (b)	$ 5,298,520	$ (1,280,665)	$ 2,174,216	$ 2,541,545
Plan Fiduciary Net Position as Percentage of Total Pension Liability	89.20%	102.72%	95.24%	94.25%
Covered Payroll	$ 8,951,665	$ 8,304,687	$ 8,476,280	$ 8,481,073
Net Pension Liability as Percentage of Covered Payroll	59.19%	-15.42%	25.65%	29.97%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates. For example: as of December 31, 2022 for fiscal year 2023.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

2018	2017	2016	2015	2014
$ 1,098,723	$ 1,067,537	$ 1,071,312	$ 974,458	$ 881,939
2,705,236	2,605,150	2,487,880	2,409,813	2,280,911
-	-	-	-	-
278,872	(235,957)	(97,651)	(205,165)	119,290
-	-	-	638,184	-
(1,970,603)	(1,968,528)	(1,476,121)	(1,392,134)	(1,581,767)
2,112,228	1,468,202	1,985,420	2,425,156	1,700,373
40,513,513	39,045,311	37,059,891	34,634,735	32,934,362
$ 42,625,741	$ 40,513,513	$ 39,045,311	$ 37,059,891	$ 34,634,735
$ 606,304	$ 574,089	$ 458,959	$ 471,266	$ 481,593
491,599	479,074	478,977	456,065	429,994
(1,174,423)	4,888,366	2,268,525	50,194	1,877,990
(1,970,603)	(1,968,528)	(1,476,121)	(1,392,134)	(1,581,767)
(22,706)	(25,337)	(25,624)	(30,574)	(19,609)
(1,186)	(1,286)	(1,381)	(1,510)	(1,612)
(2,071,015)	3,946,378	1,703,335	(446,693)	1,186,589
39,221,286	35,274,908	33,571,573	34,018,266	32,831,677
$ 37,150,271	$ 39,221,286	$ 35,274,908	$ 33,571,573	$ 34,018,266
$ 5,475,470	$ 1,292,227	$ 3,770,403	$ 3,488,318	$ 616,469
87.15%	96.81%	90.34%	90.59%	98.22%
$ 8,193,314	$ 7,984,569	$ 7,982,952	$ 7,601,080	$ 7,166,568
66.83%	16.18%	47.23%	45.89%	8.60%

CITY OF SULPHUR SPRINGS

Schedule of Pension Contributions

For the Year Ended September 30, 2023

	Fiscal Year Ended September 30,			
	2023	2022	2021	2020
Actuarially Determined Contribution	$ 723,022	$ 697,509	$ 675,607	$ 628,565
Contributions in Relation to the Actuarially Determined Contribution	(723,022)	(697,509)	(675,607)	(628,565)
Contribution Deficiency/(Excess)	-	-	-	-
Covered Payroll	$ 9,894,911	$ 8,304,687	$ 8,304,687	$ 8,189,590
Contributions as Percentage of Covered Payroll	7.31%	8.40%	8.14%	7.68%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2022 are for the measurement date of December 31, 2022.
This schedulde shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods & Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 Years (longest amortization ladder)
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.
Other Information:	Granted 100% ad hoc USC with transfer.

2019	2018	2017	2016	2015
$ 611,309	$ 576,057	$ 544,079	$ 464,398	$ 471,266
(611,309)	(576,057)	(544,079)	(464,398)	(471,266)
-	-	-	-	-
$ 8,178,552	$ 7,841,080	$ 7,745,406	$ 7,662,705	$ 7,601,080
7.47%	7.35%	7.02%	6.06%	6.20%

CITY OF SULPHUR SPRINGS

Schedule of Changes in Total OPEB Liability and Related Ratios

For the Year Ended September 30, 2023

	Plan Year Ended December 31,	
	2022	2021
Total OPEB Liability		
Service Cost	$ 31,379	$ 27,830
Interest (on the Total OPEB Liability)	13,882	14,778
Changes of Benefit Terms	-	-
Difference Between Expected & Actual Experience	7,521	(34,932)
Change of Assumptions	(235,663)	19,849
Benefit Payments, Including Refunds of Employee Contributions	(17,535)	(16,524)
Net Change in Total OPEB Liability	(200,416)	11,001
Total OPEB Liability - Beginning	744,253	733,252
Total OPEB Liability - Ending	$ 543,837	$ 744,253
Covered Payroll	$ 8,951,665	$ 8,304,687
Total OPEB Liability as a Percentage of Covered Payroll	6.08%	8.96%

Note: The information in this scheduled has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10- year trend is compiled in accordance with the provisions of GASB 75, only periods for which such information is available are presented.

There are no assets accumulated in a trust that meets the criteria of GASB codification P22.101 or P52.1010 to pay related benefits for the OPEB plan.

2020	2019	2018	2017
$ 22,038	$ 16,962	$ 18,025	$ 15,171
17,754	19,538	17,638	17,543
-	-	-	-
(25,540)	(8,906)	(2,024)	-
86,944	93,941	(34,756)	38,688
(5,086)	(5,089)	(4,097)	(3,992)
96,110	116,446	(5,214)	67,410
637,142	520,696	525,910	458,500
$ 733,252	$ 637,142	$ 520,696	$ 525,910
$ 8,476,280	$ 8,481,073	$ 8,193,314	$ 7,984,569
8.65%	7.51%	6.36%	6.59%

COMBINING & INDIVIDUAL FUND STATEMENTS & SCHEDULES

Capital Projects

Street Improvement Fund – The capital projects funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds. This fund is used to account for construction of street projects.

