

OFFICIAL STATEMENT**Dated: August 4, 2025**

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

The City will not designate the Certificates as "Qualified Tax-Exempt Obligations"

\$8,660,000

**CITY OF HEWITT, TEXAS
(MCLENNAN COUNTY)**

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025**Dated Date: August 1, 2025****Due: July 1, as shown on page ii**

The City of Hewitt, Texas (the "City" or the "Issuer") \$8,660,000 Combination Tax and Revenue Certificates of Obligation, Series 2025 (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, on August 4, 2025, 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 (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues derived from the operation of the City's combined Waterworks and Sewer System (the "System"), as provided in the Ordinance. (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from August 1, 2025 (the "Dated Date") as shown above and will be payable on January 1, 2026 and on each July 1 and January 1 thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (i) constructing, acquiring, equipping, and installing additions, extensions and improvements to the System and acquisition of land and necessary rights-of-way therefor; (ii) constructing, reconstructing and improving streets, roads, and sidewalks, including related drainage, utility relocation, signalization, landscaping, lighting and signage; (iii) acquiring, constructing, renovating, improving and equipping administrative offices for the City; (iv) legal, fiscal and engineering fees in connection with such projects and (v) paying costs associated with the issuance of the Certificates. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

Concurrently with the sale of the Certificates, the City is issuing \$7,115,000 General Obligation Refunding Bonds, Series 2025 (the "Bonds"), each pursuant to a separate offering document. The Certificates and the Bonds constitute direct obligations of the City payable from and secured by the City's ad valorem taxes and, with regards to the Certificates, a lien on and pledge (not to exceed \$1,000) of the surplus net revenues of the City's waterworks and sewer system, as provided in the Ordinance.

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 underwriters named below (the "Underwriters") 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.) Certain matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Dallas, Texas. It is expected that the Certificates will be available for delivery through the facilities of DTC on or about August 27, 2025.

BOK Financial Securities, Inc.**FHN Financial Capital Markets**

\$8,660,000
CITY OF HEWITT, TEXAS
(McLennan County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2025

STATED MATURITY SCHEDULE

(Due July 1)
Base CUSIP – 428230^(a)

Stated Maturity July 1	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix ^(a)
2026	\$ 215,000	5.000	2.660	WM4
2027	275,000	5.000	2.680	WN2
2028	290,000	5.000	2.710	WP7
2029	305,000	5.000	2.740	WQ5
2030	320,000	5.000	2.870	WR3
2031	335,000	5.000	3.080	WS1
2032	350,000	5.000	3.240	WT9
2033	370,000	5.000	3.420	WU6
2034	390,000	5.000	3.590	WV4
2035	410,000	5.000	3.800 ^(b)	WW2
2036	430,000	5.000	3.980 ^(b)	WX0
2037	450,000	5.000	4.140 ^(b)	WY8
2038	475,000	5.000	4.290 ^(b)	WZ5
2039	495,000	5.000	4.400 ^(b)	XA9
2040	520,000	5.000	4.510 ^(b)	XB7
2041	545,000	5.250	4.590 ^(b)	XC5
2042	575,000	5.250	4.700 ^(b)	XD3
2043	605,000	5.250	4.790 ^(b)	XE1
2044	635,000	5.250	4.870 ^(b)	XF8
2045	670,000	5.250	4.930 ^(b)	XG6

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after July 1, 2035, on July 1, 2034, 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 as further described herein. (See “THE CERTIFICATES - Redemption Provisions” herein.)

^(a) CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2025 CUSIP Global Services. All rights reserved. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. None of the City, the Underwriters, or their agents or counsel are responsible for the selection or correctness of the CUSIP numbers set forth herein.

^(b) Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on July 1, 2034 the first optional call date for the Certificates, at a redemption of par plus accrued interest to the date of redemption.

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

ELECTED OFFICIALS

<u>Name</u>	<u>Position</u>	<u>On Council Since</u>	<u>Term Expires</u>
Steve Fortenberry	Mayor	2016	May 2026
Dr. Erica Bruce	Mayor Pro Tem	2018	May 2027
Michael Bancale	Council Member	2019	May 2027
Brad Turner	Council Member	2023	May 2027
Johnny Stephens	Council Member	2022	May 2026
Bob Potter	Council Member	2020	May 2027
Vacant	Council Member		

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Years of Municipal Experience</u>
Everett "Bo" Thomas, ICMA-CM	City Manager	36 Years
James Devlin, ILEA-SEL	Assistant City Manager	29 Years
Lee H. Garcia, CPA/CGFO	Finance Director	32 Years
Lydia Lopez, TMRC/CMC	City Secretary	38 Years
Jessica Higgins, MSHRM, SHRM-CP	Human Resources	11 Years
John McGrath, MSCJ	Police Chief	33 Years
Jonathan Christian, CFE, FSCEO	Fire Chief	23 Years
Matthew Glaser, MSIS	Library Director	6 Years
Tracy Lankford	Community Development Director	30 Years
Scott Coleman, CPWP-M	General Services Director	27 Years
Kevin Reinke	Utilities Director	28 Years

CONSULTANTS AND ADVISORS

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

For Additional Information Please Contact:

Mr. Everett "Bo" Thomas City Manager Ms. Lee Garcia Director of Finance City of Hewitt 200 Patriot Court Hewitt, Texas 76643 254-666-6171 bthomas@cityofhewitt.com financedirector@cityofhewitt.com	Mr. Andrew Friedman Senior Managing Director Mr. Mark McLiney Senior Managing Director SAMCO Capital Markets, Inc. 1020 NE Loop 410, Suite 640 San Antonio, Texas 78209 210-832-9760 afriedman@samcocapital.com mmcliney@samcocapital.com
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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, ITS FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKE 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, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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.

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

TABLE OF CONTENTS

INTRODUCTORY STATEMENT.....	1	CITY APPLICATION OF THE PROPERTY TAX CODE.....	16
THE CERTIFICATES	1	ADDITIONAL TAX COLLECTIONS	17
REGISTRATION, TRANSFER AND EXCHANGE	6	TAX MATTERS.....	17
BOOK-ENTRY-ONLY SYSTEM.....	7	CONTINUING DISCLOSURE OF INFORMATION	19
INVESTMENT AUTHORITY AND INVESTMENT	9	OTHER PERTINENT INFORMATION.....	21
EMPLOYEE PENSION AND RETIREMENT PLAN	11		
AD VALOREM TAX PROCEDURES.....	11		

Financial Information of the Issuer

General Information Regarding City of Hewitt and McLennan County, Texas

Form of Legal Opinion of Bond Counsel

Excerpts from the City of Hewitt Audited Financial Statements for the Fiscal Year Ended September 30, 2024

Appendix A

Appendix B

Appendix C

Appendix D

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Hewitt, Texas (the “City” or the “Issuer”), located in McLennan County, Texas, is a political subdivision and home-rule city of the State of Texas and operates under a home rule charter which provides for a Council-Manager form of government with a City Council comprised of seven members, including the mayor. Council members are elected by place and at-large for two-year staggered terms. The City’s current estimated population is 16,665. (See “APPENDIX B - GENERAL INFORMATION REGARDING THE CITY OF HEWITT AND MCLENNAN COUNTY, TEXAS” herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and laws of the State of Texas (the “State”), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, an ordinance (the “Ordinance”) adopted by the City Council, on August 4, 2025, 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 (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues derived from the operation of the City’s combined Waterworks and Sewer System (the “System”), as provided in the Ordinance. (See “THE Certificates - Security for Payment” herein.)
Redemption Provision	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on and after July 1, 2035, on July 1, 2034 or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. (See “THE CERTIFICATES - Redemption Provisions” herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date of the initial delivery of the Certificates, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations. (See “TAX MATTERS” for a discussion of the Opinion of Bond Counsel and “APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL” herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used to pay all or a portion of the City’s contractual obligations incurred in connection with (i) constructing, acquiring, equipping, and installing additions, extensions and improvements to the System and acquisition of land and necessary rights-of-way therefor; (ii) constructing, reconstructing and improving streets, roads, and sidewalks, including related drainage, utility relocation, signalization, landscaping, lighting and signage; (iii) acquiring, constructing, renovating, improving and equipping administrative offices for the City; (iv) legal, fiscal and engineering fees in connection with such projects and (v) paying costs associated with the issuance of the Certificates. (See “THE CERTIFICATES - Use of Certificate Proceeds” herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See “Book-Entry-Only System” herein.)
Rating	S&P Global Ratings a division of Standard & Poor’s Financial Services LLC (“S&P”) has assigned a rating of “AA” to the Certificates. An explanation of the significance of such rating may be obtained from the rating agency. (See “OTHER PERTINENT INFORMATION - Rating” herein.)

Qualified Tax Exempt Obligations	The City will not designate the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions.
Concurrent Issues	Concurrently with the sale of the Certificates, the City is issuing \$7,115,000 General Obligation Refunding Bonds, Series 2025 (the "Bonds"), each pursuant to a separate offering document. The Certificates and the Bonds constitute direct obligations of the City payable from and secured by the City's ad valorem taxes and, with regards to the Certificates, a lien on and pledge (not to exceed \$1,000) of the surplus net revenues of the City's waterworks and sewer system, as provided in the Ordinance.
Payment Record	The City has never defaulted on the payment of its general obligation debt.
Delivery	When issued, anticipated on or about August 27, 2025.
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
\$8,660,000
CITY OF HEWITT, TEXAS
(A political subdivision of the State of Texas located in McLennan County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by City of Hewitt, Texas (the "City" or the "Issuer") of its \$8,660,000 Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas (the "State") and operates as a home-rule municipality under the statutes and the constitution of 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 of the City (the "City Council") on August 4, 2025 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 August 1, 2025 (the "Dated Date"). The Certificates are stated to mature on July 1 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on January 1, 2026, and on each July 1 and January 1 thereafter until maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Certificates, initially BOKF, NA, Dallas, Texas. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

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

Authority for Issuance

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

Security for Payment

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

Tax Rate Limitation

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

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

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (i) constructing, acquiring, equipping, and installing additions, extensions and improvements to the System and acquisition of land and necessary rights-of-way therefor; (ii) constructing, reconstructing and improving streets, roads, and sidewalks, including related drainage, utility relocation, signalization, landscaping, lighting and signage; (iii) acquiring, constructing, renovating, improving and equipping administrative offices for the City; (iv) legal, fiscal and engineering fees in connection with such projects and (v) paying costs associated with the issuance of the Certificates.

Sources and Uses of Funds

Sources of Funds

Par Amount	\$ 8,660,000.00
Accrued Interest on the Certificates	31,819.31
Reoffering Premium	<u>504,675.20</u>
Total Sources	<u>\$ 9,196,494.51</u>

Uses of Funds

Deposit to Project Fund	\$9,000,000.00
Cost of Issuance	115,000.00
Underwriters' Discount	46,325.47
Deposit to Interest & Sinking Fund (Interest and additional proceeds)	<u>35,169.04</u>
Total Uses	<u>\$ 9,196,494.51</u>

Redemption Provisions

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after July 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on July 1, 2034, 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 owners 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.

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

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 of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Payment Record

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

Legality

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

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or owners of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce

would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

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

Record Date

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

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

Future Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Certificates issued in an exchange or transfer of

Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer or Exchange of Certificates

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

Replacement Certificates

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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 City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 City, 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 Underwriters of the Certificates.

Use of Certain Terms in Other Sections of this Official Statement

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

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

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

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

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

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

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

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

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

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

Current Investments

As of May 31, 2025 (unaudited), the City's investable funds were invested in the investment categories / percentage shown below:

<u>Investment Description</u>	<u>Total Invested</u>	<u>Percent of Portfolio</u>
Depository Cash Accounts (Independent Bank)	\$24,835,199	64.2%
Cash on Hand	2,520	0.0%
Money Market Bank Accounts	925,151	2.4%
TexPool	199,331	.5%
Certificates of Deposit	<u>12,743,369</u>	<u>32.9%</u>
Total	<u>\$38,705,570</u>	<u>100.00%</u>

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

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the McLennan Central 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.

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2025 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "Appraisal Cap"). After the 2025 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. The Appraisal Cap took effect on January 1, 2025. For the 2025 tax year, the Maximum Property Value was increased to \$5,160,000.

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. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027. 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. House Bill 9 approved by the 89th Texas Legislature, increases exemption for tangible personal property used in the “production of income” from the current \$2,500 to \$125,000. This legislation is effective September 1, 2025, but is contingent on the passage of a Constitutional amendment at the November 2025 State-wide Constitutional election.

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.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The Texas legislature amended Section 11.35 of the Tax Code to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

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.

“foregone revenue amount” means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit’s current total value in the applicable preceding tax year.

“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).

“preceding total value” means a taxing unit’s current total value in the applicable preceding tax year.

“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 greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 foregone revenue amount, the 2023 foregone revenue amount, and 2025 foregone revenue amount divided by the current total value. “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 posted notice prominently on the appraisal district's website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city's website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district's office. 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 in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "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.

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.

2025 Regular and Special Legislative Session

The regular session of the 89th Texas Legislature (the "2025 Legislative Session") convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. 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 a special session to begin on July 21, 2025. The initial agenda for the special session includes the following items: (i) legislation to reduce the property tax burden on Texans and legislation to impose spending limits on entities authorized to impose property taxes, (ii) flood warning systems, (iii) flood emergency communications, (iv) relief funding for hill country floods, (v) natural disaster preparation and recovery, (vi) replacement of STAAR testing, (vii) protecting children from hemp-derived products, (viii) regulation of products derived from hemp, (ix) protecting unborn children, (x) banning taxpayer-funded lobbying, (xi) protecting victims of human trafficking, (xii) protecting police personnel records, (xiii) protecting women's privacy in sex-segregated spaces, (xiv) constitutional amendment allowing the Texas Attorney General to prosecute state election crimes, (xv) congressional redistricting, (xvi) title theft and deed fraud, (xvii) impact fees for builders who include water conservation and efficiency measures, (xviii) the operation and administration of the judicial branch of state government. The District can make no representations or predictions regarding the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time. The Governor may add additional items to the call at any time.

During the 2025 Legislative Session, the Legislature adopted a general appropriations act and legislation affecting ad valorem taxation procedures and the procedures for issuing debt affecting cities among other legislation affecting cities. Adopted legislation affecting ad valorem taxation procedures includes legislation that (i) changes the procedure for the adoption of and imposes limits on the amount of an M&O tax increase that may be adopted in response to declared disasters, (ii) makes technical modifications to the tax rate setting process, and (iii) makes intangible personal property exempt from ad valorem taxation. The City is reviewing the impact of the legislation approved during the 2025 Legislative Session and cannot make any representations regarding the full impact of the legislation approved during the 2025 Legislative Session at this time. Further, the City can make no representations or predictions regarding the ultimate scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

CITY APPLICATION OF THE PROPERTY TAX CODE

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

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

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

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

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

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

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

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

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

ADDITIONAL TAX COLLECTIONS

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

Municipal Sales Tax Collections

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

Optional Sales Tax

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

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

The City has not held an election regarding either Section 4A or 4B, Article 5190.6 of Vernon's Annotated Civil Statutes (now codified as Texas Local Government Code, Title 12, Subtitle C1, specifically Chapters 501, 504 and 505) for additional sales tax collections for economic development."

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) the Issuer's federal tax certificate, and (b) covenants of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the Issuer to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

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

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

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Certificates or the facilities financed or refinanced with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review

of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Certificateholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE

ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

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

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

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

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 Issuer will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in this Official Statement under "INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER - Current Investments" herein and the information in Tables 1, 2, 3, 4, 5A/B, 9, 11, 12, 13, 14, 15, 19, 20, 21, 22, 23 and 24 of Appendix A. The Issuer will update and provide this information within six (6) months after the end of each fiscal year ending in and after 2025.

The Issuer will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 2025. If the audit of such financial statements is not complete within 12 months

after any such fiscal year end, then the Issuer will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by Rule 15c2-12 (the "Rule") promulgated by the SEC.

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, the Issuer must provide updated financial information and operating data by the last day in March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the Issuer changes its fiscal year. 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 believes that it has complied in all material respects with its previous continuing disclosure agreements made by it 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.

Concurrent Debt Issuance

Concurrently with the issuance of the Certificates, the City is issuing \$7,115,000 General Obligation Refunding Bonds, Series 2025 (the "Bonds"), each pursuant to a separate offering document. The Certificates and the Bonds constitute direct obligations of the City payable from and secured by the City's ad valorem taxes and, with regards to the Certificates, a lien on and pledge (not to exceed \$1,000) of the surplus net revenues of the System, as provided in the Ordinance.

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

The City will furnish the Underwriters a complete transcript of proceedings relating to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. Though it represents the Financial Advisor and the Underwriters 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. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "THE CERTIFICATES" (excluding subcaptions "Payment Record", "Sources and Uses" and "Default and Remedies"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (excluding the subcaption "Compliance with Prior Agreements") and the subcaptions "Registration and Qualification of Certificates for Sale", "Legal Opinions" (excluding the last sentence of the first paragraph thereof) and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER PERTINENT INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The City expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Certificates from proceed of the sale of the Certificates. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Dallas, Texas, whose legal fee is contingent on the sale and delivery of the Certificates.

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

Rating

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

Financial Advisor

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

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

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City at a price of \$9,118,349.73 (representing the par amount of the Certificates of \$8,660,000., plus a reoffering premium of \$504,675.20, and less an Underwriters' discount of \$46,325.47), and accrued interest on the Certificates in the amount of \$31,819.31.

The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Certificates, if any of the Certificates are purchased. The Certificates may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Certificates into investment trusts) and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement pursuant to their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Certificates are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

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 statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original statutes, documents and ordinances in all respects.

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

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

CITY OF HEWITT, TEXAS

/s/ Steve Fortenberry
Mayor
City of Hewitt, Texas

ATTEST:

/s/ Lydia Lopez
City Secretary
City of Hewitt, 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

2025 Actual Certified Market Value of Taxable Property (100% of Market Value)	\$ 2,171,722,952
Less Exemptions:	
Homestead Exemption	\$ 218,079,631
Local Over 65 / Disabled Homestead Exemption	6,252,666
Veterans Exemptions	83,063,254
Productivity Loss	16,881,300
10% Cap Loss	58,397,680
Totally Exempt Property	116,257,879
	Total Exemptions <u>498,932,410</u>
2025 Certified Net Taxable Assessed Valuation	<u>\$ 1,672,790,542</u>

Source: McLennan Central Appraisal District and the Issuer

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Principal Outstanding (As of August 1, 2025)	
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2010 ^(b)	\$ 960,000
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2012	3,315,000
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2013	2,405,000
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2014	3,685,000
General Obligation Refunding Bonds, Series 2015	3,730,000
Combination Tax & Surplus Revenue Certificates of Obligation, Series 2016	3,615,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2016B	2,125,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2017	3,315,000
Combination Tax & Revenue Certificates of Obligation, Series 2022	4,370,000
Combination Tax & Revenue Certificates of Obligation, Series 2023	5,555,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2024	<u>2,915,000</u>
Total Gross General Obligation Debt Outstanding:	\$ 35,990,000
Current Issue General Obligation Debt Principal	
Combination Tax & Revenue Certificates of Obligation, Series 2025 (the "Certificates")	\$ 8,660,000
General Obligation Refunding Bonds, Series 2025 (the "Bonds")	<u>7,115,000</u>
Total Gross General Obligation Debt Outstanding (Following the Issuance of the Certificates and the Bonds):	<u>\$ 51,765,000</u>
Less: Self-Supporting General Obligation Debt Principal^(a)	
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2010 (approx. 51.04% WS) ^(b)	\$ 490,000
Combination Tax & Ltd. Surplus Revenue Certificates of Obligation, Series 2012 (approx. 62.27% WS)	2,064,340
General Obligation Refunding Bonds, Series 2015 (100% WS)	3,730,000
Combination Tax & Surplus Revenue Certificates of Obligation, Series 2016 (100% WS)	3,615,000
Combination Tax & Revenue Certificates of Obligation, Series 2024 (100% WS)	2,915,000
The Certificates (66.69% WS)	5,775,000
The Bonds (89.24% WS)	<u>6,350,000</u>
Total Self-Supporting General Obligation Debt Principal	\$ 24,939,340
Total Net General Obligation Debt Outstanding (Following the Issuance of the Certificates and the Bonds):	<u>\$ 26,825,660</u>
Ratio of Gross General Obligation Debt Principal to 2025 Certified Net Taxable Assessed Valuation	3.09%
Ratio of Net General Obligation Debt Principal to 2025 Certified Net Taxable Assessed Valuation	1.60%
2025 Certified Net Taxable Assessed Valuation	\$ 1,672,790,542
Population: 2000 - 11,085; 2010 - 13,549; 2020 - 16,026 ; 2025 estimated population	16,665
Per Capita 2025 Certified Net Taxable Assessed Valuation -	\$ 100,377
Per Capita Gross General Obligation Debt Principal -	\$ 3,106
Per Capita Net General Obligation Debt Principal -	\$ 1,610

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

^(b) Excludes the refunded obligations.