Debt Service

Debt Service Fund – This fund accounts for resources used to make payments for the principal and interest on long-term general obligation debt of governmental funds.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Tax Increment Financing Fund - This fund is used to account for the government's local option property tax revenues in the downtown area that are restricted to pay bonded debt used to revitalize the downtown area.

Tourism Fund - This fund is used to account for hotel/motel taxes that are used to promote tourism within the City.

Police Fund - This fund is used to account for grants and donations received for police department purposes.

Revolving Loan Fund – This fund is used to account for revolving loan funds that are used to make direct loans to local businesses for development and expansion.

Opioid Settlement Fund – This fund is used to account for opioid settlements for a purpose provided within the settlements.

Airport Fund – This fund is used to account for activity related to the City airport.

CITY OF SULPHUR SPRINGS
Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended September 30, 2023

	Tax Increment Financing	Tourism	Police Fund
ASSETS			
Cash & Cash Equivalents	$ -	$ 504,308	$ 846,337
Sales Tax Receivable	-	-	-
Other Receivables	-	-	-
Inventory	-	-	-
Prepaid Items	-	-	-
Total Assets	$ -	$ 504,308	$ 846,337
LIABILITIES & FUND BALANCES			
Liabilities			
Accounts Payable	$ -	$ 2,037	$ 575
Unearned revenue	-	-	-
Total Liabilities	-	2,037	575
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue Property Taxes	-	-	-
Total Deferred Inflow of Resources	-	-	-
Fund Balances:			
Nonspendable:			
Inventory	-	-	-
Prepaid Items	-	-	-
Restricted:			
Debt Service	-	-	-
Capital Projects	-	-	-
Special Revenue	-	-	-
Assigned:			
Tourism	-	502,271	-
Other Purposes	-	-	845,762
Total Fund Balances	-	502,271	845,762
Total Liabilities, Derred Inflows, & Fund Balances	$ -	$ 504,308	$ 846,337

Revolving Loan Fund	Street Improvement Fund	Airport Fund	Debt Service Fund	Opioid Settlement Fund	Total Nonmajor Governmental Funds
$ 120,512	$ 959,449	$ 319,628	$ 42,698	$ 39,115	$ 2,832,047
-	-	-	24,896	-	24,896
13,560	48,243	79,939	-	-	141,742
-	-	80,381	-	-	80,381
-	-	5,469	-	-	5,469.00
$ 134,072	$ 1,007,692	$ 485,417	$ 67,594	$ 39,115	$ 3,084,535
$ -	$ 880	$ 68,625	$ -	$ -	$ 72,117
-	-	-	-	-	-
-	880	68,625	-	-	72,117
-	-	-	24,896	-	24,896
-	-	-	24,896	-	24,896
-	-	80,381	-	-	80,381
-	-	5,469	-	-	5,469
-	-	-	42,698	-	42,698
-	1,006,812	-	-	-	1,006,812
-	-	-	-	39,115	39,115
-	-	-	-	-	502,271
134,072	-	330,942	-	-	1,310,776
134,072	1,006,812	416,792	42,698	39,115	2,987,522
$ 134,072	$ 1,007,692	$ 485,417	$ 67,594	$ 39,115	$ 3,084,535

CITY OF SULPHUR SPRINGS
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2023

	Tax Increment Financing	Tourism	Police Fund
REVENUES			
Property Taxes	$ 76,561	$ -	$ -
Sales Taxes	-	247,195	-
Intergovernmental	101,140	-	-
Charges for Services	-	-	-
Fines & Forfeitures	-	-	62,153
Interest	-	19,991	13,988
Grants & Contributions	-	-	94,012
Miscellaneous	-	78	3,762
Total Revenues	177,701	267,264	173,915
EXPENDITURES			
Current:			
Public Safety	-	-	59,139
Transportation	-	-	-
Culture & Recreation	-	231,962	4,916
Capital Outlay	-	-	56,046
Debt Service:			
Principal	-	-	-
Interest & Fiscal Charges	-	-	-
Total Expenditures	-	231,962	120,101
Excess (Deficiency) of Revenues Over/(Under) Expenditures	177,701	35,302	53,814
OTHER FINANCING SOURCES/(USES)			
Transfers In	40,349	112,210	1,565
Transfers Out	(218,050)	-	(6,061)
Total Other Financing Sources/(Uses)	(177,701)	112,210	(4,496)
Net Change in Fund Balances	-	147,512	49,318
Fund Balance - Beginning	-	354,759	796,444
Fund Balance - Ending	$ -	$ 502,271	$ 845,762

Revolving Loan Fund	Street Improvement Fund	Airport Fund	Debt Service Fund	Opioid Settlement Fund	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ 937,030	$ -	$ 1,013,591
-	-	-	-	-	247,195
-	-	-	-	-	101,140
-	1,020,102	858,475	-	-	1,878,577
-	-	-	-	-	62,153
1,302	17,344	10,774	33,184	-	96,583
-	-	80,463	-	-	174,475
-	-	21,759	-	39,115	64,714
1,302	1,037,446	971,471	970,214	39,115	3,638,428
-	-	-	-	-	59,139
-	-	792,815	-	-	792,815
-	-	-	-	-	236,878
-	87,666	-	-	-	143,712
-	-	-	-	-	-
-	-	27,000	1,130,000	-	1,157,000
-	-	-	381,931	-	381,931
-	87,666	819,815	1,511,931	-	2,771,475
1,302	949,780	151,656	(541,717)	39,115	866,953
-	-	45,000	567,584	-	766,708
-	-	-	-	-	(224,111)
-	-	45,000	567,584	-	542,597
1,302	949,780	196,656	25,867	39,115	1,409,550
132,770	57,032	220,136	16,831	-	1,577,972
$ 134,072	$ 1,006,812	$ 416,792	$ 42,698	$ 39,115	$ 2,987,522