Note: The City is selling its Bonds and Certificates concurrently.

Capital Lease

The City finances the acquisition of certain vehicles, heavy equipment, wireless water meters and computer equipment under noncancelable capital leases that expire over the next three years. Assets under capital leases at September 30, 2024 consisted of the following:

Annual debt service requirements to maturity are as follows:

Year Ended September 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 320,296	\$ 24,226	\$ 94,682	\$ 1,769
2026	260,762	13,933	29,375	361
2027	<u>95,778</u>	<u>4,358</u>	<u>-</u>	<u>-</u>
	\$ 676,836	\$ 42,517	\$ 124,057	\$ 2,130

CURRENT INVESTMENTS

(As of May 31, 2025)

<u>Investment Vehicle Description</u>	<u>Total Invested</u>	<u>Percentage of Portfolio</u>
Depository Cash Accounts (Independent Bank)	\$ 24,835,199	64.16%
Money Market Bank Accounts	2,520	0.01%
TexPool Accounts	925,151	2.39%
Cash on Hand	199,331	0.51%
Certificates of Deposit	<u>12,743,369</u>	<u>32.92%</u>
	<u>\$ 38,705,570</u>	<u>100.00%</u>

Source: Information provided by the Issuer.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS													TABLE 4		
Fiscal Year 30-Sep	Currently		Less:		The Bonds				The Certificates			Less: Self-Supporting		Net General Obligation	
	Outstanding	Refunded	Principal	Interest	Principal	Interest	Total	Principal	Interest	Total	Debt Service ^(a)	Debt ^(b)	Debt Service ^(c)		
2025	\$ 4,778,845		-	-	-	-	-	-	-	-	\$ 4,778,845	\$ 2,168,223	\$ 2,610,622		
2026	4,755,268	\$ 347,350	\$ -	\$ 326,104	\$ -	\$ 403,860	\$ 326,104	\$ 215,000	\$ 403,860	\$ 618,860	5,352,882	2,623,937	2,728,945		
2027	4,767,243	347,350	-	355,750	355,750	429,825	355,750	275,000	429,825	704,825	5,480,468	2,631,199	2,849,268		
2028	4,765,824	857,350	470,000	355,750	355,750	416,075	825,750	290,000	416,075	706,075	5,440,299	2,602,071	2,838,227		
2029	4,681,268	851,850	490,000	332,250	332,250	401,575	822,250	305,000	401,575	706,575	5,358,243	2,605,727	2,752,516		
2030	4,689,730	855,350	520,000	307,750	307,750	386,325	827,750	320,000	386,325	706,325	5,368,455	2,618,270	2,750,186		
2031	4,400,730	557,350	245,000	281,750	281,750	370,325	526,750	335,000	370,325	705,325	5,075,455	2,602,931	2,472,524		
2032	4,406,568	554,663	255,000	269,500	269,500	353,575	524,500	350,000	353,575	703,575	5,079,980	2,605,415	2,474,565		
2033	3,892,011	1,211,538	925,000	256,750	256,750	336,075	1,181,750	370,000	336,075	706,075	4,568,299	2,298,750	2,269,549		
2034	3,893,230	1,212,888	970,000	210,500	210,500	317,575	1,180,500	390,000	317,575	707,575	4,568,418	2,296,219	2,272,199		
2035	3,405,449	1,217,213	1,025,000	162,000	162,000	298,075	1,187,000	410,000	298,075	708,075	4,083,311	2,300,669	1,782,643		
2036	2,991,843	1,219,288	1,080,000	110,750	110,750	277,575	1,190,750	430,000	277,575	707,575	3,670,880	1,886,081	1,784,799		
2037	2,776,795	1,224,113	1,135,000	56,750	56,750	256,075	1,191,750	450,000	256,075	706,075	3,450,508	1,881,431	1,569,076		
2038	1,541,719	-	-	-	-	233,575	708,575	475,000	233,575	708,575	2,250,294	688,331	1,561,963		
2039	1,018,406	-	-	-	-	209,825	704,825	495,000	209,825	704,825	1,723,231	691,031	1,032,200		
2040	1,016,106	-	-	-	-	185,075	705,075	520,000	185,075	705,075	1,721,181	692,581	1,028,600		
2041	1,016,881	-	-	-	-	159,075	704,075	545,000	159,075	704,075	1,720,956	687,931	1,033,025		
2042	1,011,294	-	-	-	-	130,463	705,463	575,000	130,463	705,463	1,716,756	686,431	1,030,325		
2043	669,531	-	-	-	-	100,275	705,275	605,000	100,275	705,275	1,374,806	693,681	681,125		
2044	223,869	-	-	-	-	68,513	703,513	635,000	68,513	703,513	927,381	689,019	238,363		
2045	-	-	-	-	-	35,175	705,175	670,000	35,175	705,175	705,175	463,100	242,075		
	\$ 60,702,608	\$ 10,456,300	\$ 7,115,000	\$ 3,025,604	\$ 3,025,604	\$ 5,368,910	\$ 14,028,910	\$ 8,660,000	\$ 5,368,910	\$ 14,028,910	\$ 74,415,822	\$ 36,413,030	\$ 37,760,717		

^(a) Includes self-supporting debt.

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

^(c) Excludes self-supporting debt.

* The City is selling its Bonds and Certificates concurrently.

TAX ADEQUACY (Includes Self-Supporting Debt)

2025 Certified Net Taxable Assessed Valuation
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2027)
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements

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

TABLE 5A

\$ 1,672,790,542
\$ 5,480,468
\$ 0.33431

TAX ADEQUACY (Excludes Self-Supporting Debt)

2025 Certified Net Taxable Assessed Valuation
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2027)
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements

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

TABLE 5B

\$ 1,672,790,542
\$ 2,849,268
\$ 0.17381

INTEREST AND SINKING FUND MANAGEMENT INDEX
TABLE 6

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2024 (audited).	\$ 1,045,343
2024 Interest and Sinking (I&S) Fund Tax Levy at 98% Collections Produces ^(a)	3,109,097
Total Available for Debt Service	<u>\$ 4,154,440</u>
Less: Net General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-25	<u>2,610,622</u> ^(b)
Estimated Interest & Sinking Fund Balance at Fiscal Year Ending 9-30-25	<u>\$ 1,543,817</u>

^(a) Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

^(b) Excludes self-supporting general obligation debt being paid from surplus revenues of the Waterworks and Sewer System.

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

Net System Revenues Available, Fiscal Year End September 30, 2024	\$ 3,909,564
Less: 2024 Annual Debt Service Requirements on Outstanding Revenue Bonds	-
Balance Available for Other Purposes	<u>\$ 3,909,564</u>
Estimated System General Obligation Debt for Fiscal Year Ended September 30, 2025	\$ 2,168,223
Percentage of System General Obligation Debt Self-Supporting	100%

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE
TABLE 8

Fiscal Year Ending 9/30	Principal Repayment Schedule					Bonds Unpaid at End of Year*	Percent of Principal Retired (%)
	Outstanding Principal	Less: The Refunded Obligations	The Bonds*	The Certificates*	Total*		
2026	\$ 3,115,000	-	-	\$ 215,000	\$ 3,330,000	\$ 48,435,000	6%
2027	3,240,000	-	-	275,000	3,515,000	44,920,000	13%
2028	3,355,000	\$ 510,000	\$ 470,000	290,000	3,605,000	41,315,000	20%
2029	3,395,000	530,000	490,000	305,000	3,660,000	37,655,000	27%
2030	3,530,000	560,000	520,000	320,000	3,810,000	33,845,000	35%
2031	3,375,000	290,000	245,000	335,000	3,665,000	30,180,000	42%
2032	3,505,000	300,000	255,000	350,000	3,810,000	26,370,000	49%
2033	3,120,000	970,000	925,000	370,000	3,445,000	22,925,000	56%
2034	3,240,000	1,015,000	970,000	390,000	3,585,000	19,340,000	63%
2035	2,875,000	1,065,000	1,025,000	410,000	3,245,000	16,095,000	69%
2036	2,570,000	1,115,000	1,080,000	430,000	2,965,000	13,130,000	75%
2037	2,455,000	1,170,000	1,135,000	450,000	2,870,000	10,260,000	80%
2038	1,320,000	-	-	475,000	1,795,000	8,465,000	84%
2039	845,000	-	-	495,000	1,340,000	7,125,000	86%
2040	875,000	-	-	520,000	1,395,000	5,730,000	89%
2041	910,000	-	-	545,000	1,455,000	4,275,000	92%
2042	940,000	-	-	575,000	1,515,000	2,760,000	95%
2043	635,000	-	-	605,000	1,240,000	1,520,000	97%
2044	215,000	-	-	635,000	850,000	670,000	99%
2045	-	-	-	670,000	670,000	-	100%
	<u>\$ 43,515,000</u>	<u>\$ 7,525,000</u>	<u>\$ 7,115,000</u>	<u>\$ 8,660,000</u>	<u>\$ 51,765,000</u>		

* The City is selling the Bonds and Certificates concurrently.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2016-2025
TABLE 9

Tax Roll Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2016-17	\$ 775,309,549	\$ 44,723,273	6.12%
2017-18	842,794,668	67,485,119	8.70%
2018-19	936,909,734	94,115,066	11.17%
2019-20	1,008,342,875	71,433,141	7.62%
2020-21	1,033,772,864	25,429,989	2.52%
2021-22	1,132,424,429	98,651,565	9.54%
2022-23	1,301,880,092	169,455,663	14.96%
2023-24	1,474,189,427	172,309,335	13.24%
2024-25	1,569,092,759	94,903,332	6.44%
2025-26	1,672,790,542	103,697,783	6.61%

Sources: The Municipal Advisory Council of Texas Website and the Issuer's Comprehensive Annual Financial Report

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

FUND BALANCES
TABLE 10

Cash and Investments Only	5/31/2025
General Operating Fund	\$ 3,303,474
General Fund-Unrestricted Funds	7,147,261
General Fund Debt Service	3,558,354
General Fund Street Reserve	6,684
General Fund - 90 Day Reserve	3,134,133
General Fund Capital Project Fund 15-2022 CO	2,341,667
General Fund Capital Project Fund 15-2023 CO	4,541,991
Utility Fund Operating	828,710
Utility Fund-Unrestricted Funds	5,015,975
Utility Fund Self-Supporting Debt Service	2,084,031
Utility Fund Equipment Reserve	194,339
Utility Fund - Water Service Deposits	577,102
Utility Fund - 90 Day Reserves	1,556,203
Hotel Fund	420,380
Drainage Fund	702,235
Utility Fund Capital Projects Fund 25	1,527,022
PEG Funds	550,592
ARPA/CLRF	1,009,645
Child Safety Fees	205,772
Total	\$ 38,705,570

HISTORICAL PROPERTY VALUATION AND TAX RATE, LEVY AND COLLECTIONS ^(a)
TABLE 11

Tax Roll Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections ^(b)		Fiscal Year Ended
				Current	Total	
2015	\$ 730,586,276	\$ 0.539677	\$ 3,944,267	98.98%	99.61%	9/30/2016
2016	775,309,549	0.539677	4,189,262	98.71%	99.30%	9/30/2017
2017	842,794,668	0.539677	4,426,900	99.34%	99.47%	9/30/2018
2018	936,909,734	0.539677	5,022,921	98.83%	99.34%	9/30/2019
2019	1,008,342,875	0.539677	5,411,325	99.22%	99.37%	9/30/2020
2020	1,033,772,864	0.547838	5,696,148	99.42%	99.92%	9/30/2021
2021	1,132,424,429	0.540102	6,060,596	99.55%	99.76%	9/30/2022
2022	1,301,880,092	0.540102	6,992,230	98.24%	98.63%	9/30/2023
2023	1,474,189,427	0.546736	8,046,694	98.28%	98.28%	9/30/2024
2024	1,569,092,759	0.539082	8,418,571	98.62%	98.91%	9/30/2025

^(a) See "AD VALOREM TAX PROCEDURES" in the body of the Official Statement for a complete discussion of the City's provisions with respect to such procedures.

^(b) Excludes penalties and interest.

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

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

TAX RATE DISTRIBUTION
TABLE 12

	2024-2025	2023-2024	2022-2023	2021-2022	2020-2021
General Fund	\$ 0.349426	\$ 0.332142	\$ 0.331618	\$ 0.347103	\$ 0.327866
I & S Fund	0.189656	0.214594	0.208484	0.192999	0.219972
TOTAL	\$ 0.539082	\$ 0.546736	\$ 0.540102	\$ 0.540102	\$ 0.547838

Sources: Texas Municipal Reports and the Issuer

CLASSIFICATION OF ASSESSED VALUATION
TABLE 13

<u>Category</u>	<u>2025</u>	<u>% of Total</u>	<u>2024</u>	<u>% of Total</u>	<u>2023</u>	<u>% of Total</u>
Real, Residential, Single-Family	\$ 1,450,253,609	66.78%	\$ 1,511,247,951	71.02%	\$ 1,430,317,534	70.82%
Real, Residential, Multi-Family	164,312,172	7.57%	164,576,280	7.73%	166,654,406	8.25%
Real, Vacant Lots/Tracts	31,065,820	1.43%	31,930,543	1.50%	20,601,710	1.02%
Real, Acreage (Land Only)	16,999,177	0.78%	18,471,168	0.87%	16,490,551	0.82%
Farm & Ranch Improvements	1,277,639	0.06%	1,585,655	0.07%	2,576,563	0.13%
Real, Commercial	233,326,483	10.74%	214,962,490	10.10%	199,509,740	9.88%
Real, Industrial	49,286,300	2.27%	7,067,190	0.33%	4,207,150	0.21%
Real & Tangible, Personal Utilities	22,555,790	1.04%	17,466,900	0.82%	15,175,030	0.75%
Tangible Personal, Commercial	67,831,397	3.12%	60,960,357	2.86%	65,612,840	3.25%
Tangible Personal, Industrial	1,533,770	0.07%	1,926,680	0.09%	1,764,410	0.09%
Tangible Personal, Mobil Homes	329,360	0.02%	284,900	0.01%	236,490	0.01%
Residential / Special Inventory	11,200,850	0.52%	11,893,330	0.56%	13,677,600	0.68%
Totally Exempt Property	<u>121,750,585</u>	<u>5.61%</u>	<u>85,497,938</u>	<u>4.02%</u>	<u>82,777,015</u>	<u>4.10%</u>
Total Appraised Value	\$ 2,171,722,952	100.00%	\$ 2,127,871,382	100.00%	\$ 2,019,601,039	100.00%

Less Exemptions:

Homestead	\$ 218,079,631	\$ 230,527,956	\$ 214,553,524
Local, Option Over-65 / Disabled	6,252,666	6,223,595	6,011,333
Veterans Exemptions	83,063,254	74,022,239	62,359,792
Productivity Value Loss	16,881,300	18,330,423	16,379,061
Value Cap (10%) and Other	58,397,680	145,242,649	162,824,326
Totally Exempt Property	<u>116,257,879</u>	<u>84,431,761</u>	<u>83,283,576</u>
Total Exemptions	<u>\$ 498,932,410</u>	<u>\$ 558,778,623</u>	<u>\$ 545,411,612</u>

Net Taxable Assessed Valuation	\$ 1,672,790,542	\$ 1,569,092,759	\$ 1,474,189,427
---------------------------------------	-------------------------	-------------------------	-------------------------

Source: McLennan County Appraisal District and the Issuer

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

PRINCIPAL TAXPAYERS
TABLE 14*

<u>Name</u>	<u>Type of Business/Property</u>	<u>% of Total 2024</u>	
		<u>2024 Net Taxable Assessed Valuation</u>	<u>Assessed Valuation</u>
The ICON At Hewitt Limited Partnership	Apartments	\$ 37,250,000	2.37%
Clark, Richard S.	Real Estate Investments	16,420,225	1.05%
318 Walker Place LLC	98 Leased Homes	12,736,833	0.81%
Mountain Waco LLC	Federal Express	12,237,430	0.78%
Wal-Mart Real Estate Business Trust	Real Estate Investments	11,700,000	0.75%
Atwoods Distributing LP	Farm and Ranch Supply	10,624,470	0.68%
Goyne Brookside LLC	Brookside Apartments	9,840,000	0.63%
Oncor Electric Delivery Co LLC	Electric Utility	9,045,120	0.58%
Northwood II Shreveport LLC	Majestic Duplexes	8,017,989	0.51%
Lindstrom Family Restate Trust	Real Estate Investments	7,270,009	0.46%
		<u>\$ 135,142,076</u>	<u>8.61%</u>

Based on 2024 Net Taxable Assessed Valuation of \$1,569,092,759.

Source: McLennan County Appraisal District

* Tax Year 2025 Principal Taxpayers not available at time of publishing.

MUNICIPAL SALES TAX COLLECTIONS^(a)
TABLE 15

<u>Fiscal Year</u>	<u>1 ½% Tax Collections</u>	<u>1/2% Pledged to Lower Property Tax Rate</u>	<u>Percent of Ad Valorem Tax Levy</u>	<u>Equivalent Ad Valorem Tax Rate</u>
2015	1,644,251	548,084	14.43%	0.077893
2016	1,835,797	611,932	15.51%	0.083728
2017	1,771,328	590,443	14.09%	0.076063
2018	2,444,568	814,856	18.40%	0.099276
2019	2,589,155	863,052	17.18%	0.092729
2020	2,999,734	999,911	18.48%	0.099722
2021	3,242,151	1,080,717	18.85%	0.103251
2022	4,081,086	1,360,362	22.45%	0.121231
2023	4,410,788	1,470,263	21.03%	0.113568
2024	4,791,759	1,597,253	19.85%	0.108526
2025*	3,771,120	1,257,040	13.15%	0.070903

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

Source: The City of Hewitt, Texas.

* As of July 2025.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES
TABLE 16

<u>Governmental Entity</u>	<u>2024 Net Taxable Assessed Valuation</u>	<u>% of Actual</u>	<u>2024 Tax Rate</u>
Lorena Independent School District	\$ 939,191,960	100%	\$ 0.918450
McLennan County	29,381,573,251	100%	0.319805
McLennan County JCD	30,712,564,299	100%	0.131974
Midway Independent School District (McLennan)	8,175,795,854	100%	0.936900

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

OVERLAPPING DEBT DATA AND INFORMATION
TABLE 17
(As of August 1, 2025)

<u>Taxing Body</u>	<u>Gross Debt</u> <u>Principal</u>	<u>%</u> <u>Overlapping</u>	<u>Amount</u> <u>Overlapping</u>
Lorena Independent School District	\$ 21,026,510	5.60%	\$ 1,177,485
McLennan County	108,375,000	4.87%	5,277,863
McLennan County JCD	38,150,000	4.87%	1,857,905
Midway Independent School District (McLennan)	149,450,000	16.76%	25,047,820
Total Gross Overlapping Debt	\$ 317,001,510		\$ 33,361,072
City of Hewitt	\$ 51,765,000 ^(a)	100.00%	51,765,000 ^(a)
Total Gross Direct and Overlapping Debt Principal			\$ 85,126,072 ^(a)
Ratio of Gross Direct and Overlapping Debt to 2025 Net Taxable Assessed Valuation			5.09% ^(a)
Ratio of Gross Direct and Overlapping Debt to 2025 Actual Value			3.92% ^(a)
Per Capita Gross Direct and Overlapping Debt			\$ 5,108 ^(a)

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

The Issuer's Net General Obligation Debt Principal is

26,825,660 ^(b)

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

Total Net Direct and Overlapping Debt Principal	\$ 60,186,732 ^(b)
Ratio of Net Direct and Overlapping Debt Principal to 2025 Net Taxable Assessed Valuation	3.60% ^(b)
Ratio of Net Direct and Overlapping Debt Principal to 2025 Actual Value	2.77% ^(b)
Per Capita Net Direct and Overlapping Debt	\$ 3,612 ^(b)

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

^(b) Excludes self-supporting debt.

(See "TABLE 2 - GENERAL OBLIGATION BONDED DEBT" herein.)

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

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

<u>Taxing Body</u>	<u>Date</u> <u>Authorized</u>
Lorena Independent School District	None
McLennan County	None
McLennan County JCD	None
Midway Independent School District (McLennan)	None
City of Hewitt	None

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

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

TABLE 19

	Fiscal Year Ended September 30				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues					
Property Taxes	\$ 7,948,178	\$ 6,927,796	\$ 6,081,718	\$ 5,730,073	\$ 5,425,572
Municipal Sales Taxes	4,816,835	4,377,727	4,081,086	3,354,015	3,035,165
Franchise Taxes	936,907	952,332	934,549	893,176	946,835
Intergovernmental	564,354	455,052	266,063	216,200	1,064,728
Licenses and Permits	136,525	254,700	242,394	218,267	142,407
Fines and Fees	166,889	122,365	189,650	167,776	109,284
Interest Income	744,156	487,231	65,819	53,026	92,999
Miscellaneous	<u>97,960</u>	<u>108,863</u>	<u>121,900</u>	<u>100,929</u>	<u>68,201</u>
Total Revenues	\$ 15,411,804	\$ 13,686,066	\$ 11,983,179	\$ 10,733,462	\$ 10,885,191
Expenditures					
General Government	\$ 2,022,841	\$ 1,860,021	\$ 1,517,980	\$ 1,380,706	\$ 1,352,999
Public Safety	7,142,324	6,465,860	5,766,146	5,278,246	4,978,027
Community Services	1,163,535	1,175,774	955,793	759,418	557,777
Culture and Recreation	882,747	866,270	685,395	731,870	707,358
Capital Outlay	524,146	472,618	236,058	266,855	312,484
Debt Service	<u>3,147,703</u>	<u>2,686,843</u>	<u>2,223,600</u>	<u>2,223,182</u>	<u>2,229,281</u>
Total Expenditures	\$ 14,883,296	\$ 13,527,386	\$ 11,384,972	\$ 10,640,277	\$ 10,137,926
Other Financing Sources (Uses):					
Transfers In	\$ 1,000,000	\$ 955,000	\$ 955,000	\$ 955,000	\$ 955,000
Transfers Out	-	-	-	-	-
Sale of Capital Assets	25,660	-	31,903	138,025	-
Issuance of financing arrangements	275,000	315,000	234,624	268,485	277,996
Bond Issuance	-	-	-	-	-
Premium on Debt Issue	-	-	-	-	-
Payments to Escrow	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	\$ 1,300,660	\$ 1,270,000	\$ 1,221,527	\$ 1,361,510	\$ 1,232,996
Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other Uses	1,829,168	1,428,680	1,819,734	1,454,695	1,980,261
Fund Balance - Beginning of Year	11,387,542	9,958,862	8,139,128	7,189,289	\$ 5,209,028
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(504,856)</u>	<u>-</u>
Fund Balance - September 30	<u>\$ 13,216,710</u>	<u>\$ 11,387,542</u>	<u>\$ 9,958,862</u>	<u>\$ 8,139,128</u>	<u>\$ 7,189,289</u>

The anticipated General Fund balance for September 30, 2025 is \$11,347,225.

Note: Drawdown of the General Fund balance is due to a one-time capital expenditure.

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

	Fiscal Year Ended September 30				
	2024	2023	2022	2021	2020
Revenues:					
Water & Sewer Sales/Charges	\$ 7,870,014	\$ 7,897,110	\$ 7,603,664	\$ 6,718,424	\$ 6,718,424
Other	319,455	318,499	334,901	303,455	199,066
Interest Earnings	521,796	359,326	44,653	53,541	139,772
Total Revenues	<u>\$ 8,711,265</u>	<u>\$ 8,574,935</u>	<u>\$ 7,983,218</u>	<u>\$ 7,075,420</u>	<u>\$ 7,057,262</u>
Expenses:					
Cost of Water & Sewer Sales/Services	\$ 2,778,442	\$ 2,676,680	\$ 2,338,372	\$ 2,172,757	\$ 2,030,350
Other	2,023,259	1,652,979	1,510,425	1,324,314	1,242,055
Total Expenses	<u>\$ 4,801,701</u>	<u>\$ 4,329,659</u>	<u>\$ 3,848,797</u>	<u>\$ 3,497,071</u>	<u>\$ 3,272,405</u>
Net Available for Debt Service	<u>\$ 3,909,564</u>	<u>\$ 4,245,276</u>	<u>\$ 4,134,421</u>	<u>\$ 3,578,349</u>	<u>\$ 3,784,857</u>
Annual Revenue Bond Debt Service Requirements	\$0	\$0	\$0	\$0	\$0
Revenue Debt Service Coverage	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Annual Debt Service Requirement for all Debt Designated to be Paid from System Revenues	<u>\$ 1,983,879</u>	<u>\$ 1,977,722</u>	<u>\$ 1,969,577</u>	<u>\$ 2,180,087</u>	<u>\$ 2,223,529</u>
Debt Service Coverage on all Debt Designated to be Paid from System Revenues	<u>1.97X</u>	<u>2.15X</u>	<u>2.10X</u>	<u>1.64X</u>	<u>1.65X</u>
Customer Count					
Water	6,774	6,746	6,665	6,455	6,324
Sewer	6,677	6,640	6,567	6,382	6,279

Source: The Issuer's Annual Comprehensive Financial Report and City Officials.

WATER RATES**TABLE 21***(Based on Monthly Billing)*

Existing Rates
Effective December 1, 2024

Usage	Rate Per
<u>5/8" Line Service</u>	<u>1,000 Gallons</u>
First 3,000 Gallons	\$ 34.00
3,001-7,000 Gallons	5.55
7,001-12,000 Gallons	6.20
12,000+ Gallons	6.65
 <i>For All Other Sized Lines</i>	
<u>First 3,000 Gallons</u>	
1 1/2 Inch Service	214.25
2 Inch Service	214.25
3 Inch Service	428.00
4 Inch Service	428.00
6 Inch Service	642.00
Consumption Rate	6.65

PRINCIPAL WATER CUSTOMERS 2023-24**TABLE 22**

<u>Name of Customer</u>	<u>Average Monthly Consumption Gallons</u>	<u>Average Monthly Bill</u>
Midway Independent School District	\$ 1,080,450	\$ 9,782
The Icon Apartments	690,275	5,524
Brookside Apartments	643,833	5,932
HMB Park Manor of Hewitt, LLC	362,300	2,693
Washtub Hewitt	237,867	1,704
Dauntless Car Wash	227,958	1,639
CBOCS Texas, LLC	204,083	1,553
Rolling Meadows Enid, LLC	185,133	1,903
Mark and Elizabeth Bowles	182,342	1,962
Reserve at Dry Creek	170,833	1,874
Total	\$ 3,985,074	\$ 34,566

SEWER RATES**TABLE 23***(Based on Monthly Billing)*

Existing Rates
Effective December 1, 2024

<u>Usage</u>	<u>Rate</u>
<u>Residential, Commercial & Builders</u>	
First 5,000 Gallons	\$ 31.00 (Minimum)
Volume Rate	5.25 /m gallons
 <u>Commercial & Builders</u>	
First 10,000 Gallons	\$ 68.25 /m gallons
Volume Rate	5.45 /m gallons

PRINCIPAL SEWER CUSTOMERS 2023-24**TABLE 24**

<u>Name of Customer</u>	<u>Average Monthly Consumption Gallons</u>	<u>Average Monthly Bill</u>
The Icon Apartments	690,275	4,926
Brookside Apartments	589,925	3,665
Midway ISD	536,092	1,530
HMG Park Manor of Hewitt, LLC	317,392	1,603
Washtub Hewitt	237,867	1,207
Dauntless Car Wash	227,958	1,156
CBOCS Texas LLC	204,083	1,036
Mark & Elizabeth Bowles	182,342	2,858
DMA Development Co, LLC	170,833	1,494
7-Eleven Inc	158,717	805
Total	3,315,484	\$ 20,280

Source: City of Hewitt

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APPENDIX B

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

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

General:

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

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

Population Trends:

<u>Census Report</u>	<u>City of Hewitt</u>	<u>McLennan County</u>
2025	16,665	273,425
2020	16,026	260,579
2010	13,549	234,906
2000	11,085	213,517
1990	8,983	189,123
1980	5,247	170,755

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

Top Employers in the City of Hewitt:

<u>Employer</u>	<u>Product or Type of Business</u>	<u>Number of Employees</u>
Midway Independent School District	Public Education	1,500
Walmart	Retail	265
Metals 2 Go (Formerly Davis Iron Works)	Steel Fabrication	124
City of Hewitt	Municipal Government	118
Sturdisteel	Steel Fabrication	109
Hewitt Nursing and Rehabilitation	Medical	107
Cracker Barrel	Restaurant	66
Stoney Brook	Senior Living	47
Rosa's Café	Restaurant	40
Atwoods	Retail	31

Source: The Issuer's 2024 Annual Comprehensive Financial Report (Statistical Section)

Labor Force Statistics:

	<u>McLennan County</u>		<u>Waco MSA</u>	
	<u>April 2025</u>	<u>April 2024</u>	<u>April 2025</u>	<u>April 2024</u>
Civilian Labor Force	134,772	130,579	150,092	145,517
Total Employed	130,290	126,397	145,076	140,812
Total Unemployed	4,482	4,182	5,016	4,705
% Unemployed	3.3%	3.2%	3.3%	3.2%
% Unemployed (Texas)	3.7%	3.6%		
% Unemployed (U.S.)	3.9%	3.5%		

Source: Texas Workforce Commission, Labor Market Information Department.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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PROPOSED FORM OF OPINION OF BOND COUNSEL

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

**CITY OF HEWITT, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2025
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$8,660,000**

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

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued, and delivered in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to sovereign immunity of political subdivisions, bankruptcy, reorganization and other similar matters affecting creditors’ rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues (not to exceed \$1,000) of the Issuer’s water and wastewater systems, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer’s revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer’s water and wastewater systems, as provided in the Ordinance.

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

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined



to be inaccurate or upon if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, 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,

APPENDIX D

**EXCERPTS FROM THE CITY OF HEWITT AUDITED FINANCIAL STATEMENTS FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2024**

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CITY OF HEWITT, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2024**

Prepared by:

Department of Finance

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CITY OF HEWITT, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2024

**Page
Number**

INTRODUCTORY SECTION

Letter of Transmittal	i – v
GFOA Certificate of Achievement	vi
Organizational Chart	vii
List of Elected and Appointed Officials	viii

FINANCIAL SECTION

Independent Auditor’s Report.....	1 – 3
Management’s Discussion and Analysis.....	4 – 9
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11 – 12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Fund	17
Statement of Revenues, Expenses, and Change in Fund Net Position – Proprietary Fund.....	18
Statement of Cash Flows – Proprietary Fund	19
Notes to the Financial Statements	20 – 37
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	38

Notes to Required Supplementary Information	39
Schedule of Changes in TMRS Net Pension Liability and Related Ratios.....	40 – 41
Schedule of TMRS Contributions	42 – 43
Schedule of Changes in Total OPEB Liability and Related Ratios Texas Municipal Retirement System – Supplemental Death Benefits Fund	44 – 45
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds.....	47
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Capital Projects	48
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Hotel/Motel Tax.....	49
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – PEG	50
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Child Safety Fee	51

Table

STATISTICAL SECTION

Net Position by Component.....	1	52 – 53
Changes in Net Position.....	2	54 – 57
Fund Balances of Governmental Funds	3	58 – 59
Changes in Fund Balances of Governmental Funds.....	4	60 – 61
Assessed Value and Estimated Actual Value of Taxable Property	5	62
Direct and Overlapping Property Tax Rates	6	63
Principal Property Taxpayers	7	64
Property Tax Levies and Collections	8	65
Principal Water Customers	9	66
Ratios of Outstanding Debt by Type	10	67 – 68
Ratios of General Bonded Debt Outstanding	11	69
Direct and Overlapping Governmental Activities Debt	12	70
Legal Debt Margin Information	13	71 – 72
Pledged Revenue Coverage	14	73
Demographic and Economic Statistics	15	74

Principal Employers.....	16	75 – 76
Fulltime Equivalent City Government Employees by Function/Program.....	17	77 – 78
Operating Indicators by Function/Program	18	79 – 80
Capital Asset Statistics by Function/Program.....	19	81 – 82

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INTRODUCTORY SECTION

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March 17, 2025

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

State law and the City Charter require that every municipality publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill those requirements for the fiscal year ending September 30, 2024.

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

Pattillo, Brown & Hill, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Hewitt's financial statements for the year ended September 30, 2024. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the government

The City of Hewitt originated in 1893 and was incorporated in 1960. It is located in the Heart of Texas Region in the central part of Texas just 2 hours south of Dallas and 2 hours north of Austin on Interstate 35. As the southern suburb of Waco, Hewitt enjoys being the second largest city in McLennan County with 7 square miles along I-35 and serving a population just under 17,000.

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

The City provides a full range of services, including police and fire protection, refuse collection, building inspections, licenses and permits, construction, and maintenance of

streets, water, wastewater, and stormwater infrastructure, library services, recreational and cultural activities. Residents enjoy affordable homes, quiet, safe neighborhoods, as well as exceptional school resources, and community spirit. The City also welcomes businesses.

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

Local Economy

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

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

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

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

In addition to the above referenced developments, Kirby Smith Machinery Inc. is building a new full service sales, leasing and repair location. Starbucks has opened in Commerce Park along with Basin Rock Climbing venue. Discount Tire has begun construction in Commerce Park next to Starbucks and HTeaO has opened a beverage retail outlet on Hewitt Drive.

In 2024 (tax roll year 2023), new property added to the tax roll at market value was \$54 million, \$44 million of which was taxable. This increase included \$43 million in new single-family homes and \$7.5 million in commercial property. Total certified taxable value increased from \$1.301 billion for fiscal year 2022-2023 to \$1.474 billion for fiscal year 2023-2024, an increase of \$173 million or 13.3%. The average market value of 3,553 residences is \$321,428 before exemptions and \$215,268 after exemptions. The value of a single-family home, according to permits issued in 2024, is \$378,273.

In addition to commercial development, Hewitt continues to experience solid growth in residential housing. Subdivisions like Moonlight Park and Sunflower Ridge offer several new home lots currently in various stages of development. The Icon at Hewitt offers 256 luxury one and two-bedroom units. Plus, the Reserve at Dry Creek provides 118 apartment units for residents 55 and over at an affordable monthly rate. Hewitt and the greater Waco area are expected to experience continual growth in population as well as taxable value. New single family developments have begun in Bullhide Estates with 158 single family units and a new multi family development, the 232 unit Platinum Estates.

Looking beyond 2024 there is much to look forward to in the greater Hewitt area. Land values are increasing, and people are moving to Hewitt. Just outside the city limits, several hundred residential lots are in development right now. While these will be Waco residents, they will drive on Hewitt streets, and go to local stores, and new jobs will be created in the immediate area.

This rapid growth will create new opportunities for intergovernmental projects, as evidenced by the reconstruction of Ritchie Road, which initially was a joint partnership between the City of Hewitt, the City of Waco, and McLennan County. This multi-million-dollar project exemplifies the spirit of cooperation and level of investment by local governmental units. On Ritchie Road, within the city of Hewitt, Midway ISD has added Park Hill Elementary, the 4th elementary school and 6th school within Hewitt city limits. In addition, the City is near completion of the Commerce Park Water Plant including an additional well, water storage, and plant to provide water for future growth.

Because of its location in a region with a varied economic base, unemployment has been relatively stable. The unemployment rate as of September 2024 was 3.4%. The median household income in the City of Hewitt is \$83,798, while the state's was \$76,292. The population has increased from 11,084 in 2000 to 16,897 in 2024. Due to the strong and healthy local economy, the City of Hewitt has received an increase in its credit rating from AA- to AA from Standard and Poor.

Long-term financial planning and major initiatives

Unrestricted fund balance in the General Fund at year-end is \$12,171,367 or 82% of total General Fund expenditures. This amount is more than the 90 day reserve of \$3,040,575 set by Council for budgetary and planning purposes (i.e. 90 days of General Fund budgeted expenditures, excluding debt service and capital outlay). The Council also approved a 90-day reserve for debt service of \$744,411. The balance available for General Fund debt service at year-end was \$1,045,343.

Unrestricted fund balance in the Utility Fund at year-end is \$1,508,881 or 17.3% of total Utility Fund expenses less depreciation. Actual 90-day reserve of \$1,512,602 is more than the 90-day reserve of \$1,511,968 set by Council for budgetary and planning purposes (i.e. 90 days of Utility Fund budgeted expenses, excluding debt service and capital outlay). The Council also approved a 90-day reserve for debt service of \$555,487. The balance available for Utility Fund debt service at year-end was \$1,024,149.

The City Council maintains an active five-year Capital Improvements Plan (CIP) which serves as its planning document to ensure that streets, parks, facilities, water, and wastewater infrastructure are well maintained and operating in peak condition. In addition, staff present their departmental Five-Year Strategic Plans, which is an important part of the CIP plan.

The CIP is used to identify needs and then prioritize projects based on staff recommendations and Council direction. A key component of this plan is to project cost estimates which are updated during the year and used during budget discussions and financial planning. The plan is intended to list projects that will maintain, update, and improve city facilities and infrastructure in a variety of areas; as well as, identify possible funding sources. As part of this process, the government identifies and quantifies the operational costs associated with its capital projects and budgets resources accordingly. Under the guidance of the City Council, this process gives the City of Hewitt the ability to plan for its capital needs and allocate short-and long-term resources appropriately.

Relevant financial policies

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

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hewitt, Texas, for its annual comprehensive financial report (ACFR) for the fiscal year ending September 30, 2023. This was the 21st consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable program requirements.