CITY OF SULPHUR SPRINGS

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Enterprise Fund

For the Year Ended September 30, 2023

	Original & Final Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
OPERATING REVENUES			
Water Sales	$ 6,569,818	$ 6,792,966	$ 223,148
Sewer Charges	4,476,122	4,663,593	187,471
Sanitation Charges	4,251,320	4,334,499	83,179
Service Charges	165,000	189,817	24,817
Water & Sewer Connections	221,000	333,624	112,624
Miscellaneous Revenues	111,500	137,507	26,007
Total Operating Revenues	15,794,760	16,452,006	657,246
OPERATING EXPENSES			
Adminstration	80,100	99,304	(19,204)
Personnel Services	3,299,771	3,023,484	276,287
Supplies	2,096,911	1,662,845	434,066
Contractual Services	10,029,560	7,953,414	2,076,146
Total Operating Expenses	15,506,342	12,739,047	2,767,295
Operating Income/(Loss)	288,418	3,712,959	3,424,541
NONOPERATING REVENUES/(EXPENSES)			
Interest Revenue	30,000	428,351	398,351
Sale of Salvage/Surplus	150,000	41,255	(108,745)
Interest Expense & Fiscal Charges	(392,454)	(446,647)	(54,193)
Total Nonoperating Revenues/(Expenses)	(212,454)	22,959	235,413
Income Before Transfers	75,964	3,735,918	3,659,954
Transfers In	3,000,000	46,336	(2,953,664)
Transfers Out	(2,649,012)	(2,237,054)	411,958
Change in Net Position	426,952	1,545,200	1,118,248
Net Position - Beginning, As Restated	29,351,226	29,351,226	-
Net Position - Ending	$ 29,778,178	$ 30,896,426	$ 1,118,248

CITY OF SULPHUR SPRINGS
Combining Statement of Fiduciary Net Position
Priviate Purpose Trust Funds
For the Year Ended September 30, 2023

	Volunteer Fireman Pension Plan	Employee Supplemental Retirement Plan	Total Private Purpose Trust Funds
ASSETS			
Cash & Cash Equivalents	$ 30,829	$ 95,712	$ 126,541
Total Assets	30,829	95,712	126,541
LIABILITIES			
Accounts Payable	-	15,031	15,031
Total Liabilities	-	15,031	15,031
NET POSITION			
Net Position Restricted for Pensions	$ 30,829	$ 80,681	$ 111,510

CITY OF SULPHUR SPRINGS
Combining Statement of Changes in Fiduciary Net Position
Priviate Purpose Trust Funds
For the Year Ended September 30, 2023

	Volunteer Fireman Pension Plan	Employee Supplemental Retirement Plan	Total Private Purpose Trust Funds
ADDITIONS			
Contributions	$ 3,499	$ 264,325	$ 267,824
Interest Income	-	3,065	3,065
Total Additions	3,499	267,390	270,889
DEDUCTIONS			
General Government	1,300	223,096	224,396
Total Deductions	1,300	223,096	224,396
Change in Net Position	2,199	44,294	46,493
Net Position, Beginning	28,630	36,387	65,017
Net Position, Ending	$ 30,829	$ 80,681	$ 111,510

STATISTICAL SECTION (Unaudited)

This part of the City' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity 78

These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and water & sewer revenues.

Debt Capacity 85

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information 96

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information 98

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF SULPHUR SPRINGS

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	2014	2015	2016	2017	2018
Governmental Activities					
Net Investment in Capital Assets	$ 20,015	$ 18,084	$ 17,204	$ 18,597	$ 20,508
Restricted	18	35	49	8	11
Unrestricted	3,258	4,284	5,680	3,988	3,047
Total Governmental Activities Net Position	$ 23,291	$ 22,403	$ 22,933	$ 22,593	$ 23,566
Business-Type Activities					
Net Investment in Capital Assets	$ 11,499	$ 13,044	$ 15,899	$ 2,573	$ 7,908
Restricted	553	618	591	532	498
Unrestricted	5,916	6,347	3,878	17,643	13,308
Total Business-Type Activities Net Position	$ 17,968	$ 20,009	$ 20,368	$ 20,748	$ 21,714
Primary Government					
Net Investment in Capital Assets	$ 31,514	$ 31,128	$ 33,103	$ 21,170	$ 28,416
Restricted	571	653	640	540	509
Unrestricted	9,174	10,631	9,558	21,631	16,355
Total Primary Government Net Position	$ 41,259	$ 42,412	$ 43,301	$ 43,341	$ 45,280

2019	2020	2021	2022	2023
$ 20,362	$ 27,907	$ 29,667	$ 34,269	$ 38,782
24	24	18	2,408	3,100
2,739	5,696	7,257	6,270	7,747
$ 23,125	$ 33,627	$ 36,942	$ 42,947	$ 49,630
$ 16,919	$ 18,515	$ 19,675	$ 21,259	$ 22,583
435	416	396	384	454
6,405	5,916	6,539	7,708	7,859
$ 23,759	$ 24,847	$ 26,610	$ 29,351	$ 30,896
$ 37,281	$ 46,422	$ 49,342	$ 55,528	$ 61,365
459	440	414	2,792	3,554
9,144	11,612	13,796	13,978	15,607
$ 46,884	$ 58,474	$ 63,552	$ 72,298	$ 80,526