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

The City of Hewitt also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2023-2024. Hewitt has received this Award for 20 years. To qualify for the Distinguished Budget Presentation Award, the government's budget document has to be judged as proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

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

Respectfully submitted,



Everett "Bo" Thomas, ICMA-CM
City Manager



Lee H. Garcia, CPA, CGFO
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

City of Hewitt Texas

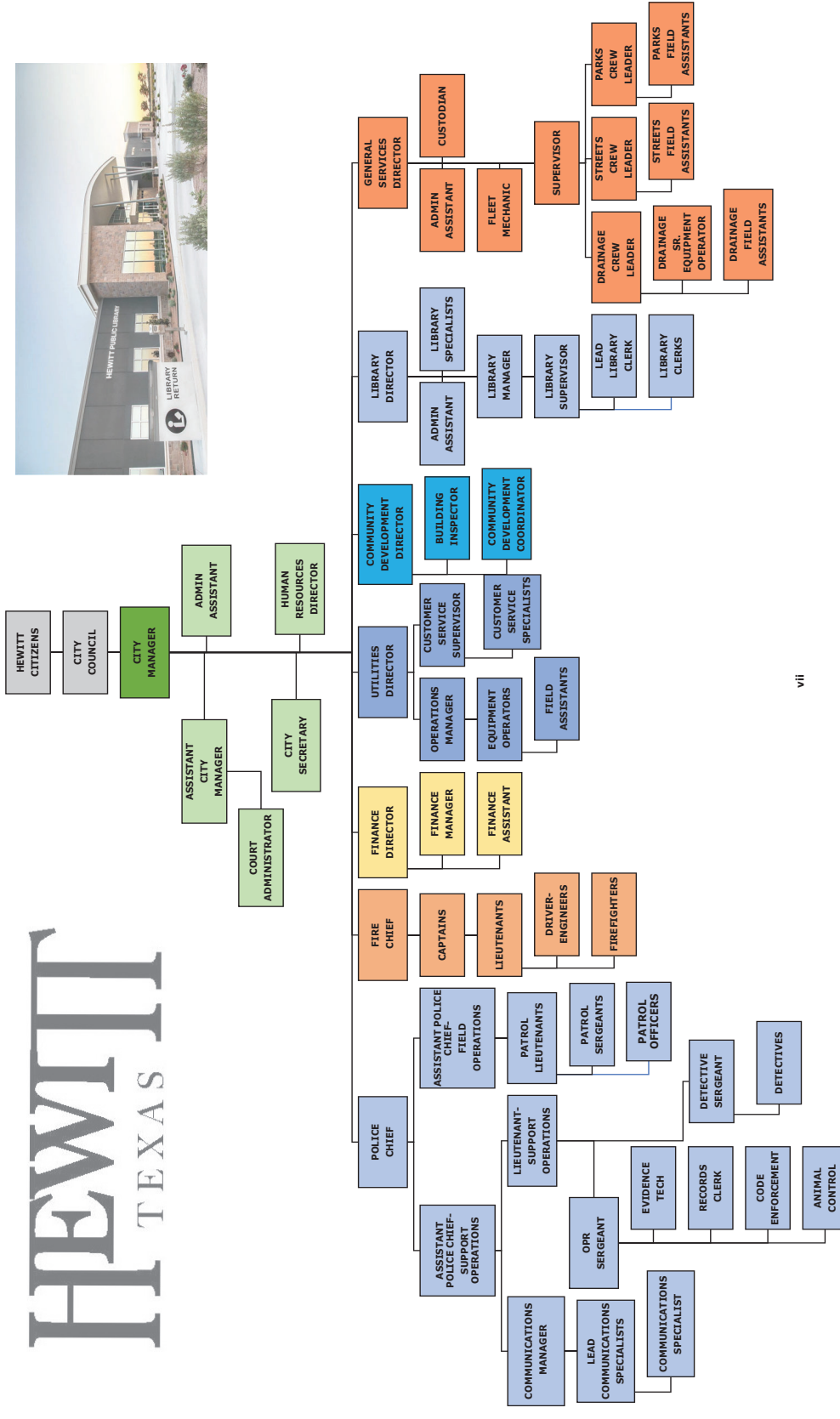
For its Annual Comprehensive Financial
Report
For the Fiscal Year Ended

September 30, 2023

Christopher P. Morill

Executive Director/CEO

HEWITT TEXAS



CITY OF HEWITT, TEXAS

LIST OF ELECTED AND APPOINTED OFFICIALS

SEPTEMBER 30, 2024

Elected Officials	Position
Steve Fortenberry	Mayor
Dr. Erica Bruce	Mayor Pro-Tem
Michael Bancale	Council Member
Bob Potter	Council Member
Vacant	Council Member
Johnny Stephens	Council Member
Brad Turner	Council Member
Appointed Officials	Position
Everett "Bo" Thomas, ICMA-CM	City Manager
Lydia Lopez, TRMC, CMC	City Secretary
James Devlin	Assistant City Manager
Lee H. Garcia, CPA, CGFO	Finance Director
John McGrath	Police Chief
Jonathan Christian, CFE, FSCEO	Fire Chief
Tracy Lankford	Community Development Director
Kevin Reinke	Utilities Director
Matthew Glaser, MLS	Library Director
Scott Coleman	General Service Director
Jessica Higgins, MSHRM, IPMA-CP	Human Resources/Civil Service

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter – Accounting Change

As described in the notes to the financial statements, in fiscal year 2024, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. Our opinion is not modified with respect to this matter.

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 of Hewitt, Texas' 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Hewitt, Texas' 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 of Hewitt, Texas' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information, as listed in the table of contents, 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 of Hewitt, Texas' basic financial statements. The budgetary schedules 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 budgetary schedules and discretely presented component unit fund statements, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section but does not include the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2025 on our consideration of the City of Hewitt, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Hewitt, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hewitt, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
March 17, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hewitt, Texas (the "City"), we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded the liabilities and deferred inflows of resources at the close of the fiscal year by \$28,535,912. Of this amount, \$14,851,405 represents net investment in capital assets. Additionally, the City is reporting restricted net position of \$3,155,756 and \$10,528,751 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$5,280,935. A major contributing factor in this increase is attributable to an increase in sales tax and interest revenues in the governmental activities and an increase in interest revenues in the business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$22,866,770, an increase of \$545,493 in comparison with the prior year. Approximately 53% of this total, or \$12,171,367 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,171,367 or 82% percent of total General Fund expenditures for the fiscal year.
- The City's total long-term liabilities increased by \$1,053,097 (3%) during the current fiscal year due to the issuance of certificates of obligation in the amount of \$2,995,000, a premium on issuance of \$136,995, and an increase in the net pension liability.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

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

**City of Hewitt Net Position
Figure 1**

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 23,242,344	\$ 22,657,208	\$ 16,579,576	\$ 15,164,010	\$ 39,821,920	\$ 37,821,218
Capital assets	<u>28,295,267</u>	<u>28,192,377</u>	<u>15,665,315</u>	<u>14,861,402</u>	<u>43,960,582</u>	<u>43,053,779</u>
Total assets	<u>51,537,611</u>	<u>50,849,585</u>	<u>32,244,891</u>	<u>30,025,412</u>	<u>83,782,502</u>	<u>80,874,997</u>
Deferred outflows of resources	2,094,970	3,008,640	469,785	630,118	2,564,755	3,638,758
Current and other liabilities	396,679	383,054	2,174,320	4,551,750	2,570,999	4,934,804
Long-term liabilities	<u>32,841,692</u>	<u>35,446,554</u>	<u>22,155,977</u>	<u>20,604,212</u>	<u>54,997,669</u>	<u>56,050,766</u>
Total liabilities	<u>33,238,371</u>	<u>35,829,608</u>	<u>24,330,297</u>	<u>25,155,962</u>	<u>57,568,668</u>	<u>60,985,570</u>
Deferred inflows of resources	223,895	250,934	18,782	22,274	242,677	273,208
Net position:						
Net investment						
in capital assets	9,658,490	9,078,350	5,192,915	2,324,110	14,851,405	11,402,460
Restricted	2,131,607	1,803,573	1,024,149	1,579,641	3,155,756	3,383,214
Unrestricted	<u>8,380,218</u>	<u>6,895,760</u>	<u>2,148,533</u>	<u>1,573,543</u>	<u>10,528,751</u>	<u>8,469,303</u>
Total net position	<u>\$ 20,170,315</u>	<u>\$ 17,777,683</u>	<u>\$ 8,365,597</u>	<u>\$ 5,477,294</u>	<u>\$ 28,535,912</u>	<u>\$ 23,254,977</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred inflows of the City of Hewitt exceeded liabilities and deferred outflows by \$28,535,912 as of September 30, 2024. The City's net position increased by \$5,280,935 for the fiscal year ended September 30, 2024. Net investment in capital assets of \$14,851,405 accounts for the greatest portion (52%) of net position.

An additional portion of the City's net position (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$10,528,751 is unrestricted and may be used to meet the government's ongoing obligations.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99%.
- City sales tax revenues that mirrored, and at times, exceeded, those of the surrounding cities, the State of Texas and national economic trends.

**City of Hewitt Changes in Net Position
Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 613,477	\$ 617,872	\$ 10,209,536	\$ 10,070,181	\$ 10,823,013	\$ 10,688,053
Operating grants and contributions	299,653	223,441	2,606,951	-	2,906,604	223,441
Capital grants and contributions	-	2,800,000	-	2,586,317	-	5,386,317
General revenues:						
Property taxes	7,963,951	6,942,883	-	-	7,963,951	6,942,883
Sales taxes	4,816,835	4,377,727	-	-	4,816,835	4,377,727
Franchise taxes	964,746	983,902	-	-	964,746	983,902
Hotel occupancy taxes	196,725	180,255	-	-	196,725	180,255
Investment earnings and other general revenues	<u>1,398,122</u>	<u>806,649</u>	<u>749,188</u>	<u>520,993</u>	<u>2,147,310</u>	<u>1,327,642</u>
Total revenues	<u>16,253,509</u>	<u>16,932,729</u>	<u>13,565,675</u>	<u>13,177,491</u>	<u>29,819,184</u>	<u>30,110,220</u>
Expenses:						
General government	2,281,589	2,120,349	-	-	2,281,589	2,120,349
Public safety	8,060,986	7,536,133	-	-	8,060,986	7,536,133
Streets	2,547,498	2,362,736	-	-	2,547,498	2,362,736
Culture and recreation	1,028,698	1,010,636	-	-	1,028,698	1,010,636
Interest on long-term debt	942,106	951,119	-	-	942,106	951,119
Water, sewer, and sanitation	-	-	9,229,451	8,789,862	9,229,451	8,789,862
ARPA	-	-	-	261,317	-	261,317
Stormwater drainage	-	-	<u>447,921</u>	<u>442,020</u>	<u>447,921</u>	<u>442,020</u>
Total expenses	<u>14,860,877</u>	<u>13,980,973</u>	<u>9,677,372</u>	<u>9,493,199</u>	<u>24,538,249</u>	<u>23,474,172</u>
Increase (decrease) in net position before transfers	1,392,632	2,951,756	3,888,303	3,684,292	5,280,935	6,636,048
Transfers	<u>1,000,000</u>	<u>955,000</u>	<u>(1,000,000)</u>	<u>(955,000)</u>	<u>-</u>	<u>-</u>
Change in net position	2,392,632	3,906,756	2,888,303	2,729,292	5,280,935	6,636,048
Net position, beginning	<u>17,777,683</u>	<u>13,870,927</u>	<u>5,477,294</u>	<u>2,748,002</u>	<u>23,254,977</u>	<u>16,618,929</u>
Net position, ending	<u>\$ 20,170,315</u>	<u>\$ 17,777,683</u>	<u>\$ 8,365,597</u>	<u>\$ 5,477,294</u>	<u>\$ 28,535,912</u>	<u>\$ 23,254,977</u>

Governmental Activities. Governmental activities increased the City's net position by \$2,392,632. Key elements of this increase include an increase in sales tax and interest revenue, slightly offset by increases in expenses in public safety and streets.

Business-type Activities. Business-type activities increased the City's net position by \$2,888,303. Charges for services increased \$139,355 due to rate increases in water, sewer and solid waste. Interest revenue increased by \$228,195. Expenses increased by 27.9% due to the combination of increases in personnel, water contracts and wastewater expenses.

Financial Analysis of the City's Funds

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

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$12,171,367, with a total fund balance of \$13,216,710. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 82% of total General Fund expenditures. Total fund balance represents 89% of total General Fund expenditures.

The fund balance of the City's General Fund increased by \$1,829,168 during the current fiscal year. This was a result of increases in revenue in every category. The City has experienced strong economic growth in the past few years, which has driven increases in sales tax and property tax revenues.

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

Unrestricted net position of the Utility Fund at the end of the year amounted to \$1,508,881. The total increase in net position was \$2,765,163. Other factors concerning the finances of the Utility Fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Hewitt's investment in capital assets for its governmental and business-type activities as of September 30, 2024, totals \$43,960,582 (net of accumulated depreciation). These assets include land, buildings and improvements, distribution and collection systems, machinery and equipment, and construction in progress.

**City of Hewitt Capital Assets
Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 2,405,058	\$ 2,405,058	\$ 554,444	\$ 554,444	\$ 2,959,502	\$ 2,959,502
Buildings and improvements	11,111,964	10,982,164	1,028,526	1,028,526	12,140,490	12,010,690
Distribution and collection systems	-	-	48,035,996	48,035,996	48,035,996	48,035,996
Machinery and equipment	8,085,776	7,645,953	3,041,437	2,989,949	11,127,213	10,635,902
Infrastructure	50,835,046	49,113,249	-	-	50,835,046	49,113,249
Construction in progress	292,309	366,967	3,110,989	-	3,403,298	366,967
Accumulated depreciation	(44,434,886)	(42,321,014)	(40,106,077)	(37,747,513)	(84,540,963)	(80,068,527)
Total	<u>\$ 28,295,267</u>	<u>\$ 28,192,377</u>	<u>\$ 15,665,315</u>	<u>\$ 14,861,402</u>	<u>\$ 43,960,582</u>	<u>\$ 43,053,779</u>

Major capital asset events during the year included the following:

- Patrol Chevy Tahoes (6), \$453,893.
- Skid Unit for Fire Department, \$15,650.
- City Wide Server, \$38,359.
- Community Development Software, \$14,960.
- 2024 Continental Cargo Trailer, \$11,284.
- Warren Park Improvements, \$117,522.
- Automatic Doors for City Hall, \$12,277.
- City Wide Siren upgrades, \$172,183.
- 2024 Ford F150 for Utility Maintenance, \$51,487.
- Utility Water Meter MIU replace program (multi-year) \$57,951.
- Micro Slurry Seal, 124,348.
- Ongoing Commerce Park-Phase 1 Water Plant, \$2,606,951.
- Ongoing Commerce Park-Phase 2 Water Plant, \$646,641.
- Ongoing East Warren Utility Improvements, \$87,910.
- Completion of Chapman/Crescent/Boleman street improvement, \$1721,797.
- Ongoing Fire Station #2, \$204,399.

Additional information on the City's capital asset activity is presented in the notes to the financial statements on pages 43 - 44.

Long-term Bonded Debt. As of September 30, 2024, the City of Hewitt had total long-term bonded debt outstanding of \$46,520,000. This debt is backed by the full faith and credit of the City.

**City of Hewitt Outstanding Debt
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Certificates of obligation	\$ 25,644,115	\$ 27,116,910	\$ 16,690,885	\$ 14,263,090	\$ 42,335,000	\$ 41,380,000
Refunding general obligation bonds	-	302,100	4,185,000	4,892,900	4,185,000	5,195,000
Premium on bonds	879,622	939,453	551,263	463,006	1,430,885	1,402,459
Financing arrangements	676,836	769,781	124,057	256,997	800,893	1,026,778
Compensated absences	871,576	752,709	87,372	80,467	958,948	833,176
Total	<u>\$ 28,072,149</u>	<u>\$ 29,880,953</u>	<u>\$ 21,638,577</u>	<u>\$ 19,956,460</u>	<u>\$ 49,710,726</u>	<u>\$ 49,837,413</u>

The City's total debt decreased by \$126,687 (0.3%) during the current fiscal year. The key factor in this decrease was the issuance of the 2024 certificate of obligation for \$2,995,000.

Additional information regarding the City of Hewitt's long-term debt can be found in the notes to the financial statements on pages 27 - 30.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the end of the current fiscal year, unassigned fund balance for the general fund was \$12,171,367. The City has not appropriated any of this amount for spending in the 2025 fiscal year budget. The 2025 fiscal year budget is \$15 million, the General Fund is a balanced budget. The water and wastewater rates were increased by approximately 3.1% and 3.4% effective December 1, 2024. There were no changes to the drainage rates for the 2025 fiscal year.

REQUESTS FOR INFORMATION

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

**BASIC
FINANCIAL STATEMENTS**

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CITY OF HEWITT, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 22,052,631	\$ 13,717,407	\$ 35,770,038
Accounts receivables, net	1,189,713	1,838,020	3,027,733
Restricted cash and investments	-	1,024,149	1,024,149
Capital assets:			
Non-depreciable	2,697,367	3,665,433	6,362,800
Depreciable, net	<u>25,597,900</u>	<u>11,999,882</u>	<u>37,597,782</u>
Total assets	<u>51,537,611</u>	<u>32,244,891</u>	<u>83,782,502</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred charge on refunding	-	233,258	233,258
Deferred outflow related to OPEB	3,480	-	3,480
Deferred outflow related to pensions	<u>2,091,490</u>	<u>236,527</u>	<u>2,328,017</u>
Total deferred outflow of resources	<u>2,094,970</u>	<u>469,785</u>	<u>2,564,755</u>
LIABILITIES			
Accounts payable	12,558	664,499	677,057
Accrued liabilities	148,579	16,763	165,342
Accrued interest	235,542	214,814	450,356
Unearned revenue	-	764,511	764,511
Customer deposits	-	513,733	513,733
Noncurrent liabilities:			
Due within one year:			
Long-term debt	2,206,644	1,453,069	3,659,713
Total OPEB liability	3,465	-	3,465
Due in more than one year:			
Long-term debt	25,865,505	20,185,508	46,051,013
Net pension liability	4,575,119	517,400	5,092,519
Total OPEB liability	<u>190,959</u>	<u>-</u>	<u>190,959</u>
Total liabilities	<u>33,238,371</u>	<u>24,330,297</u>	<u>57,568,668</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflow related to pensions	166,079	18,782	184,861
Deferred outflow related to OPEB	<u>57,816</u>	<u>-</u>	<u>57,816</u>
Total deferred inflow of resources	<u>223,895</u>	<u>18,782</u>	<u>242,677</u>
NET POSITION			
Net investment in capital assets	9,658,490	5,192,915	14,851,405
Restricted for:			
Debt service	1,045,343	1,024,149	2,069,492
Municipal information	536,329	-	536,329
Tourism	367,803	-	367,803
Public safety	182,132	-	182,132
Unrestricted	<u>8,380,218</u>	<u>2,148,533</u>	<u>10,528,751</u>
Total net position	<u>\$ 20,170,315</u>	<u>\$ 8,365,597</u>	<u>\$ 28,535,912</u>

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

CITY OF HEWITT, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 2,281,589	\$ 136,525	\$ -
Public safety	8,060,986	436,410	273,191
Streets	2,547,498	-	-
Culture and recreation	1,028,698	40,542	26,462
Interest and fiscal charges	942,106	-	-
Total governmental activities	<u>14,860,877</u>	<u>613,477</u>	<u>299,653</u>
Business-type activities:			
Water, sewer, and sanitation	9,229,451	9,666,404	2,606,951
Stormwater drainage	447,921	543,132	-
Total business-type activities	<u>9,677,372</u>	<u>10,209,536</u>	<u>2,606,951</u>
Total primary government	<u>\$ 24,538,249</u>	<u>\$ 10,823,013</u>	<u>\$ 2,906,604</u>

General revenues:

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

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,145,064)	\$ -	\$ (2,145,064)
(7,351,385)	-	(7,351,385)
(2,547,498)	-	(2,547,498)
(961,694)	-	(961,694)
<u>(942,106)</u>	<u>-</u>	<u>(942,106)</u>
<u>(13,947,747)</u>	<u>-</u>	<u>(13,947,747)</u>
-	3,043,904	3,043,904
<u>-</u>	<u>95,211</u>	<u>95,211</u>
<u>-</u>	<u>3,139,115</u>	<u>3,139,115</u>
<u>(13,947,747)</u>	<u>3,139,115</u>	<u>(10,808,632)</u>
4,858,160	-	4,858,160
3,105,791	-	3,105,791
4,816,835	-	4,816,835
964,746	-	964,746
196,725	-	196,725
1,296,369	749,188	2,045,557
76,093	-	76,093
25,660	-	25,660
<u>1,000,000</u>	<u>(1,000,000)</u>	<u>-</u>
<u>16,340,379</u>	<u>(250,812)</u>	<u>16,089,567</u>
<u>2,392,632</u>	<u>2,888,303</u>	<u>5,280,935</u>
<u>17,777,683</u>	<u>5,477,294</u>	<u>23,254,977</u>
<u>\$ 20,170,315</u>	<u>\$ 8,365,597</u>	<u>\$ 28,535,912</u>

CITY OF HEWITT, TEXAS**BALANCE SHEET****GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2024

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 12,428,613	\$ 8,563,796	\$ 1,060,222	\$ 22,052,631
Receivables, net	<u>1,163,671</u>	<u>-</u>	<u>26,042</u>	<u>1,189,713</u>
Total assets	<u>13,592,284</u>	<u>8,563,796</u>	<u>1,086,264</u>	<u>23,242,344</u>
LIABILITIES				
Accounts payable	12,558	-	-	12,558
Accrued liabilities	<u>148,579</u>	<u>-</u>	<u>-</u>	<u>148,579</u>
Total liabilities	<u>161,137</u>	<u>-</u>	<u>-</u>	<u>161,137</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	181,181	-	-	181,181
Unavailable revenue - court fines	<u>33,256</u>	<u>-</u>	<u>-</u>	<u>33,256</u>
Total deferred inflows of resources	<u>214,437</u>	<u>-</u>	<u>-</u>	<u>214,437</u>
FUND BALANCES				
Restricted for:				
Debt service	1,045,343	-	-	1,045,343
Municipal information	-	-	536,329	536,329
Tourism	-	-	367,803	367,803
Public safety	-	-	182,132	182,132
Capital projects	-	8,563,796	-	8,563,796
Unassigned	<u>12,171,367</u>	<u>-</u>	<u>-</u>	<u>12,171,367</u>
Total fund balances	<u>13,216,710</u>	<u>8,563,796</u>	<u>1,086,264</u>	<u>22,866,770</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,592,284</u>	<u>\$ 8,563,796</u>	<u>\$ 1,086,264</u>	<u>\$ 23,242,344</u>

CITY OF HEWITT, TEXAS

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

SEPTEMBER 30, 2024

Total fund balances - governmental funds balance sheet \$ 22,866,770

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

Capital assets used in governmental activities are not reported in the funds. 28,295,267

Certain receivables will not be collected soon enough to pay for the current period's expenditures and are therefore deferred in the funds:

Property taxes 181,181
Court fines and fees 33,256

Accrued bond interest is not due and payable in the current period and therefore is not reported in the funds: (235,542)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable (25,644,115)
Bond premium (879,622)
Financing arrangements (676,836)
Compensated absences (871,576)

Included in the items related to long-term liabilities is the recognition of the City's net pension liabilities and total OPEB liability, as well as the related deferred inflows and outflows of resources.

Long-term liabilities:
Net pension liability (4,575,119)
Total OPEB liability (194,424)

Deferred outflows of resources:

Outflows related to loss on refunding -
Outflows related to pensions 2,091,490
Outflows related to OPEB 3,480

Deferred inflows of resources:

Inflows related to pensions (166,079)
Inflows related to OPEB (57,816)

Net position of governmental activities \$ 20,170,315

CITY OF HEWITT, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property	\$ 7,948,178	\$ -	\$ -	\$ 7,948,178
Sales	4,816,835	-	-	4,816,835
Franchise	936,907	-	27,839	964,746
Hotel occupancy	-	-	196,725	196,725
Intergovernmental	564,354	-	-	564,354
Licenses and permits	136,525	-	-	136,525
Charges for services	19,586	-	-	19,586
Fines	166,889	-	18,186	185,075
Investment earnings	744,156	500,708	51,505	1,296,369
Miscellaneous	78,374	-	-	78,374
Total revenues	<u>15,411,804</u>	<u>500,708</u>	<u>294,255</u>	<u>16,206,767</u>
EXPENDITURES				
Current:				
General government	2,022,841	-	129,519	2,152,360
Public safety	7,142,324	-	-	7,142,324
Public works	1,163,535	-	-	1,163,535
Culture and recreation	882,747	-	-	882,747
Debt service:				
Principal	2,142,840	-	-	2,142,840
Interest	1,004,863	-	-	1,004,863
Capital outlay	524,146	1,949,119	-	2,473,265
Total expenditures	<u>14,883,296</u>	<u>1,949,119</u>	<u>129,519</u>	<u>16,961,934</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>528,508</u>	<u>(1,448,411)</u>	<u>164,736</u>	<u>(755,167)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of financing arrangements	275,000	-	-	275,000
Transfers in	1,000,000	-	-	1,000,000
Sale of Capital Assets	25,660	-	-	25,660
Total other financing sources (uses)	<u>1,300,660</u>	<u>-</u>	<u>-</u>	<u>1,300,660</u>
NET CHANGE IN FUND BALANCES	<u>1,829,168</u>	<u>(1,448,411)</u>	<u>164,736</u>	<u>545,493</u>
FUND BALANCES, BEGINNING	<u>11,387,542</u>	<u>10,012,207</u>	<u>921,528</u>	<u>22,321,277</u>
FUND BALANCES, ENDING	<u>\$ 13,216,710</u>	<u>\$ 8,563,796</u>	<u>\$ 1,086,264</u>	<u>\$ 22,866,770</u>

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

CITY OF HEWITT, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

Net change in fund balances - total governmental funds	\$ 545,493
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,473,268
Depreciation	(2,370,378)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Unavailable tax revenue	15,773
Unavailable municipal court revenue	5,309

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond principal payments	1,774,895
Financing arrangement principal payments	367,945
Issuance of financing arrangements	(275,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortization of premiums and deferred loss on refunding	57,821
Pension cost	(82,072)
OPEB cost	(6,491)
Compensated absences	(118,867)
Accrued interest	4,936

Change in net position of governmental activities.	<u>\$ 2,392,632</u>
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CITY OF HEWITT, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2024

	Enterprise Funds		
	Water, Sewer and Sanitation	Non-major Stormwater Drainage	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 13,066,642	\$ 650,765	\$ 13,717,407
Accounts receivable, net	1,759,360	78,660	1,838,020
Restricted cash and cash equivalents	<u>1,024,149</u>	<u>-</u>	<u>1,024,149</u>
Total current assets	<u>15,850,151</u>	<u>729,425</u>	<u>16,579,576</u>
Noncurrent assets:			
Land	554,444	-	554,444
Construction in Progress	3,110,989	-	3,110,989
Buildings and improvements	1,028,526	-	1,028,526
Water system facilities	34,195,204	-	34,195,204
Sewer system facilities	12,843,572	-	12,843,572
Drainage system facilities	-	997,220	997,220
Equipment	2,439,877	601,560	3,041,437
Less accumulated depreciation	<u>(38,931,349)</u>	<u>(1,174,728)</u>	<u>(40,106,077)</u>
Total noncurrent assets	<u>15,241,263</u>	<u>424,052</u>	<u>15,665,315</u>
Total assets	<u>31,091,414</u>	<u>1,153,477</u>	<u>32,244,891</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	233,258	-	233,258
Deferred outflow related to pensions	<u>181,120</u>	<u>55,407</u>	<u>236,527</u>
Total deferred outflows of resources	<u>414,378</u>	<u>55,407</u>	<u>469,785</u>
LIABILITIES			
Current liabilities:			
Accounts payable	664,499	-	664,499
Accrued liabilities	12,528	4,235	16,763
Accrued interest payable	214,814	-	214,814
Unearned revenue	764,511	-	764,511
Customer deposits	513,733	-	513,733
Compensated absences	18,007	3,836	21,843
Financing arrangement	50,821	43,860	94,681
Bonds payable	<u>1,336,545</u>	<u>-</u>	<u>1,336,545</u>
Total current liabilities	<u>3,575,458</u>	<u>51,931</u>	<u>3,627,389</u>
Noncurrent liabilities:			
Compensated absences	54,022	11,507	65,529
Financing arrangement	10,185	19,191	29,376
Bonds payable	20,090,603	-	20,090,603
Net pension liability	<u>396,198</u>	<u>121,202</u>	<u>517,400</u>
Total noncurrent liabilities	<u>20,551,008</u>	<u>151,900</u>	<u>20,702,908</u>
Total liabilities	<u>24,126,466</u>	<u>203,831</u>	<u>24,330,297</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pensions	<u>14,382</u>	<u>4,400</u>	<u>18,782</u>
Total deferred inflows of resources	<u>14,382</u>	<u>4,400</u>	<u>18,782</u>
NET POSITION			
Net investment in capital assets	4,831,914	361,001	5,192,915
Restricted for debt services	1,024,149	-	1,024,149
Unrestricted	<u>1,508,881</u>	<u>639,652</u>	<u>2,148,533</u>
Total net position	<u>\$ 7,364,944</u>	<u>\$ 1,000,653</u>	<u>\$ 8,365,597</u>

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

CITY OF HEWITT, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Enterprise Funds			
	Water, Sewer and Sanitation	ARPA	Non-major Stormwater Drainage	Total Enterprise Funds
OPERATING REVENUES				
Charges for services	\$9,541,327		\$ 543,132	\$10,084,459
Miscellaneous	125,077		-	125,077
Total operating revenues	<u>9,666,404</u>		<u>543,132</u>	<u>10,209,536</u>
OPERATING EXPENSES				
Personnel	806,541		248,193	1,054,734
Contractual services	4,368,884		11,966	4,380,850
Utilities	323,428		1,859	325,287
Repairs and maintenance	605,275		39,024	644,299
Other	153,660		22,353	176,013
Depreciation	<u>2,236,701</u>		<u>121,862</u>	<u>2,358,563</u>
Total operating expenses	<u>8,494,489</u>		<u>445,257</u>	<u>8,939,746</u>
OPERATING INCOME	<u>1,171,915</u>		<u>97,875</u>	<u>1,269,790</u>
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	2,606,951		-	2,606,951
Interest and other income	721,259		27,929	749,188
Interest and other charges	<u>(734,962)</u>		<u>(2,664)</u>	<u>(737,626)</u>
Total nonoperating revenues (expenses)	<u>2,593,248</u>		<u>25,265</u>	<u>2,618,513</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>3,765,163</u>		<u>123,140</u>	<u>3,888,303</u>
Transfers out	<u>(1,000,000)</u>		-	<u>(1,000,000)</u>
CHANGE IN NET POSITION	<u>2,765,163</u>		<u>123,140</u>	<u>2,888,303</u>
NET POSITION, BEGINNING AS PREVIOUSLY REPORTED	<u>4,438,353</u>	<u>161,428</u>	<u>877,513</u>	<u>5,477,294</u>
NET POSITION ADJUSTMENTS				
Change within the reporting entity	<u>161,428</u>	<u>(161,428)</u>	-	-
NET POSITION, BEGINNING AS RESTATED	<u>4,599,781</u>	-	<u>877,513</u>	<u>5,477,294</u>
NET POSITION, ENDING	<u>\$7,364,944</u>	<u>\$ -</u>	<u>\$1,000,653</u>	<u>\$ 8,365,597</u>

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

CITY OF HEWITT, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Enterprise Funds</u>		
	<u>Water, Sewer and Sanitation</u>	<u>Non-major Stormwater Drainage</u>	<u>Total Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 9,500,100	\$ 537,168	\$ 10,037,268
Cash paid to suppliers	(5,284,791)	(250,026)	(5,534,817)
Cash paid to employees	(803,610)	(75,202)	(878,812)
Net cash provided (used) by operating activities	<u>3,411,699</u>	<u>211,940</u>	<u>3,623,639</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants	2,606,951	-	2,606,951
Transfer to (from) other funds	<u>(1,000,000)</u>	<u>-</u>	<u>(1,000,000)</u>
Net cash provided (used) by noncapital financing activities	<u>1,606,951</u>	<u>-</u>	<u>1,606,951</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital grants	(2,606,950)	-	(2,606,950)
Purchase of capital assets	(3,162,476)	-	(3,162,476)
Principal paid on capital debt	1,758,096	(82,883)	1,675,213
Interest and other charges paid on debt	<u>(661,703)</u>	<u>(2,664)</u>	<u>(664,367)</u>
Net cash provided (used) by capital and related financing activities	<u>(4,673,033)</u>	<u>(85,547)</u>	<u>(4,758,580)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>721,259</u>	<u>27,929</u>	<u>749,188</u>
Net cash provided (used) by investing activities	<u>721,259</u>	<u>27,929</u>	<u>749,188</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	<u>1,066,876</u>	<u>154,322</u>	<u>1,221,198</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>13,023,915</u>	<u>496,443</u>	<u>13,520,358</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 14,090,791</u>	<u>\$ 650,765</u>	<u>\$ 14,741,556</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Net operating income	1,171,915	97,875	1,269,790
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	2,236,701	121,862	2,358,563
(Increase) decrease in:			
Accounts receivable	(188,404)	(5,964)	(194,368)
Deferred outflows related to pensions	95,371	29,323	124,694
Increase (decrease) in:			
Accounts payable	166,456	-	166,456
Accrued liabilities	2,157	1,187	3,344
Customer deposits	22,100	-	22,100
Compensated absences	7,684	(780)	6,904
Net pension liability	(99,614)	(30,738)	(130,352)
Deferred inflows related to pensions	<u>(2,667)</u>	<u>(825)</u>	<u>(3,492)</u>
Net cash provided (used) by operations	<u>\$ 3,411,699</u>	<u>\$ 211,940</u>	<u>\$ 3,623,639</u>

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

CITY OF HEWITT, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Government-wide Financial Statements

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

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

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

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

B. Measurement Focus/Basis of Accounting

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

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

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

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

The City reports the following major governmental funds:

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

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

The City has presented the following major proprietary fund:

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

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

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

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

C. Cash and Investments

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

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

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

D. Receivables and Payables

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

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

E. Restricted Assets

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

F. Capital Assets

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

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

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

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

G. Deferred Outflows/Inflows of Resources

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

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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

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

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

H. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Other Post-Employment Benefits

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

J. Compensated Absences

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

K. Long-term Obligations

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

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

L. Fund Balance

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

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

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

M. Net Position

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

N. Use of Estimates

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

O. Change in Accounting Principal

During fiscal year 2024, the City adopted the following new accounting guidance:

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62, was adopted effective October 1, 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

2. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Equivalents and Investments

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

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

The City's investments for the year ended September 30, 2024 are as follows:

	Carrying Value	Weighted Average Maturity (Days)
Primary government:		
First National Bank	\$ 5,593,561	78
Alliance Bank	2,066,019	144
East West Bank	7,787,139	93
Southside Bank	3,300,033	67
Total primary government	<u>\$ 18,746,752</u>	
Portfolio weighted average maturity		90

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

Interest rate risk – The City, in compliance with its investment policy, invests in short-term securities to protect market valuation from unanticipated rate movements. In addition, the City will not directly invest in securities maturing more than five years from the date of purchase.

Concentration of credit risk – The City uses one local government investment pool and four certificates of deposit to diversify risk.

Custodial credit risk – The City requires all bank deposits to be collateralized at a level not less than the total deposits. At September 30, 2024, the carrying value of the City's bank deposits was entirely covered by federal depository insurance or by collateral held by the agent in the City's name.

B. Receivables

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

	General	Other Nonmajor Governmental	Water, Sewer and Sanitation	Nonmajor Stormwater Drainage	Total
Receivables:					
Property taxes	\$ 181,181	\$ -	\$ -	\$ -	\$ 181,181
Sales and franchise taxes	936,686	-	-	-	936,686
Hotel occupancy taxes	-	26,042	-	-	26,042
Fines	133,026	-	-	-	133,026
Accounts	-	-	2,261,082	94,097	2,355,179
Other	12,548	-	-	-	12,548
Gross Receivables	1,263,441	26,042	2,261,082	94,097	3,644,662
Less: allowance for doubtful accounts	(99,770)	-	(501,722)	(15,437)	(616,929)
	<u>\$ 1,163,671</u>	<u>\$ 26,042</u>	<u>\$ 1,759,360</u>	<u>\$ 78,660</u>	<u>\$ 3,027,733</u>

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 2,405,058	\$ -	\$ -	\$ 2,405,058
Construction in progress	366,967	292,309	366,967	292,309
Total capital assets not being depreciated	2,772,025	292,309	366,967	2,697,367
Capital assets being depreciated:				
Buildings and improvements	10,982,164	129,800	-	11,111,964
Infrastructure	49,113,249	1,721,797	-	50,835,046
Machinery and equipment	7,645,953	696,329	256,508	8,085,774
Total capital assets being depreciated	67,741,366	2,547,926	256,508	70,032,784
Less accumulated depreciation for:				
Buildings and improvements	2,539,373	275,248	-	2,814,621
Infrastructure	33,842,337	1,370,520	-	35,212,857
Machinery and equipment	5,939,304	724,610	256,508	6,407,406
Total accumulated depreciation	42,321,014	2,370,378	256,508	44,434,884
Total capital assets depreciated, net	25,420,352	177,548	-	25,597,900
Governmental activities, capital assets, net	<u>\$ 28,192,377</u>	<u>\$ 469,857</u>	<u>\$ 366,967</u>	<u>\$ 28,295,267</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 554,444	\$ -	\$ -	\$ 554,444
Construction in progress	-	3,110,989	-	3,110,989
Total capital assets not being depreciated	554,444	3,110,989	-	3,665,433
Capital assets being depreciated:				
Buildings and improvements	1,028,526	-	-	1,028,526
Water system facilities	34,195,204	-	-	34,195,204
Sewer system facilities	12,843,572	-	-	12,843,572
Drainage system facilities	997,220	-	-	997,220
Machinery and equipment	2,989,950	51,486	-	3,041,436
Total capital assets being depreciated	52,054,472	51,486	-	52,105,958
Less accumulated depreciation for:				
Buildings and improvements	377,130	20,175	-	397,305
Water system facilities	24,956,715	1,589,779	-	26,546,494
Sewer system facilities	9,131,110	549,893	-	9,681,003
Drainage system facilities	601,018	53,746	-	654,764
Machinery and equipment	2,681,540	144,970	-	2,826,510
Total accumulated depreciation	37,747,513	2,358,563	-	40,106,076
Total capital assets depreciated, net	14,306,959	(2,307,077)	-	11,999,882
Business-type activities, capital assets, net	<u>\$ 14,861,403</u>	<u>\$ 803,912</u>	<u>\$ -</u>	<u>\$ 15,665,315</u>

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

<u>Governmental activities:</u>	
General government	\$ 88,359
Public safety	780,900
Streets	1,372,933
Culture and recreation	128,186
Total governmental activities	<u>\$ 2,370,378</u>
<u>Business-type activities:</u>	
Water, sewer, and sanitation	\$ 2,236,701
Stormwater drainage	121,862
Total business-type activities	<u>\$ 2,358,563</u>

D. Interfund Transfers

Interfund activity for the year ended September 30, 2024, is as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Water, Sewer and Sanitation	General Fund	<u>\$ 1,000,000</u>
Total		<u>\$ 1,000,000</u>

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

E. Unearned Revenue

As September 30, 2024, the ARPA fund reported unearned revenue in the amount of \$764,511 for payments received under the Coronavirus State and Local Fiscal Recovery Fund that have not yet been spent.