CITY OF SULPHUR SPRINGS
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	2014	2015	2016	2017	2018
EXPENSES					
Governmental Activities:					
General Government	$ 2,647	$ 2,942	$ 2,691	$ 2,977	$ 2,713
Public Safety	5,277	5,112	5,343	6,070	5,716
Transportation	2,715	3,562	1,989	2,022	1,433
Culture & Recreation	1,333	1,720	2,475	1,875	2,856
Interest on Long-Term Debt	566	695	611	512	538
Total Governmental Activities	12,538	14,031	13,109	13,456	13,256
Business-Type Activities:					
Water & Sewer	6,492	6,130	7,047	7,727	7,406
Sanitation	2,459	2,370	2,652	2,545	2,632
Total Business-Type Activities	8,951	8,500	9,699	10,272	10,038
Total Primary Government Expenses	21,489	22,531	22,808	23,728	23,294
PROGRAM REVENUES					
Governmental Activities:					
Charges for Services:					
General Government	188	152	92	133	196
Public Safety	1,100	873	904	1,070	596
Transportation	451	359	275	380	495
Culture & Recreation	-	-	3	2	10
Operating Grants & Contributions	378	318	447	365	378
Capital Grants & Contributions	227	119	444	22	520
Total Governmental Activities Program Revenues	2,344	1,821	2,165	1,972	2,195
Business-Type Activities:					
Charges for Services:					
Water & Sewer	8,550	9,176	9,228	9,254	9,841
Sanitation	2,923	2,826	3,036	3,099	3,200
Capital Grants & Contributions	-	-	-	-	-
Total Business-Type Activities Program Revenues	11,473	12,002	12,264	12,353	13,041
Total Primary Government Program Revenues	13,817	13,823	14,429	14,325	15,236
Net (Expense)/Revenue					
Governmental Activities	(10,194)	(12,210)	(10,944)	(11,484)	(11,061)
Business-Type Activities	2,522	3,502	2,565	2,081	3,003
Total Primary Government Net Asset	$ (7,672)	$ (8,708)	$ (8,379)	$ (9,403)	$ (8,058)

2019	2020	2021	2022	2023
$ 2,824	$ 2,806	$ 2,325	$ 2,795	$ 3,609
6,261	6,088	5,975	5,892	6,757
2,664	2,801	3,766	3,103	3,275
2,688	1,974	1,981	2,087	2,171
260	402	605	387	377
14,697	14,071	14,652	14,264	16,190
7,663	7,302	7,154	7,686	9,394
2,775	3,073	3,009	3,459	3,792
10,438	10,375	10,163	11,145	13,186
25,135	24,446	24,815	25,409	29,376
139	142	175	245	287
586	708	903	576	834
949	942	1,109	1,787	1,879
4	5	4	23	48
636	928	2,415	259	719
204	202	76	2,471	2,743
2,518	2,927	4,682	5,361	6,510
9,933	9,984	9,938	11,505	11,980
3,449	3,818	3,754	4,106	4,334
-	-	-	-	-
13,382	13,802	13,692	15,611	16,314
15,900	16,729	18,374	20,972	22,825
(12,179)	(11,144)	(9,970)	(8,903)	(9,680)
2,944	3,427	3,529	4,466	3,129
$ (9,235)	$ (7,717)	$ (6,441)	$ (4,437)	$ (6,551)

CITY OF SULPHUR SPRINGS
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)
(continued)

	2014	2015	2016	2017	2018
GENERAL REVENUES & OTHER CHANGES IN NET POSITION					
Governmental Activities:					
Taxes					
Property Taxes	$ 3,862	$ 3,914	$ 3,954	$ 3,998	$ 4,089
Sales Taxes	3,531	3,682	3,884	3,875	4,287
Franchise Taxes	1,204	1,396	1,131	1,149	1,116
Alcoholic Beverage Taxes	29	30	31	37	42
Investment Earnings	4	7	23	40	118
Miscellaneous	343	201	424	182	487
Transfers	1,747	1,651	2,254	1,862	2,231
Total Governmental Activities	10,720	10,881	11,701	11,143	12,370
Business-Type Activities:					
Investment Earnings	4	6	18	92	226
Miscellaneous	38	44	52	69	78
Transfers	(1,747)	(1,651)	(2,254)	(1,862)	(2,231)
Total Business-Type Activities	(1,705)	(1,601)	(2,184)	(1,701)	(1,927)
Total Primary Government	9,015	9,280	9,517	9,442	10,443
CHANGE IN NET POSITION					
Governmental Activities	526	(1,329)	757	(341)	1,309
Business-Type Activities	817	1,901	381	380	1,076
Total Primary Government	$ 1,343	$ 572	$ 1,138	$ 39	$ 2,385

2019	2020	2021	2022	2023
$ 4,134	$ 4,361	$ 4,719	$ 5,209	$ 5,685
4,618	4,556	5,421	5,941	6,140
1,139	1,108	1,133	1,199	1,222
47	40	50	49	60
174	64	32	102	684
344	9,150	829	385	382
1,283	1,966	2,023	2,022	2,191
11,739	21,245	14,207	14,907	16,362
239	99	23	69	428
145	158	234	227	179
(1,283)	(1,966)	(2,023)	(2,022)	(2,191)
(899)	(1,709)	(1,766)	(1,726)	(1,584)
10,840	19,536	12,441	13,181	14,779
(440)	10,101	4,237	6,004	6,683
2,045	1,718	1,763	2,740	1,545
$ 1,605	$ 11,819	$ 6,000	$ 8,744	$ 8,228