F. Long-term Debt

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

During fiscal year 2024, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2024, in the amount of \$2,995,000. The bonds carry an interest rate between 4% and 5% and will mature in July 2044. Proceeds from the bonds will be used for construction, improvement and equipment for Phase 2 of the Water Plant at Commerce Park, i.e. the Ground Storage Tank and Pump Station.

The following is a summary of changes in long-term liabilities for the year ended September 30, 2024.

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 27,116,910	\$ -	\$ 1,472,795	\$ 25,644,115	\$ 1,668,455
General refunding bonds	302,100	-	302,100	-	-
Premium on bonds	939,453	-	59,831	879,622	-
Financing arrangements	769,781	275,000	367,945	676,836	320,296
Compensated absences	752,709	258,012	139,145	871,576	217,893
Total	<u>\$ 29,880,953</u>	<u>\$ 533,012</u>	<u>\$ 2,341,816</u>	<u>\$ 28,072,149</u>	<u>\$ 2,206,644</u>
Business-type activities:					
Certificates of obligation	\$ 14,263,090	\$ 2,995,000	\$ 567,205	\$ 16,690,885	\$ 881,545
General refunding bonds	4,892,900	-	707,900	4,185,000	455,000
Premium on bonds	463,006	136,993	48,736	551,263	-
Financing arrangements	256,997	-	132,940	124,057	94,681
Compensated absences	80,467	33,117	26,212	87,372	21,843
Total	<u>\$ 19,956,460</u>	<u>\$ 3,165,110</u>	<u>\$ 1,482,993</u>	<u>\$ 21,638,577</u>	<u>\$ 1,453,069</u>

Bonded Debt

For governmental activities, bonds payable at September 30, 2024, are comprised of the following individual issues:

	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
Governmental Activities				
Certificates of Obligation				
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2010	\$ 2,200,000	1.00% - 3.85%	2030	\$ 1,490,000
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2012	2,905,000	1.50% - 3.00%	2032	1,409,115
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2013	3,850,000	2.00% - 3.60%	2038	2,550,000
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2014	6,835,000	2.00% - 4.00%	2034	4,035,000
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2016B	3,355,000	0.80% - 2.75%	2036	2,295,000
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2017	4,860,000	3.00% - 4.00%	2038	3,570,000
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2022	4,925,000	3.00% - 5.00%	2042	4,545,000
Combination Tax and Limited Surplus				
Certificates of Obligation, Series 2023	5,940,000	4.00% - 5.00%	2043	5,750,000
Total certificates of obligation				<u>\$ 25,644,115</u>

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

Year Ended September 30,	Principal	Interest
2025	\$ 1,668,455	\$ 942,167
2026	1,720,342	878,952
2027	1,796,000	813,193
2028	1,861,659	746,243
2029	1,847,318	674,373
2030-2034	8,690,341	2,357,804
2035-2039	5,480,000	1,041,306
2040-2044	2,580,000	237,688
	<u>\$ 25,644,115</u>	<u>\$ 7,691,726</u>

For business-type activities, bonds outstanding at September 30, 2024 are comprised of the following issues:

	Original Borrowing	Interest Rates	Final Maturity	Outstanding at Year-end
Business-type Activities				
Certificates of Obligation				
Combination Tax and Limited Surplus Certificates of Obligation, Series 2010	\$ 9,975,000	3.00% - 4.63%	2037	\$ 7,445,000
Combination Tax and Limited Surplus Certificates of Obligation, Series 2012	4,795,000	1.50% - 3.00%	2032	2,325,885
Combination Tax and Limited Surplus Certificates of Obligation, Series 2016	6,195,000	2.00% - 3.38%	2035	3,925,000
Combination Tax and Limited Surplus Certificates of Obligation, Series 2024	2,995,000	4.00% - 5.00%	2044	2,995,000
Total certificates of obligation				<u>16,690,885</u>
General Refunding Bonds				
General Obligation Refunding Bonds, Series 2015	\$ 5,555,000	2.00% - 4.00%	2032	4,185,000
Total General Refunding Bonds				<u>4,185,000</u>
Total bonded debt - business-type activities				<u>\$ 20,875,885</u>

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

Year Ended September 30,	Principal	Interest
2025	\$ 1,336,545	\$ 831,678
2026	1,394,659	761,316
2027	1,444,000	714,049
2028	1,493,341	664,580
2029	1,547,682	611,895
2030-2034	8,079,658	2,154,464
2035-2039	4,585,000	627,906
2040-2044	995,000	124,995
	<u>\$ 20,875,885</u>	<u>\$ 6,490,883</u>

The City is required under provisions of the combination tax and limited surplus certificates of obligation to maintain interest and sinking funds adequate for payments of principal and interest. Proceeds from the bonds provide financing for the construction of water and wastewater infrastructure. The total principal remaining to be paid on the bonds is \$20.8 million.

Financing Arrangements

The City finances the acquisition of certain vehicles, heavy equipment, and computer equipment under noncancelable financing arrangements that expire over the next four years. The arrangements carry interest rates ranging from 1.23% to 4.55% and interest expense for the year was \$21,545. Assets under financing arrangements at September 30, 2024 consisted of the following:

Annual debt service requirements to maturity are as follows:

Year Ended September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 320,296	\$ 24,226	\$ 94,682	\$ 1,769
2026	260,762	13,933	29,375	361
2027	95,778	4,358	-	-
	<u>\$ 676,836</u>	<u>\$ 42,517</u>	<u>\$ 124,057</u>	<u>\$ 2,130</u>

G. Employee Retirement Systems

Defined Benefit Pension Plan – Texas Municipal Retirement System

Plan Descriptions

The City participates as one of 936 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

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

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

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

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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	77
Active employees	<u>98</u>
Total	<u>222</u>

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the City was 17.12% for the calendar year 2024. The City's contributions to TMRS for the fiscal year ended September 30, 2024 was \$1,260,598.

Net Pension Liability

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

Actuarial assumptions

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.0%	7.70%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	<u>100.0%</u>	

Discount Rate

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

Changes in the Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance at 12/31/2022	\$ 28,422,777	\$ 22,389,132	\$ 6,033,645
Changes for the year:			
Service cost	1,273,806	-	1,273,806
Interest	1,920,996	-	1,920,996
Difference between expected and actual experience	196,096	-	196,096
Contributions - employer	-	1,112,328	(1,112,328)
Contributions - employee	-	485,128	(485,128)
Net investment income	-	2,596,635	(2,596,635)
Benefit payments, including refunds of employee contributions	(1,200,954)	(1,200,954)	-
Administrative expense	-	(16,485)	16,485
Other changes	-	(116)	116
Net changes	<u>2,035,410</u>	<u>2,976,536</u>	<u>(786,592)</u>
Balance at 12/31/2023	<u>\$ 30,458,187</u>	<u>\$ 25,365,668</u>	<u>\$ 5,092,519</u>

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 9,847,163	\$ 5,092,519	\$ 1,230,135

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2024, the City recognized pension expense in the governmental activities and business-type activities in the amounts of \$1,171,728 and 132,511, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 769,703	\$ 65,369
Changes in actuarial assumptions	-	119,492
Difference between projected and actual investment earnings	578,581	-
Contributions subsequent to the measurement date	979,733	-
Total	<u>\$ 2,328,017</u>	<u>\$ 184,861</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2025	\$ 423,596
2026	432,622
2027	520,415
2028	(213,210)

H. Defined Other Post-Employment Benefit Plans

Plan Description

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

Benefits Provided

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

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

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

Inactive employees currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>98</u>
Total	<u>141</u>

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.23% for 2024 and 0.23% for 2023, of which 0.05% and 0.05%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the year ended September 30, 2024 was \$17,121 representing contributions for both active and retiree coverage, which equaled the required contributions.

Total OPEB Liability

The City's total OPEB liability of \$194,424 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

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

Inflation	2.50%
Discount rate	3.77%
Actuarial cost method	Entry Age Method
Salary increases	3.60% to 11.85% including inflation

Mortality rates were updated and are based upon the sex distinct PUB 2010 general employee mortality table with mortality improvement scale MP-2021. Per capita costs for Pre-65 retirees were derived based upon the fully insured rates on a retiree-only experience basis. Medicare eligible retirees are assumed to rescind the City's plan and take Medicare coverage. Any Medicare Part D subsidy was not reflected in the estimate. The participation rate for future retirees is based upon years of service at retirement. Any participant that retires prior to age 50 is assumed to waive the City's healthcare plan. For any future retiree assumed to elect retiree healthcare, their spouse is assumed to waive coverage. 40% of retirees are assumed to drop coverage at the time the employer subsidy ends. The per capita claims costs include a 7% load for administrative expenses and a 10% load for stop loss premiums where both are assumed to escalate with the healthcare trend rates each year.

The discount rate of 3.77% is based upon the yield of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The other financial assumptions for long-term inflation, payroll growth, and salary scale were taken from the TMRS actuary study.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2022	\$ 179,708
Changes for the year:	
Service cost	11,089
Interest	7,433
Difference between expected and actual experience	(10,384)
Changes of assumptions or other inputs	10,043
Benefit payments	(3,465)
Net changes	14,716
Balance at 12/31/2023	\$ 194,424

Changes in assumptions reflect a change in the discount rate from 4.05% to 3.77%.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.77%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (2.77%)	Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
Total OPEB Liability	\$ 237,334	\$ 194,424	\$ 161,166

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

For the year ended September 30, 2024, the City recognized OPEB expense in the governmental activities in the amounts of \$10,264. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period. At September 30, 2024, the City reported deferred outflows and inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 22,083
Changes in actuarial assumptions	-	35,733
Contributions subsequent to the measurement date	3,480	-
	<u>\$ 3,480</u>	<u>\$ 57,816</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2025. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30	
2025	\$ (9,308)
2026	(8,896)
2027	(11,025)
2028	(14,459)
2029	(14,087)
Thereafter	(41)

I. Risk Management

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

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

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

J. Other Significant Commitments

The City has contracted with Republic Services, Inc. for the collection and disposal of refuse and recyclable materials. The City negotiated a collection contract, with an effective date of July 1, 2019, for a term of five years, with the option to renew and extend the contract for another five years. Under the terms of the contract, the City will be responsible for residential billing and collection of fees. Contractor bills the city for services rendered. Total invoices paid to the company during the fiscal year were \$1,142,072.

In order to provide a long-term, reliable water supply, the City entered into an agreement with the City of Waco on October 1, 2019, for a term of twenty-five years, with the option for either party to renew and extend the contract for another twenty years. The contract expires on September 30, 2045. Payments during the fiscal year were \$1,116,244.

On October 1, 2019, the City entered into an agreement with five neighboring cities (the "conveying cities") and the City of Waco in which each conveying city transferred their respective ownership of the joint venture to the City of Waco. The City of Waco operates the system, called the Waco Metropolitan Area Regional Sewer System ("WMARSS"), a wastewater treatment effort with two current treatment facilities. The WMARSS entered into a wholesale wastewater agreement with each conveying city. During the fiscal year, the City made payments of \$1,146,999 under this contract.

K. Changes Within the Financial Reporting Entity

During the year, the City had changes within the financial reporting entity:

1. The ARPA Fund was previously reported as a major enterprise fund and is now reported within the Water and Sewer Fund. The separate fund was used to account for ongoing utility projects but are not expected to be funded by fees and charges as revenue sources.

The changes in classification are required based on qualitative factors.

L. Significant Forthcoming Pronouncements

Significant new accounting standards issued by the GASB not yet implemented by the City include the following:

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

GASB Statement No. 102, *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF HEWITT, TEXAS

GENERAL FUND

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 7,872,825	\$ 7,872,825	\$ 7,948,178	\$ 75,353
Sales	3,850,000	3,850,000	4,816,835	966,835
Franchise	943,500	943,500	936,907	(6,593)
Licenses and permits	120,500	120,500	136,525	16,025
Intergovernmental	733,966	733,866	564,354	(169,512)
Charges for services	23,000	14,451	19,586	5,135
Fines	134,500	134,500	166,889	32,389
Investment earnings	375,000	375,000	744,156	369,156
Miscellaneous	58,000	58,000	78,374	20,374
Total revenues	<u>14,111,291</u>	<u>14,102,642</u>	<u>15,411,804</u>	<u>1,309,162</u>
EXPENDITURES				
Current				
General government	2,003,353	2,003,353	2,022,841	(19,488)
Public safety	7,389,778	7,389,778	7,142,324	247,454
Public works	1,156,578	1,156,578	1,163,535	(6,957)
Culture and recreation	837,626	837,626	882,747	(45,121)
Debt service				
Principal	2,142,840	2,142,840	2,142,840	-
Interest	1,000,166	1,000,166	1,004,863	(4,697)
Capital outlay	<u>170,632</u>	<u>170,632</u>	<u>524,146</u>	<u>(353,514)</u>
Total expenditures	<u>14,700,973</u>	<u>14,700,973</u>	<u>14,883,296</u>	<u>(182,323)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(589,682)	(598,331)	528,508	1,126,839
OTHER FINANCING SOURCES (USES)				
Issuance of financing arrangements	-	-	275,000	275,000
Proceeds from disposition of capital assets	-	-	25,660	25,660
Transfers in	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Total other financing sources (uses)	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,300,660</u>	<u>300,660</u>
NET CHANGE IN FUND BALANCES	<u>410,318</u>	<u>401,669</u>	<u>1,829,168</u>	<u>1,427,499</u>
FUND BALANCES, BEGINNING	<u>11,387,542</u>	<u>11,387,542</u>	<u>11,387,542</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 11,797,860</u>	<u>\$ 11,789,211</u>	<u>\$ 13,216,710</u>	<u>\$ 1,427,499</u>

CITY OF HEWITT, TEXAS

NOTES TO BUDGETARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2024

BUDGETARY INFORMATION

An annual budget is legally adopted for all city funds including Operating, Special and Capital Projects Funds. Prior to the beginning of the fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.

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

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

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

CITY OF HEWITT, TEXAS

**SCHEDULE OF CHANGES IN TMRS NET PENSION LIABILITY
AND RELATED RATIOS**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Measurement Date December 31,	2014	2015	2016	2017
A. Total pension liability				
Service Cost	\$ 562,384	\$ 677,066	\$ 789,084	\$ 822,083
Interest (on the Total Pension Liability)	968,575	1,069,693	1,113,527	1,209,174
Difference between expected and actual experience	289,232	82,445	232,482	(95,913)
Change of assumptions	-	(99,647)	-	-
Benefit payments, including refunds of employee contributions	<u>(410,019)</u>	<u>(455,951)</u>	<u>(684,443)</u>	<u>(784,782)</u>
Net change in total pension liability	1,410,172	1,273,606	1,450,650	1,150,562
Total pension liability - beginning	<u>13,760,604</u>	<u>15,170,776</u>	<u>16,444,382</u>	<u>17,895,032</u>
Total pension liability - ending (a)	<u>\$ 15,170,776</u>	<u>\$ 16,444,382</u>	<u>\$ 17,895,032</u>	<u>\$ 19,045,594</u>
B. Plan fiduciary net position				
Contributions - employer	\$ 567,026	\$ 611,595	\$ 689,247	\$ 721,451
Contributions - employee	268,007	279,449	315,470	321,665
Net investment income	631,326	17,826	846,118	1,895,854
Benefit payments, including refunds of employee contributions	(410,019)	(455,951)	(684,443)	(784,782)
Administrative expenses	(6,591)	(10,861)	(9,560)	(9,827)
Other	<u>(542)</u>	<u>(535)</u>	<u>(515)</u>	<u>(499)</u>
Net change in plan fiduciary net position	1,049,207	441,523	1,156,317	2,143,862
Plan fiduciary net position - beginning	<u>11,034,947</u>	<u>12,084,154</u>	<u>12,525,677</u>	<u>13,681,994</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,084,154</u>	<u>\$ 12,525,677</u>	<u>\$ 13,681,994</u>	<u>\$ 15,825,856</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 3,086,622</u>	<u>\$ 3,918,705</u>	<u>\$ 4,213,038</u>	<u>\$ 3,219,738</u>
D. Plan fiduciary net position as a percentage of total pension liability	79.65%	76.17%	76.46%	83.09%
E. Covered payroll	\$ 3,828,666	\$ 3,992,134	\$ 4,488,532	\$ 4,595,210
F. Net position liability as a percentage of covered payroll	80.62%	98.16%	93.86%	70.07%

2018	2019	2020	2021	2022	2023
\$ 838,824	\$ 842,000	\$ 933,172	\$ 1,018,441	\$ 1,157,534	\$ 1,273,806
1,289,282	1,384,349	1,494,824	1,571,824	1,738,244	1,920,996
6,076	756	(633,793)	586,909	806,939	196,096
-	94,624	-	-	-	(154,534)
<u>(729,056)</u>	<u>(725,683)</u>	<u>(735,615)</u>	<u>(656,588)</u>	<u>(905,880)</u>	<u>(1,200,954)</u>
1,405,126	1,596,046	1,058,588	2,520,586	2,796,837	2,035,410
<u>19,045,594</u>	<u>20,450,720</u>	<u>22,046,766</u>	<u>23,105,354</u>	<u>25,625,940</u>	<u>28,422,777</u>
<u>\$20,450,720</u>	<u>\$22,046,766</u>	<u>\$23,105,354</u>	<u>\$25,625,940</u>	<u>\$28,422,777</u>	<u>\$30,458,187</u>
\$ 747,341	\$ 757,848	\$ 797,653	\$ 922,997	\$ 988,728	\$ 1,112,328
328,399	336,608	360,696	393,004	444,229	485,128
(474,030)	2,427,887	1,403,594	2,647,453	(1,723,851)	2,596,635
(729,056)	(725,683)	(735,615)	(656,588)	(905,880)	(1,200,954)
(9,162)	(13,705)	(9,073)	(12,238)	(14,897)	(16,485)
<u>(479)</u>	<u>(411)</u>	<u>(352)</u>	<u>84</u>	<u>17,775</u>	<u>(116)</u>
(136,987)	2,782,544	1,816,903	3,294,712	(1,193,896)	2,976,536
<u>15,825,856</u>	<u>15,688,869</u>	<u>18,471,413</u>	<u>20,288,316</u>	<u>23,583,028</u>	<u>22,389,132</u>
<u>\$15,688,869</u>	<u>\$18,471,413</u>	<u>\$20,288,316</u>	<u>\$23,583,028</u>	<u>\$22,389,132</u>	<u>\$25,365,668</u>
<u>\$ 4,761,851</u>	<u>\$ 3,575,353</u>	<u>\$ 2,817,038</u>	<u>\$ 2,042,912</u>	<u>\$ 6,033,645</u>	<u>\$ 5,092,519</u>
76.72%	83.78%	87.81%	92.03%	78.77%	83.28%
\$ 4,691,408	\$ 4,808,681	\$ 5,152,801	\$ 5,614,336	\$ 6,346,131	\$ 6,930,394
101.50%	74.35%	54.67%	36.39%	95.08%	73.48%

CITY OF HEWITT, TEXAS

SCHEDULE OF TMRS CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

NOTES TO SCHEDULE OF TMRS CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years, (longest amortization ladder)
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale MP-2021. 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 MP-2021.

2018	2019	2020	2021	2022	2023	2024
\$ 728,018	\$ 751,097	\$ 822,591	\$ 896,485	\$ 982,080	\$ 1,098,392	\$ 1,260,598
<u>(728,018)</u>	<u>(751,097)</u>	<u>(822,591)</u>	<u>(896,485)</u>	<u>(982,080)</u>	<u>(1,098,392)</u>	<u>(1,260,598)</u>
-	-	-	-	-	-	-
4,587,966	4,751,386	5,288,613	5,526,772	6,170,429	6,812,465	7,443,936
15.87%	15.81%	15.55%	16.22%	15.92%	16.12%	16.93%

CITY OF HEWITT, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

Notes to Schedule:

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

2020	2021	2022	2023
\$ 12,882	\$ 17,966	\$ 20,308	\$ 11,089
5,669	4,944	4,954	7,433
(12,752)	(7,510)	(49)	(10,384)
34,949	9,051	(102,698)	10,043
<u>(1,031)</u>	<u>(3,369)</u>	<u>(3,808)</u>	<u>(3,465)</u>
39,717	21,082	(81,293)	14,716
<u>200,202</u>	<u>239,919</u>	<u>261,001</u>	<u>179,708</u>
<u>\$ 239,919</u>	<u>\$ 261,001</u>	<u>\$ 179,708</u>	<u>\$ 194,424</u>
5,152,801	5,614,336	6,346,131	6,930,394
4.66%	4.65%	2.83%	2.81%

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Hotel/Motel Tax Fund – This fund is used to account for the occupancy tax collected by hotels and motels located in the City. Funds from this account are used to promote “heads in beds” sometimes called the “Texas Two-Step” where sponsored activities draw those from outside the city who will likely be staying in hotels.

PEG Fund – This fund is established to account for the funds received for professional, educational, and governmental communications. Funds from this account are limited to specific communications uses.

Child Safety Fee Fund – This fund is used to account for child safety fees and limited to specific safety related training uses.

CITY OF HEWITT, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2024

	Hotel / Motel Tax	PEG	Child Safety Fee	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 341,761	\$ 536,329	\$ 182,132	\$ 1,060,222
Accounts receivable, net	<u>26,042</u>	<u>-</u>	<u>-</u>	<u>26,042</u>
Total assets	<u>367,803</u>	<u>536,329</u>	<u>182,132</u>	<u>1,086,264</u>
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Tourism	367,803	-	-	367,803
Municipal information	-	536,329	-	536,329
Public safety	<u>-</u>	<u>-</u>	<u>182,132</u>	<u>182,132</u>
Total fund balances	<u>367,803</u>	<u>536,329</u>	<u>182,132</u>	<u>1,086,264</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 367,803</u>	<u>\$ 536,329</u>	<u>\$ 182,132</u>	<u>\$ 1,086,264</u>

CITY OF HEWITT, TEXAS**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES****NONMAJOR GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Hotel / Motel Tax	PEG	Child Safety Fee	Total Nonmajor Governmental Funds
REVENUES				
Taxes:				
Hotel occupancy	\$ 196,725	\$ -	\$ -	\$ 196,725
Franchise	-	27,839	-	27,839
Fines	-	-	18,186	18,186
Investment earnings	<u>15,881</u>	<u>26,624</u>	<u>9,000</u>	<u>51,505</u>
Total revenues	<u>212,606</u>	<u>54,463</u>	<u>27,186</u>	<u>294,255</u>
EXPENDITURES				
Current				
General government	<u>127,994</u>	<u>1,525</u>	<u>-</u>	<u>129,519</u>
Total expenditures	<u>127,994</u>	<u>1,525</u>	<u>-</u>	<u>129,519</u>
NET CHANGE IN FUND BALANCES	<u>84,612</u>	<u>52,938</u>	<u>27,186</u>	<u>164,736</u>
FUND BALANCES, BEGINNING	<u>283,191</u>	<u>483,391</u>	<u>154,946</u>	<u>921,528</u>
FUND BALANCES, ENDING	<u>\$ 367,803</u>	<u>\$ 536,329</u>	<u>\$ 182,132</u>	<u>\$ 1,086,264</u>

CITY OF HEWITT, TEXAS**CAPITAL PROJECTS****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Investment earnings	\$ 460,000	\$ 460,000	\$ 500,708	\$ 40,708
Total revenues	<u>460,000</u>	<u>460,000</u>	<u>500,708</u>	<u>40,708</u>
EXPENDITURES				
Capital outlay	<u>6,231,974</u>	<u>6,231,974</u>	<u>1,949,119</u>	<u>4,282,855</u>
Total expenditures	<u>6,231,974</u>	<u>6,231,974</u>	<u>1,949,119</u>	<u>4,282,855</u>
NET CHANGE IN FUND BALANCES	<u>(5,771,974)</u>	<u>(5,771,974)</u>	<u>(1,448,411)</u>	<u>4,323,563</u>
FUND BALANCES, BEGINNING	<u>10,012,207</u>	<u>10,012,207</u>	<u>10,012,207</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 4,240,233</u>	<u>\$ 4,240,233</u>	<u>\$ 8,563,796</u>	<u>\$ 4,323,563</u>

CITY OF HEWITT, TEXAS**HOTEL/MOTEL TAX****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes:				
Hotel occupancy	\$ 185,000	\$ 185,000	\$ 196,725	\$ 11,725
Investment earnings	3,000	3,000	15,881	12,881
Total revenues	<u>188,000</u>	<u>188,000</u>	<u>212,606</u>	<u>24,606</u>
EXPENDITURES				
Current				
General government	<u>109,500</u>	<u>109,500</u>	<u>127,994</u>	<u>(18,494)</u>
Total expenditures	<u>109,500</u>	<u>109,500</u>	<u>127,994</u>	<u>(18,494)</u>
NET CHANGE IN FUND BALANCES	<u>78,500</u>	<u>78,500</u>	<u>84,612</u>	<u>6,112</u>
FUND BALANCES, BEGINNING	<u>283,191</u>	<u>283,191</u>	<u>283,191</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 361,691</u>	<u>\$ 361,691</u>	<u>\$ 367,803</u>	<u>\$ 6,112</u>

CITY OF HEWITT, TEXAS

PEG

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes:				
Franchise	\$ 35,000	\$ 35,000	\$ 27,839	\$ (7,161)
Investment earnings	4,000	4,000	26,624	22,624
Total revenues	<u>39,000</u>	<u>39,000</u>	<u>54,463</u>	<u>15,463</u>
EXPENDITURES				
Current				
General government	<u>15,000</u>	<u>15,000</u>	<u>1,525</u>	<u>13,475</u>
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>1,525</u>	<u>13,475</u>
NET CHANGE IN FUND BALANCES	<u>24,000</u>	<u>24,000</u>	<u>52,938</u>	<u>28,938</u>
FUND BALANCES, BEGINNING	<u>483,391</u>	<u>483,391</u>	<u>483,391</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 507,391</u>	<u>\$ 507,391</u>	<u>\$ 536,329</u>	<u>\$ 28,938</u>

CITY OF HEWITT, TEXAS**CHILD SAFETY FEE****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Fines	\$ 18,500	\$ 18,500	\$ 18,186	\$ (314)
Investment earnings	500	500	9,000	8,500
Total revenues	19,000	19,000	27,186	8,186
EXPENDITURES				
Current				
General government	-	-	-	-
Total expenditures	-	-	-	-
NET CHANGE IN FUND BALANCES	19,000	19,000	27,186	8,186
FUND BALANCES, BEGINNING	154,946	154,946	154,946	-
FUND BALANCES, ENDING	\$ 173,946	\$ 173,946	\$ 182,132	\$ 8,186

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STATISTICAL SECTION

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Statistical Section
(Unaudited)

This part of the City of Hewitt's 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 City's overall financial health.

	<u>Page Number</u>
Financial Trends	
These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.	52 – 61
Revenue Capacity	
These schedules contain information to help the reader assess the factors affecting the City's most significant local revenue source – gas revenue, as well as its ability to generate its property taxes and information regarding its sales tax sources.	62 – 66
Debt Capacity	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	67 – 73
Demographic and Economic Information	
These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	74 – 78
Operating Information	
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	79 – 82

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

CITY OF HEWITT, TEXAS**NET POSITION BY COMPONENT**

LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2024	2023	2022	2021
Governmental activities:				
Net investment in capital assets	\$ 9,658,490	\$ 9,078,350	\$ 6,310,241	\$ 5,147,756
Restricted	2,131,607	1,803,573	1,606,369	1,552,315
Unrestricted	<u>8,380,218</u>	<u>6,895,760</u>	<u>5,954,317</u>	<u>3,669,261</u>
Total governmental activities	<u>\$ 20,170,315</u>	<u>\$ 17,777,683</u>	<u>\$ 13,870,927</u>	<u>\$ 10,369,332</u>
Business-type activities:				
Net investment in capital assets	\$ 5,192,915	\$ 2,324,110	\$ 1,596,257	\$ 1,936,099
Restricted	1,024,149	1,579,641	1,507,630	1,497,758
Unrestricted	<u>2,148,533</u>	<u>1,573,543</u>	<u>(355,885)</u>	<u>(1,968,329)</u>
Total business-type activities	<u>\$ 8,365,597</u>	<u>\$ 5,477,294</u>	<u>\$ 2,748,002</u>	<u>\$ 1,465,528</u>
Primary government:				
Net investment in capital assets	\$ 14,851,405	\$ 11,402,460	\$ 7,906,498	\$ 7,083,855
Restricted	3,155,756	3,383,214	3,113,999	3,050,073
Unrestricted	<u>10,528,751</u>	<u>8,469,303</u>	<u>5,598,432</u>	<u>1,700,932</u>
Total primary government	<u>\$ 28,535,912</u>	<u>\$ 23,254,977</u>	<u>\$ 16,618,929</u>	<u>\$ 11,834,860</u>

TABLE 1

Fiscal Year					
2020	2019	2018	2017	2016	2015
\$ 4,933,544	\$ 5,261,923	\$ 3,720,418	\$ 3,316,858	\$ 2,742,077	\$ 4,369,473
1,362,342	747,421	664,160	598,217	528,612	328,064
<u>2,216,839</u>	<u>1,020,091</u>	<u>436,303</u>	<u>116,244</u>	<u>17,048</u>	<u>39,608</u>
<u>\$ 8,512,725</u>	<u>\$ 7,029,435</u>	<u>\$ 4,820,881</u>	<u>\$ 4,031,319</u>	<u>\$ 3,287,737</u>	<u>\$ 4,737,145</u>
\$ 3,058,886	\$ 3,928,630	\$ 4,121,226	\$ 4,167,825	\$ 2,383,188	\$ 5,907,012
1,473,819	1,441,305	1,411,062	1,372,820	795,600	1,334,912
<u>(2,791,629)</u>	<u>8,061,145</u>	<u>6,432,761</u>	<u>6,061,828</u>	<u>6,890,939</u>	<u>3,089,192</u>
<u>\$ 1,741,076</u>	<u>\$ 13,431,080</u>	<u>\$ 11,965,049</u>	<u>\$ 11,602,473</u>	<u>\$ 10,069,727</u>	<u>\$ 10,331,116</u>
\$ 7,992,430	\$ 9,190,553	\$ 7,841,644	\$ 7,484,683	\$ 5,125,265	\$ 10,276,485
2,836,161	2,188,726	2,075,222	1,971,037	1,324,212	1,662,976
<u>(574,790)</u>	<u>9,081,236</u>	<u>6,869,064</u>	<u>6,178,072</u>	<u>6,907,987</u>	<u>3,128,800</u>
<u>\$ 10,253,801</u>	<u>\$ 20,460,515</u>	<u>\$ 16,785,930</u>	<u>\$ 15,633,792</u>	<u>\$ 13,357,464</u>	<u>\$ 15,068,261</u>

CITY OF HEWITT, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2024	2023	2022	2021
EXPENSES				
Governmental activities:				
General government	\$ 2,281,589	\$ 2,120,349	\$ 1,659,976	\$ 2,200,241
Public safety	8,060,986	7,536,133	6,167,618	5,836,436
Streets	2,547,498	2,362,736	1,432,079	1,168,854
Culture and recreation	1,028,698	1,010,636	1,377,531	842,864
Bond issuance costs	-	-	-	-
Interest on long-term debt	942,106	951,119	801,909	640,760
Total governmental activities	<u>14,860,877</u>	<u>13,980,973</u>	<u>11,439,113</u>	<u>10,689,155</u>
Business-type activities:				
Water, sewer and sanitation	9,229,451	8,789,862	8,356,859	8,077,449
ARPA	-	261,317	-	-
Stormwater drainage	447,921	442,020	439,927	448,958
Total business-type activities	<u>9,677,372</u>	<u>9,493,199</u>	<u>8,796,786</u>	<u>8,526,407</u>
Total primary government	<u>\$ 24,538,249</u>	<u>\$ 23,474,172</u>	<u>\$ 20,235,899</u>	<u>\$ 19,215,562</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	\$ 136,525	\$ 254,700	\$ 242,394	\$ 218,267
Public safety	436,410	310,470	401,915	364,161
Streets	-	-	4,925	-
Culture and recreation	40,542	52,702	39,580	22,821
Operating grants and contributions	299,653	223,441	71,017	60,634
Capital grants and contributions	-	2,800,000	1,671,000	657,000
Total governmental activities	<u>913,130</u>	<u>3,641,313</u>	<u>2,430,831</u>	<u>1,322,883</u>
Business-type activities:				
Charges for services:				
Water, sewer and sanitation	9,666,404	9,539,084	9,159,382	8,188,417
Stormwater drainage	543,132	531,097	492,447	517,939
Operating grants and contributions	2,606,951	-	-	-
Capital grants and contributions	-	2,586,317	1,320,000	438,000
Total business-type activities	<u>12,816,487</u>	<u>12,656,498</u>	<u>10,971,829</u>	<u>9,144,356</u>
Total primary government	<u>\$ 13,729,617</u>	<u>\$ 16,297,811</u>	<u>\$ 13,402,660</u>	<u>\$ 10,467,239</u>

TABLE 2

Fiscal Year					
2020	2019	2018	2017	2016	2015
\$ 2,302,122	\$ 2,483,711	\$ 2,438,820	\$ 1,631,134	\$ 2,339,790	\$ 1,896,745
5,792,543	5,168,107	4,730,176	4,698,414	4,166,333	3,952,175
905,294	897,475	746,905	1,659,377	1,632,508	1,624,610
839,228	780,253	717,371	714,377	575,926	506,422
-	-	120,462	-	-	-
651,361	749,069	724,249	619,982	667,917	571,195
<u>10,490,548</u>	<u>10,078,615</u>	<u>9,477,983</u>	<u>9,323,284</u>	<u>9,382,474</u>	<u>8,551,147</u>
7,931,989	8,022,576	8,007,911	7,651,272	8,039,501	7,451,538
-	-	-	-	-	-
486,193	458,925	383,413	388,359	240,319	304,736
<u>8,418,182</u>	<u>8,481,501</u>	<u>8,391,324</u>	<u>8,039,631</u>	<u>8,279,820</u>	<u>7,756,274</u>
<u>\$ 18,908,730</u>	<u>\$ 18,560,116</u>	<u>\$ 17,869,307</u>	<u>\$ 17,362,915</u>	<u>\$ 17,662,294</u>	<u>\$ 16,307,421</u>
\$ 142,407	\$ 130,421	\$ 128,125	\$ 183,187	\$ 199,848	\$ 111,019
305,877	299,970	227,769	214,877	161,133	208,422
-	-	-	-	-	440
15,276	46,328	51,357	46,032	35,110	25,925
855,721	12,789	15,310	51,575	29,600	6,626
-	1,800,000	625,000	877,000	95,457	112,760
<u>1,319,281</u>	<u>2,289,508</u>	<u>1,047,561</u>	<u>1,372,671</u>	<u>521,148</u>	<u>465,192</u>
7,925,925	8,894,951	8,780,563	7,974,970	8,191,004	7,616,419
481,999	465,755	439,626	308,759	304,805	299,426
-	-	-	-	-	-
-	1,255,000	314,516	839,000	-	401,650
<u>8,407,924</u>	<u>10,615,706</u>	<u>9,534,705</u>	<u>9,122,729</u>	<u>8,495,809</u>	<u>8,317,495</u>
<u>\$ 9,727,205</u>	<u>\$ 12,905,214</u>	<u>\$ 10,582,266</u>	<u>\$ 10,495,400</u>	<u>\$ 9,016,957</u>	<u>\$ 8,782,687</u>

CITY OF HEWITT, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2024	2023	2022	2021
NET (EXPENSE) REVENUES				
Governmental activities	\$ (13,947,747)	\$ (10,339,660)	\$ (9,008,282)	\$ (9,366,272)
Business-type activities	<u>3,139,115</u>	<u>3,163,299</u>	<u>2,175,043</u>	<u>617,949</u>
Total primary government	<u>(10,808,632)</u>	<u>(7,176,361)</u>	<u>(6,833,239)</u>	<u>(8,748,323)</u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	7,963,951	6,942,883	6,125,219	5,716,678
Sales	4,816,835	4,377,727	4,081,086	3,354,015
Franchise	964,746	983,902	968,297	927,331
Other	196,725	180,255	171,030	110,364
Investment earnings	1,296,369	730,727	93,846	65,524
Gain on sale of capital assets	25,660	-	31,903	-
Miscellaneous	76,093	75,922	83,496	93,967
Transfers	<u>1,000,000</u>	<u>955,000</u>	<u>955,000</u>	<u>955,000</u>
Total governmental activities	<u>16,340,379</u>	<u>14,246,416</u>	<u>12,509,877</u>	<u>11,222,879</u>
Business-type activities:				
Investment earnings	749,188	520,993	61,503	61,503
Gain on sale of capital assets	-	-	-	-
Transfers	<u>(1,000,000)</u>	<u>(955,000)</u>	<u>(955,000)</u>	<u>(955,000)</u>
Total business-type activities	<u>(250,812)</u>	<u>(434,007)</u>	<u>(893,497)</u>	<u>(893,497)</u>
Total primary government	<u>16,089,567</u>	<u>13,812,409</u>	<u>11,616,380</u>	<u>10,329,382</u>
CHANGE IN NET POSITION				
Governmental activities	2,392,632	3,906,756	3,501,595	1,856,607
Business-type activities	<u>2,888,303</u>	<u>2,729,292</u>	<u>1,281,546</u>	<u>(275,548)</u>
Total primary government	<u>\$ 5,280,935</u>	<u>\$ 6,636,048</u>	<u>\$ 4,783,141</u>	<u>\$ 1,581,059</u>

TABLE 2

Fiscal Year					
2020	2019	2018	2017	2016	2015
\$ (9,171,267)	\$ (7,789,107)	\$ (8,430,422)	\$ (7,950,613)	\$ (8,861,326)	\$ (8,085,955)
<u>(10,258)</u>	<u>2,134,205</u>	<u>1,143,381</u>	<u>1,083,098</u>	<u>215,989</u>	<u>561,221</u>
<u>(9,181,525)</u>	<u>(5,654,902)</u>	<u>(7,287,041)</u>	<u>(6,867,515)</u>	<u>(8,645,337)</u>	<u>(7,524,734)</u>
5,424,137	5,026,525	4,561,647	4,210,134	3,954,452	3,812,874
3,035,165	2,640,288	2,470,163	2,148,609	1,813,720	1,652,368
946,835	989,681	981,905	882,928	1,023,360	1,094,525
104,290	167,676	176,242	151,652	3,511	3,986
123,791	163,725	123,883	49,094	26,166	38,908
-	-	-	-	-	66,631
65,339	54,766	57,637	129,782	50,709	61,948
<u>955,000</u>	<u>955,000</u>	<u>980,000</u>	<u>925,000</u>	<u>540,000</u>	<u>540,000</u>
<u>10,654,557</u>	<u>9,997,661</u>	<u>9,351,477</u>	<u>8,497,199</u>	<u>7,411,918</u>	<u>7,271,240</u>
188,372	286,826	199,195	96,408	53,957	31,321
-	-	-	-	8,665	6,500
<u>(955,000)</u>	<u>(955,000)</u>	<u>(980,000)</u>	<u>(925,000)</u>	<u>(540,000)</u>	<u>(540,000)</u>
<u>(766,628)</u>	<u>(668,174)</u>	<u>(780,805)</u>	<u>(828,592)</u>	<u>(477,378)</u>	<u>(502,179)</u>
<u>9,887,929</u>	<u>9,329,487</u>	<u>8,570,672</u>	<u>7,668,607</u>	<u>6,934,540</u>	<u>6,769,061</u>
1,483,290	2,208,554	921,055	546,586	(1,449,408)	(814,715)
<u>(776,886)</u>	<u>1,466,031</u>	<u>362,576</u>	<u>254,506</u>	<u>(261,389)</u>	<u>59,042</u>
<u>\$ 706,404</u>	<u>\$ 3,674,585</u>	<u>\$ 1,283,631</u>	<u>\$ 801,092</u>	<u>\$ (1,710,797)</u>	<u>\$ (755,673)</u>