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CITY OF SULPHUR SPRINGS

Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Total
2014	$ 3,862	$ 3,531	$ 1,204	$ 29	$ 8,626
2015	3,914	3,682	1,396	30	9,022
2016	3,954	3,884	1,131	31	9,000
2017	3,998	3,875	1,149	37	9,059
2018	4,089	4,287	1,116	42	9,534
2019	4,134	4,618	1,139	47	9,938
2020	4,361	4,556	1,108	40	10,065
2021	4,719	5,421	1,133	50	11,323
2022	5,209	5,941	1,199	49	12,398
2023	5,685	6,140	1,222	60	13,106

CITY OF SULPHUR SPRINGS

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year				
	2014	2015	2016	2017	2018
General Fund					
Unassigned	$ 2,324	$ 2,862	$ 2,231	$ 2,823	$ 3,076
Total General Fund	$ 2,324	$ 2,862	$ 2,231	$ 2,823	$ 3,076
All Other Governmental Funds					
Nonspendable	$ 45	$ 39	$ 22	$ 47	$ 32
Restricted	937	3,742	2,412	262	397
Assigned	427	527	472	512	645
Total All Other Governmental Funds	$ 1,409	$ 4,308	$ 2,906	$ 821	$ 1,074

2019	2020	2021	2022	2023
$ 3,493	$ 4,054	$ 6,904	$ 6,200	$ 7,145
$ 3,493	$ 4,054	$ 6,904	$ 6,200	$ 7,145
$ 17	$ 107	$ 102	$ 75	$ 87
464	3,090	2,626	2,423	3,100
861	1,208	1,370	1,473	1,813
$ 1,342	$ 4,405	$ 4,098	$ 3,971	$ 5,000

CITY OF SULPHUR SPRINGS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	2014	2015	2016	2017	2018
REVENUES					
Taxes	$ 8,558	$ 8,972	$ 9,035	$ 9,075	$ 9,540
Licenses & Permits	186	151	92	133	196
Intergovernmental	561	320	814	273	779
Charges for Services	472	359	278	382	505
Fines	1,081	1,045	925	978	965
Investments Earnings	4	7	22	34	99
Contributions	44	117	77	114	119
Miscellaneous	343	201	306	317	454
Total Revenues	11,249	11,172	11,549	11,306	12,657
EXPENDITURES					
General Government	2,433	2,499	2,489	2,432	2,509
Public Safety	5,066	4,889	5,187	5,318	5,293
Transportation	1,716	2,271	2,473	3,894	1,152
Culture & Recrecation	1,083	1,401	1,512	1,422	1,393
Capital Outlay	2,441	1,457	1,706	919	2,148
Debt Service:					
Principal	1,068	1,013	1,536	1,080	1,171
Interest	562	680	607	563	544
Total Expenditures	14,369	14,210	15,510	15,628	14,210
Excess of Revenues Over/(Under) Expenditures	(3,120)	(3,038)	(3,961)	(4,322)	(1,553)
OTHER FINANCING SOURCES (USES)					
Transfers In	4,138	4,799	5,518	5,148	4,767
Transfers Out	(2,553)	(3,320)	(3,436)	(3,458)	(2,708)
Bonds Issued	-	4,995	-	1,140	-
Other Uses - Bond Issuance	-	-	-	-	-
Total Other Financing Sources (Uses)	1,585	6,474	2,082	2,830	2,059
Net Change in Fund Balances	$ (1,535)	$ 3,436	$ (1,879)	$ (1,492)	$ 506
Debt Service as a Percentage of Noncapital Expenditures	13.7%	13.3%	15.5%	11.2%	14.2%

2019	2020	2021	2022	2023
$ 9,968	$ 10,122	$ 11,325	$ 12,347	$ 13,026
139	142	175	245	287
738	368	170	138	129
954	947	1,114	1,810	1,927
987	1,136	1,081	1,029	1,018
156	60	9	101	678
101	762	2,428	2,592	3,333
348	9,152	342	384	349
13,391	22,689	16,644	18,646	20,747
2,469	2,191	2,736	2,708	3,019
5,436	5,673	5,894	6,289	6,459
1,896	1,775	1,542	1,678	1,494
1,729	1,603	2,451	1,871	1,852
1,612	10,629	1,338	5,145	5,784
1,212	1,486	1,521	1,564	1,524
515	469	436	393	382
14,210	14,869	23,826	15,918	20,516
(819)	7,820	(7,182)	2,728	232
5,003	4,673	4,587	4,322	5,562
(3,916)	(2,911)	(2,769)	(2,620)	(3,721)
4,953	3,096	-	-	133
(3,877)	(96)	-	-	-
2,163	4,762	1,818	1,702	1,973
$ 1,344	$ 12,582	$ (5,364)	$ 4,430	$ 2,205
13.7%	46.1%	8.7%	18.2%	12.9%

CITY OF SULPHUR SPRINGS

General Government Tax Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax	Total
2014	$ 3,793	$ 3,531	$ 1,204	$ 29	$ 8,557
2015	3,864	3,682	1,396	30	8,972
2016	3,989	3,884	1,131	31	9,035
2017	4,014	3,875	1,149	37	9,075
2018	4,094	4,287	1,116	42	9,539
2019	4,164	4,618	1,139	47	9,968
2020	3,704	4,405	1,108	40	9,257
2021	4,720	5,421	1,133	51	11,325
2022	4,314	5,712	1,199	48	11,273
2023	5,605	6,140	1,222	60	13,026