CITY OF HEWITT, TEXAS

**FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2024	2023	2022	2021
General fund				
Restricted	\$ 1,045,343	\$ 882,045	\$ 818,516	\$ 872,323
Unassigned	<u>12,171,367</u>	<u>10,505,497</u>	<u>9,140,346</u>	<u>7,266,805</u>
Total general fund	<u>\$ 13,216,710</u>	<u>\$ 11,387,542</u>	<u>\$ 9,958,862</u>	<u>\$ 8,139,128</u>
All other governmental funds				
Restricted	<u>\$ 9,650,060</u>	<u>\$ 10,933,735</u>	<u>\$ 6,124,042</u>	<u>\$ 1,593,859</u>
Total all other governmental funds	<u>\$ 9,650,060</u>	<u>\$ 10,933,735</u>	<u>\$ 6,124,042</u>	<u>\$ 1,593,859</u>

TABLE 3

Fiscal Year					
2020	2019	2018	2017	2016	2015
\$ 1,208,784	\$ 584,334	\$ 536,949	\$ 514,607	\$ 463,104	\$ 228,713
<u>5,980,505</u>	<u>4,624,694</u>	<u>3,828,297</u>	<u>3,058,799</u>	<u>2,754,567</u>	<u>3,173,500</u>
\$ 7,189,289	\$ 5,209,028	\$ 4,365,246	\$ 3,573,406	\$ 3,217,671	\$ 3,402,213
\$ 2,298,797	\$ 2,969,591	\$ 4,901,662	\$ 2,605,080	\$ 3,545,261	\$ 4,699,139
<u>\$ 2,298,797</u>	<u>\$ 2,969,591</u>	<u>\$ 4,901,662</u>	<u>\$ 2,605,080</u>	<u>\$ 3,545,261</u>	<u>\$ 4,699,139</u>

CITY OF HEWITT, TEXAS

**CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2024	2023	2022	2021
REVENUES				
Property taxes	\$ 7,948,178	\$ 6,927,796	\$ 6,081,718	\$ 5,730,073
Sales taxes	4,816,835	4,377,727	4,081,086	3,354,015
Franchise taxes	964,746	983,902	968,297	927,331
Other taxes	196,725	180,255	171,030	110,364
Intergovernmental	564,354	455,052	266,063	216,200
Licenses and permits	136,525	254,700	242,394	218,267
Fines	185,075	140,482	208,045	184,838
Interest income	1,296,369	730,727	93,846	65,523
Miscellaneous	97,960	108,863	121,900	100,929
Total revenues	<u>16,206,767</u>	<u>14,159,504</u>	<u>12,234,379</u>	<u>10,907,540</u>
EXPENDITURES				
General government	2,152,360	1,987,471	1,635,763	1,522,618
Public safety	7,142,324	6,465,860	5,767,670	5,279,446
Streets	1,163,535	1,175,774	955,793	759,418
Culture and recreation	882,747	866,270	739,688	731,870
Capital outlay	2,473,265	2,008,913	783,475	1,507,615
Debt service				
Principal	2,142,840	1,891,297	1,567,866	1,535,187
Interest	1,004,863	795,546	808,978	687,995
Bond issuance	-	156,375	-	-
Advance refunding escrow	-	-	-	-
Total expenditures	<u>16,961,934</u>	<u>15,347,506</u>	<u>12,259,233</u>	<u>12,024,149</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(755,167)</u>	<u>(1,188,002)</u>	<u>(24,854)</u>	<u>(1,116,609)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000,000	955,000	955,000	955,000
Transfers out	-	-	-	-
Debt issued	-	5,915,000	4,925,000	-
Premium on debt issued	-	241,375	228,244	-
Payment to refunded bond escrow agent	-	-	-	-
Issuance of leases	275,000	315,000	234,624	268,485
Sale of capital assets	25,660	-	31,903	138,025
Total other financing sources (uses)	<u>1,300,660</u>	<u>7,426,375</u>	<u>6,374,771</u>	<u>1,361,510</u>
NET CHANGE IN FUND BALANCES	<u>\$ 545,493</u>	<u>\$ 6,238,373</u>	<u>\$ 6,349,917</u>	<u>\$ 244,901</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>21.73%</u>	<u>25.50%</u>	<u>24.24%</u>	<u>21.10%</u>

TABLE 4

Fiscal Year					
2020	2019	2018	2017	2016	2015
\$ 5,425,572	\$ 5,010,738	\$ 4,565,554	\$ 4,190,233	\$ 3,954,452	\$ 3,812,874
3,035,165	2,640,288	2,470,163	2,148,609	1,813,720	1,652,368
946,835	989,681	981,905	882,928	881,073	957,137
104,290	167,676	176,242	151,652	152,419	141,374
1,064,728	187,753	121,701	119,446	101,057	118,886
142,407	130,421	128,125	183,187	218,114	125,174
109,284	144,963	137,939	145,092	146,402	203,453
123,791	163,725	123,883	49,094	26,166	38,908
68,201	78,671	92,433	116,788	95,499	78,722
<u>11,020,273</u>	<u>9,513,916</u>	<u>8,797,945</u>	<u>7,987,029</u>	<u>7,388,902</u>	<u>7,128,896</u>
1,468,690	1,562,000	1,479,448	1,481,304	1,884,326	1,743,826
4,978,027	4,466,000	4,318,624	4,181,739	3,725,241	3,447,235
557,777	677,069	655,131	685,596	702,779	578,507
707,358	647,633	598,804	594,712	539,749	470,439
1,002,669	2,370,747	2,824,008	1,466,790	4,972,570	3,995,961
1,511,604	1,336,472	1,214,193	1,027,945	984,466	707,640
717,677	824,766	599,315	608,531	634,246	558,092
-	-	-	-	-	-
-	-	120,462	-	-	-
<u>10,943,802</u>	<u>11,884,687</u>	<u>11,809,985</u>	<u>10,046,617</u>	<u>13,443,377</u>	<u>11,501,700</u>
<u>76,471</u>	<u>(2,370,771)</u>	<u>(3,012,040)</u>	<u>(2,059,588)</u>	<u>(6,054,475)</u>	<u>(4,372,804)</u>
955,000	955,000	980,000	925,000	842,170	900,000
-	-	-	-	(302,170)	(360,000)
-	-	4,860,000	-	3,355,000	-
-	-	-	-	139,656	-
-	-	-	-	-	-
277,996	327,482	260,462	282,200	307,436	93,414
-	-	-	70,946	373,963	530,538
<u>1,232,996</u>	<u>1,282,482</u>	<u>6,100,462</u>	<u>1,278,146</u>	<u>4,716,055</u>	<u>1,163,952</u>
\$ 1,309,467	\$ (1,088,289)	\$ 3,088,422	\$ (781,442)	\$ (1,338,420)	\$ (3,208,852)
<u>22.40%</u>	<u>22.70%</u>	<u>20.20%</u>	<u>19.10%</u>	<u>16.90%</u>	<u>16.60%</u>

TABLE 5**CITY OF HEWITT, TEXAS**

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
(Unaudited)

LAST TEN FISCAL YEARS
(Amounts expressed in thousands)

Fiscal Year	Real Property	Personal Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Certified Market Value	Assessed Value as Percentage of Actual Value
2015	\$ 827,966	\$ 52,160	\$ 174,039	\$ 706,087	0.539677	\$ 880,126	80.2%
2016	849,510	54,884	173,809	730,585	0.539677	904,394	80.8%
2017	905,490	58,145	188,325	775,310	0.539677	963,635	80.5%
2018	1,000,847	62,781	220,833	842,795	0.539677	1,063,628	79.2%
2019	1,113,730	70,700	247,520	936,910	0.539677	1,184,428	79.1%
2020	1,187,063	76,605	255,326	1,008,342	0.539677	1,263,668	79.8%
2021	1,224,578	72,744	263,549	1,033,773	0.547838	1,297,322	79.7%
2022	1,380,972	72,313	320,861	1,132,424	0.540102	1,453,286	77.9%
2023	1,709,284	78,691	486,095	1,301,880	0.540102	1,787,975	72.8%
2024	1,927,863	91,738	545,412	1,474,189	0.546736	2,019,601	73.0%

Source: McLennan County Appraisal District

TABLE 6

CITY OF HEWITT, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES
(rate per \$1,000 of assessed value)
(Unaudited)

LAST TEN FISCAL YEARS

Fiscal Year Ending	City of Hewitt Direct Rates			Overlapping Rates			
	Basic Operating Rate	General Obligation Debt Service	Total Direct Rate	Midway Independent School District	Lorena Independent School District	McLennan County	McLennan County Junior College District
2015	0.360046	0.179631	0.539677	1.320000	1.640000	0.535293	0.149530
2016	0.329858	0.209819	0.539677	1.320000	1.640000	0.535293	0.149724
2017	0.325525	0.214152	0.539677	1.320000	1.579090	0.525293	0.114890
2018	0.323593	0.216084	0.539677	1.320000	1.554090	0.505293	0.150346
2019	0.307403	0.232274	0.539677	1.320000	1.534000	0.485293	0.147696
2020	0.316587	0.223090	0.539677	1.250000	1.435210	0.485293	0.147696
2021	0.327866	0.219972	0.547838	1.236400	1.332666	0.468719	0.149782
2022	0.347103	0.192999	0.540102	1.164300	1.200310	0.425000	0.149782
2023	0.331618	0.208484	0.540102	1.124600	1.164540	0.376355	0.139074
2024	0.332142	0.214594	0.546736	0.939200	0.956775	0.329805	0.128509

Source: McLennan County Appraisal District

Notes: Overlapping rates are those of local and county governments that apply to property owners with the City of Hewitt, Texas. Not all overlapping rates apply to all City of Hewitt, Texas property owners, e.g., the rates for school taxes apply to either Midway or Lorena Independent School District. See also Table 11.

No direct funded debt limitation is imposed on the City under current state law or the City Charter. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem rate to \$2.50 per \$100 of assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.25 of the maximum tax rate for general obligation debt service.

TABLE 7**CITY OF HEWITT, TEXAS****PRINCIPAL PROPERTY TAXPAYERS**
(Unaudited)Current Year and Ten Years Ago
(Amounts expressed in thousands)

Taxpayer	2024			2014		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
The ICON at Hewitt LP	\$ 41,350	1	2.8%			
Clark, Richard S. (62 properties)	14,075	2	1.0%	\$ 9,267	1	1.4%
Wal-Mart Real Estate Business Trust	12,329	3	0.8%			
Mountain Waco, LLC/Fed Ex	12,237	4	0.8%	8,730	2	1.3%
Atwood Distributing LP	10,884	5	0.7%			
Oncor Electric Delivery, Inc.				5,558	4	0.8%
Goyne Brookside Apts	9,840	6	0.7%			
FedEx Ground Package Systems	9,163	7	0.6%			
Northwood LLC (Royalton duplexs)	8,018	8	0.5%			
Midway Townhomes Ltd	7,425	9	0.5%	4,453	8	0.7%
Lindstrom Family Restated Trust	7,270	10	0.5%			
BRD Management Inc				5,132	7	
Hewitt A L LLC/Senior Living Center				7,011	3	1.1%
Schultz Industries Inc/Sturdisteel				5,498	5	0.8%
Hewitt Real Estate Inv/Courtyard				5,450	6	0.8%
TKT First Colony LP (Ramada)				3,501	10	0.5%
Woody Butler Homes Inc.				3,594	9	0.5%
Total	<u>\$ 132,591</u>		<u>9.0%</u>	<u>\$58,194</u>		<u>8.8%</u>

Source: McLennan County Appraisal District

TABLE 8**CITY OF HEWITT, TEXAS****PROPERTY TAX LEVIES AND COLLECTIONS
(Unaudited)****LAST TEN FISCAL YEARS**

Fiscal Year Ended	Tax Roll Year	Taxes Levied for the Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2015	2014	\$ 3,792,860	\$ 3,765,445	99.28%	\$ 28,745	\$ 3,794,190	100.04%
2016	2015	3,944,267	3,903,880	98.98%	30,591	3,934,471	99.75%
2017	2016	4,189,262	4,135,031	98.71%	35,077	4,170,108	99.54%
2018	2017	4,526,990	4,493,806	99.27%	23,543	4,517,349	99.79%
2019	2018	5,022,921	4,964,002	98.83%	35,654	4,999,656	99.54%
2020	2019	5,411,325	5,369,150	99.22%	30,149	5,399,299	99.78%
2021	2020	5,696,148	5,663,286	99.42%	31,742	5,695,028	99.98%
2022	2021	6,060,595	6,033,420	99.55%	12,261	6,045,681	99.76%
2023	2022	6,992,230	6,868,904	98.24%	(17,802)	6,868,904	98.24%
2024	2023	8,046,694	7,907,979	98.28%	-	7,907,979	98.28%

Source: McLennan County Tax Assessor

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TABLE 9

CITY OF HEWITT, TEXAS

PRINCIPAL WATER CUSTOMERS
(Unaudited)

SEPTEMBER 30, 2024

Principal Water Customers	Average Monthly Consumption (gallons)	Average Monthly Bill (\$)
Midway Independent School District	1,080,450	9,782
The Icon Apartments	690,275	5,524
Brookside Apartments	643,833	5,932
HMG Park Manor of Hewitt, LLC	362,300	2,693
Washtub Hewitt	237,867	1,704
Dauntless Car Wash	227,958	1,639
CBOCS Texas, LLC	204,083	1,553
Rolling Meadows Enid, LLC	185,133	1,903
Mark and Elizabeth Bowles	182,342	1,962
Reserve at Dry Creek/DMA	170,833	1,874
7-Eleven, Inc.	161,392	1,267
Walker Place	137,708	1,408
White Water Express Car Wash	135,842	1,049
KBD Group Inc.	131,667	1,432
Stoney Brook of Hewitt	129,667	1,214
Ramada inn	122,883	1,173
Wal-Mart Stores Texas, LLC	121,300	1,477
Church of Latter Day Saints	116,842	1,120
Hewitt Car Wash Service	115,392	939
Rosa's Café	110,667	953
	<u>5,268,433</u>	<u>\$ 46,600</u>

WATER RATES
(Based on Monthly Billing)

Existing Rates Effective December 1st, 2023	
Residential, Commercial and Builder's Water Rates	Inside City
For a 3/4 inch service:	
For the first 3,000 gallons, minimum	\$33.00
For the next 4,000 gallons, per 1,000 gallons	5.35
For the next 5,000 gallons, per 1,000 gallons	6.00
For the next 12,000 gallons, per 1,000 gallons	6.45

Source: City of Hewitt administrative staff.

CITY OF HEWITT, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE (Unaudited)

LAST TEN FISCAL YEARS (Amounts expressed in thousands)

Fiscal Year	Governmental Activities				Business-type Activities				
	General Obligation Bonds	Certificates of Obligation	Bond Premiums	Financing Arrangements	General Obligation Bonds	Certificates of Obligation	Bond Premiums	Financing Arrangements	Notes Payable
2015	\$ 2,653	\$ 15,299	\$ 365	\$ 237	\$ 7,107	\$ 14,101	\$ 703	\$ 2,028	\$ 67
2016	2,357	18,089	483	421	6,968	19,761	797	1,903	61
2017	2,060	17,515	454	546	6,830	18,934	755	1,593	54
2018	1,752	21,646	685	370	6,688	18,079	707	1,269	47
2019	1,441	20,768	643	550	6,544	17,197	658	1,125	-
2020	1,996	19,712	602	616	6,424	16,257	609	828	-
2021	880	18,697	562	682	6,245	15,343	560	777	-
2022	596	22,537	750	717	5,579	14,813	512	525	-
2023	302	27,117	939	770	4,893	14,263	463	257	-
2024	-	25,644	880	677	4,185	16,691	551	124	-

Source: See Table 15 for personal income and population information.

TABLE 10

	Total Primary Government	Percentage of Personal Income	Per Capita
\$	42,560	59.65%	2,968
	50,840	71.26%	3,506
	48,741	65.45%	3,361
	51,243	69.00%	3,483
	48,926	65.70%	3,294
	47,044	60.22%	3,129
	43,746	60.69%	2,730
	46,029	63.58%	2,853
	49,004	64.57%	2,982
	48,752	58.18%	2,885

TABLE 11**CITY OF HEWITT, TEXAS**

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
(Unaudited)

LAST TEN FISCAL YEARS
(Amounts expressed in thousands)

Fiscal Year	General Bonded Debt Outstanding				Debt Service Monies Available	Net Bonded Debt	Percentage of Actual Taxable	
	General Obligation Bonds	Certificates of Obligation	Bond Premiums	Total Bonded Debt			Value of Property	Per Capita
2015	\$ 9,760	\$ 29,400	\$ 1,068	\$ 40,228	\$ 1,591	\$ 38,637	5.5%	2,694
2016	9,325	37,850	1,280	48,455	1,818	46,637	6.4%	3,216
2017	8,890	36,449	1,209	46,548	1,880	44,668	5.8%	3,081
2018	8,440	39,725	1,392	49,557	1,942	47,615	5.6%	3,227
2019	7,985	37,965	1,301	47,251	2,023	45,228	4.8%	3,045
2020	8,420	35,969	1,211	45,600	2,272	43,328	4.3%	2,882
2021	7,125	34,040	1,122	42,287	2,365	39,922	3.9%	2,491
2022	6,175	37,350	1,262	44,787	2,326	42,461	3.7%	2,632
2023	5,195	41,380	1,402	47,977	2,462	45,515	3.5%	2,770
2024	4,185	42,335	1,431	47,951	2,069	45,882	3.1%	2,715

Source: See Table 5 for property value data and Table 15 for population data.

Note: See Table 10 for general bonded debt outstanding.

CITY OF HEWITT, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
(Unaudited)

AS OF SEPTEMBER 30, 2024

Government Unit	Debt Outstanding	As of	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt (in 000s)
Debt repaid with property taxes				
Lorena Independent School District	\$ 21,369,122	9/30/24	5.60%	1,196,671
Midway Independent School District	160,070,000	9/30/24	16.76%	26,827,732
McLennan County	85,055,000	9/30/24	4.87%	4,142,179
McLennan County Community College	38,150,000	9/30/24	4.87%	1,857,905
Subtotal overlapping debt				34,024,486
Other debt				
City of Hewitt, Texas *		9/30/2024		27,200,573
Total direct and overlapping debt				\$ 61,225,059
Total direct and overlapping debt % of Appraised Value			4.15%	
Total direct and overlapping debt \$ of Capita			3,623	

Source: Municipal Advisory Council of Texas, Texas Municipal Reports, General Obligation Debt. Per staff at MAC, the estimated percentages of overlapping debt are calculated by the MAC using Certified Tax Values as of 7/25 from the McLennan County Tax Assessor. Each property is identified on the Tax Rolls submitted to the MAC and those properties are tagged according to the particular