CITY OF SULPHUR SPRINGS

Assed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

(Amounts Expressed in Thousands)

Fiscal Year Ended Sep. 30	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
2014	$ 391,957	$ 507,502	$ 57,229	$ 842,230	0.44000	$ 899,459	93.64%
2015	396,756	544,528	86,806	854,478	0.44000	941,284	90.78%
2016	397,129	566,595	80,619	883,105	0.44000	963,724	91.63%
2017	404,027	573,621	84,789	892,859	0.44000	977,648	91.33%
2018	411,280	591,195	87,029	915,446	0.44000	1,002,475	91.32%
2019	418,000	600,620	91,475	927,145	0.44000	1,018,620	91.02%
2020	451,931	608,934	84,389	976,476	0.44000	1,060,865	92.05%
2021	464,015	692,205	119,409	1,036,811	0.44000	1,156,220	89.67%
2022	538,840	825,324	136,253	1,227,911	0.42692	1,364,164	90.01%
2023	651,264	1,017,014	412,020	1,256,258	0.44000	1,668,278	75.30%

Source: Hopkins County Central Appraisal District

CITY OF SULPHUR SPRINGS

Property Tax Rates -
Direct and Overlapping Governments
(Per $100 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year	City of Sulphur Springs			Sulphur Springs Independent School District	Hopkins County	Hopkins County Hospital District	Total
	General Fund	Debt Service Funds	Total				
2014	0.37374	0.066265	0.44000	1.24000	0.56057	0.2137	2.45427
2015	0.37882	0.06118	0.44000	1.35048	0.61208	0.2500	2.65256
2016	0.37730	0.06270	0.44000	1.35048	0.627392	0.2500	2.66787
2017	0.37940	0.06060	0.44000	1.35048	0.627392	0.2500	2.66787
2018	0.38320	0.05680	0.44000	1.35048	0.624892	0.2500	2.66537
2019	0.38260	0.05740	0.44000	1.35048	0.624892	0.2500	2.66537
2020	0.37240	0.06760	0.44000	1.28048	0.624892	0.2500	2.59537
2021	0.36713	0.07287	0.44000	1.25138	0.624892	0.2500	2.56627
2022	0.36241	0.06451	0.42692	1.18248	0.584035	0.2200	2.41344
2023	0.36547	0.07453	0.44000	1.16510	0.523900	0.19246	2.32146

Source: Applicable Taxing Entities

CITY OF SULPHUR SPRINGS
Principal Property Taxpayers
September 30, 2023
(Amounts Expressed in Thousands)

	2023			2014		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Saputo Dairy Foods, Inc.	$ 44,783	1	3.56%	$ 28,205	1	3.30%
BEF Foods, Inc	31,622	2	2.51%	9,771	7	1.14%
Load Trail LLC	26,478	3	2.10%			
Ocean Spray Cranberries In	24,720	4	1.97%	21,962	2	2.57%
Flowserve US, Inc.	17,425	5	1.39%	15,320	5	1.79%
CMH Manufaturing	15,179	6	1.21%	7,149	9	0.83%
Jeld-Wen Inc	15,153	7	1.21%	21,565	3	2.52%
Wal-Mart Stores Inc.	14,902	8	0.95%	16,109	4	1.88%
Oncor Electric Delivery Co.	13,027	9	1.03%	7,979	8	0.93%
GSC Enterprises Inc	12,515	10	1.00%	11,671	6	1.36%
Morningstar Foods, LLC				5,764	10	0.67%
Totals	$ 215,804		16.93%	$ 145,495		16.99%

Source: Hopkins County Central Appraisal District

CITY OF SULPHUR SPRINGS

Property Tax Levies and Collections (1)

Last Ten Fiscal Years

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subesequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2014	$ 3,714,395	$ 3,633,219	97.8%	$ 75,718	$ 3,708,937	99.9%
2015	3,817,894	3,723,964	97.5%	89,040	3,813,004	99.9%
2016	3,872,365	3,805,387	98.3%	59,771	3,865,158	99.8%
2017	3,931,365	3,856,896	98.1%	67,377	3,924,273	99.8%
2018	4,033,742	3,963,234	98.3%	60,970	4,024,204	99.8%
2019	4,078,520	4,017,684	98.5%	57,950	4,075,634	99.9%
2020	4,303,852	4,254,150	98.8%	37,180	4,291,330	99.7%
2021	4,627,852	4,560,342	98.5%	50,816	4,611,158	99.6%
2022	5,070,231	4,991,161	98.4%	36,497	5,027,658	99.2%
2023	5,515,954	5,403,731	98.0%	-	5,403,731	98.0%

Notes: (1) Includes general and debt service funds.

CITY OF SULPHUR SPRINGS
Water and Sewer Revenues
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Fiscal Year	Water	Sewer	Total
2014	$ 4,960	$ 3,433	$ 8,393
2015	5,173	3,853	9,026
2016	5,308	3,744	9,052
2017	5,307	3,947	9,254
2018	5,478	4,198	9,676
2019	5,223	4,220	9,443
2020	5,541	4,190	9,731
2021	5,525	4,207	9,732
2022	6,441	4,334	10,775
2023	6,793	4,664	11,457

CITY OF SULPHUR SPRINGS

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts Expressed in Thousands, Except per Capital Amount)

	Governmental Activities				Business-Type Activities			
Fiscal Year	Revenue Bonds	General Obligation Bonds	Notes	Operating Leases	Revenue Bonds	General Obligation Bonds	Operating Leases	Total Primary Government
2014	$ -	$ 13,493	$ -	$ -	$ 1,310	$ 9,807	$ -	$ 24,610
2015		17,490			-	10,430		27,920
2016		15,954			-	9,426		25,380
2017		15,968			25,941	4,291		46,200
2018		14,797			24,934	3,499		43,230
2019		14,411			24,180	2,055		40,646
2020		15,256			23,115	1,925		40,296
2021	10,643	2,965	185		21,787	1,380		36,960
2022	9,553	2,665	160	686	18,297	2,935	264	34,560
2023	8,538	2,550	133	451	17,492	2,615	120	31,900

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 109 for personal income and population data.

Percentage of Personal Income (1)	Per Capita (1)
7.85%	$ 1,584
8.79%	1,760
7.60%	1,599
13.70%	2,870
12.82%	2,675
12.40%	2,515
11.48%	2,498
9.88%	2,277
8.50%	2,110
7.55%	1,944

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics on page 109 for personal income and population data.

CITY OF SULPHUR SPRINGS

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Amounts Expressed in Thousands, Except per Capital Amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value[1] of Property	Per Capita [2]
2014	$ 23,300	$ 18	$ 23,282	2.59%	$ 1,467
2015	27,920	34	27,886	2.96%	1,757
2016	46,200	49	46,151	4.79%	2,867
2017	43,230	8	43,222	4.42%	2,674
2018	40,646	11	40,635	4.05%	2,514
2019	40,296	24	40,272	3.95%	2,496
2020	36,960	24	36,936	3.48%	2,275
2021	33,610	18	33,592	2.91%	2,050
2022	34,992	17	34,975	2.56%	2,187
2023	31,752	43	31,710	1.90%	1,933

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 97 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 109.

CITY OF SULPHUR SPRINGS
Direct and Overlapping Governmental Activities Debt
As of September 30, 2023
(Amounts Expressed in Thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable[1]	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Sulphur Springs I.S.D.	$ 31,425	65.06%	$ 20,445
Hopkins County	14,323	45.56%	6,526
Hopkins County Hospital District	-	41.68%	-
Total Overlapping Debt			26,971
City of Sulphur Springs Direct Debt			11,088
Total Direct & Overlapping Debt			$ 38,059

Sources: Assessed value data used to estimate applicable percentages provided by the Hopkins County Central Appraisal District. Debt outstanding data provided by the governmental units.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Sulphur Springs. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

[1] The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the governmental unit's taxable assessed value that is within the governmental's boundaries and dividing it by the governmental unit's total taxable assessed value.

CITY OF SULPHUR SPRINGS
Legal Debt Margin Information
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

	2014	2015	2016	2017
Debt Limit	$ 70,846	$ 68,567	$ 97,765	$ 100,248
Total Net Debt Applicable to Limit	23,282	23,185	25,331	46,192
Legal Debt Margin	$ 47,564	$ 45,382	$ 72,434	$ 54,056
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	32.86%	33.81%	25.91%	46.08%

Note: Under state finance law, the City of Sulphur Springs' outstanding general olbigation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

2018	2019	2020	2021	2022	2023
$ 101,862	$ 106,087	$ 106,087	$ 115,622	$ 136,416	$ 166,828
43,219	40,622	40,272	33,432	34,975	31,710
$ 58,643	$ 65,465	$ 65,815	$ 82,190	$ 101,441	$ 135,118
42.43%	38.29%	37.96%	28.91%	25.64%	19.01%

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed Value	$ 1,256,258
Add Back: Exempt Real Property	412,020
Total Assessed Value	1,668,278
Debt Limit (10% of Total Assessed Value)	166,828
Debt Applicable to Limit:	
General Obligation Bonds	31,752
Less Amount Set Aside for Repayment of General Obligation Debt	(43)
Total Net Debt Applicable to Limit	31,710
Legal Debt Margin	$ 135,118

CITY OF SULPHUR SPRINGS

Pledged-Revenue Coverage
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

	Water & Sewer Revenue Bonds					
Fiscal Year	Charges & Other	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2014	$ 11,515	$ 8,582	$ 2,933	$ 937	$ 368	2.25
2015	12,051	8,248	3,803	2,178	252	1.57
2016	12,334	9,406	2,928	1,003	294	2.26
2017	12,514	9,302	3,212	3,085	970	0.79
2018	13,344	9,496	3,848	1,799	542	1.64
2019	13,764	9,924	3,840	2,479	514	1.28
2020	14,059	9,900	4,159	1,810	474	1.82
2021	13,949	10,163	3,786	1,623	441	1.83
2022	15,727	10,663	5,064	1,158	380	3.29
2023	16,452	12,739	3,713	1,196	349	2.40

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Charges and other includes investment earnings and intergovernmental. Operating expenses do not include depreciation.

CITY OF SULPHUR SPRINGS

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	(1) Population	Personal Income (Amts. Expressed in Thousands)	(1) Per Capita Personal Income	(1) Median Age	(2) Education Level in Years of Formal Schooling	(3) School Enrollment	(2) Unemployment Rate
2014	15,868	$ 317,800	$ 20,555	36	13.5	4,387	4.7%
2015	15,868	334,148	21,058	38	13.5	4,356	3.9%
2016	16,098	337,188	20,946	38	13.5	4,415	3.7%
2017	16,162	337,188	21,886	35	13.5	4,334	3.7%
2018	16,162	327,846	20,285	35	13.5	4,393	3.5%
2019	16,134	350,898	21,749	36	13.5	4,350	3.1%
2020	16,234	373,999	23,038	36	13.5	4,350	4.6%
2021	16,383	406,757	24,828	37	13.5	4,345	4.1%
2022	15,995	399,027	24,947	37	13.5	4,350	3.1%
2023	16,408	422,276	25,736	37	13.5	4,365	3.3%

Date Sources

(1) Bureau of the Census
(2) Texas Workforce Commission
(3) Sulphur Springs I.S.D.

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CITY OF SULPHUR SPRINGS
Principal Employers
Current Year and Ten Years Ago

	2023			2014		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sulphur Springs ISD	698	1	6.68%	634	1	5.58%
Grocery Supply Company	580	2	5.55%	450	2	3.96%
Saputo Foods, Inc.	540	3	5.17%	320	5	2.81%
Hopkins County Hospital	482	4	4.61%	357	4	3.14%
Wal-Mart Stores, Inc.	375	5	3.59%	400	3	3.52%
CMH Manufacturing	293	6	2.80%	218	7	1.92%
Hopkins County	245	7	2.34%	160	9	1.40%
Signature Solar	204	8	1.95%			
City of Sulphur Springs	182	9	1.74%	150	10	1.32%
D6 Inc	162	10	1.55%			
Flowserve Inc.				200	8	1.76%
Owen Sausage				242	6	2.13%
Total	3,761		35.98%	3,131		27.54%

Source: Texas Workforce Commission

CITY OF SULPHUR SPRINGS

Full-Time Equivalent City Government Employees by Function

Last Ten Fiscal Years

	2014	2015	2016	2017	2018
FUNCTION					
General Government	24	21	20	21	21
Public Safety:					
Police:					
Officers	30	29	29	28	28
Civilians	8	9	9	9	12
Fire	22	22	22	21	21
Highways and Streets	13	25	24	18	19
Culture & Recreation:					
Parks and Recreation	7	6	7	8	8
Libraries	5	4	4	4	4
Water	21	21	21	22	22
Sewer	9	9	9	9	8
Total	139	146	145	140	143

Source: Finance Department

2019	2020	2021	2022	2023
20	16	18	17	16
28	28	28	29	29
11	13	10	10	10
22	22	22	22	22
17	18	12	17	17
8	12	12	10	11
6	4	4	4	4
24	24	26	25	24
8	8	9	9	9
144	145	141	143	142

CITY OF SULPHUR SPRINGS
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year				
	2014	2015	2016	2017	2018
FUNCTION					
Police					
Physical Arrests	1,045	944	893	743	912
Accidents	357	357	468	438	436
Citations	7,794	7,633	6,568	6,773	6,691
Fire					
Number of Calls Answered	1,354	1,455	1,505	1,561	2,204
Inspections	622	661	752	632	745
Highways & Streets					
Street Reconstruction (miles)	0.55	0.84	0.82	1.97	0.14
Street Resurfacing (miles)	-	-	3.44	0.86	1.60
Sanitation					
Refuse Collected (yd3/year)	131,483	118,966	118,487	124,287	118,827
Water					
New Connections	54	20	53	39	42
Water Main Breaks	352	220	135	127	133
Average Daily Consumption (thousands of gallons)	3,864	4,136	3,822	6,059	3,980
Miles of Water Lines Replaced	0.45	3.13	1.21	0.98	-
Wastewater					
Average Daily Consumption (thousands of gallons)	2,730	2,900	2,840	2,910	2,790
Miles of Sewer Lines Replaced	0.43	0.49	1.03	1.31	1.05

Sources: Various Government Departments

2019	2020	2021	2022	2023
952	639	508	536	563
451	454	462	427	347
6,309	5,664	6,063	6,370	6,015
2,305	2,168	2,855	2,923	3,066
581	222	245	275	269
2.30	1.66	2.39	2.46	1.07
1.52	4.25	1.91	2.21	0.91
132,695	144,632	140,461	162,764	166,494
46	46	41	73	43
121	117	113	189	146
4,235	4,713	4,457	4,700	4,483
0.71	0.71	0.32	0.37	0.83
3,520	3,400	3,320	3,820	3,350
0.97	0.67	1.02	0.36	0.83

CITY OF SULPHUR SPRINGS
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year				
	2014	2015	2016	2017	2018
FUNCTION					
Public Safety					
Police:					
Stations	1	1	1	1	1
Patrol Units	10	10	10	8	7
Fire Stations	2	2	2	2	2
Highway & Streets					
Streets (miles)	85	85	85	92	92
Culture & Recreation					
Parks Acreage	89	89	89	89	89
Parks	3	3	3	3	3
Swimming Pools	-	-	-	-	-
Tennis Courts	2	2	2	2	2
Water					
Water Mains (miles)	145	145	145	148	148
Fire Hydrants	875	875	875	943	943
Maximum Daily Capacity (thousands of gallons)	10,000	10,000	10,000	10,000	10,000
Sewer					
Sanitary Sewers (miles)	136	136	136	136	143
Maximum Daily Treatment Capacity (thousands of gallons)	5,400	5,400	5,400	5,400	5,400

Sources: Various City Departments

Note: No capital asset indicators are available for the general government function

2019	2020	2021	2022	2023
1 8 2	1 9 2	1 9 2	1 9 2	1 9 2
92	92	92	97	97
89 3 - 2	89 3 - 2	89 3 - 2	89 3 - 2	89 3 - 2
149 943 10,000	149 943 10,000	149 943 10,000	155 943 10,000	155 943 10,000
144 5,400	144 5,490	145 5,490	144 5,490	144 5,490

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

SPECIMEN

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

SPECIMEN

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Financial Advisory Services
Provided By: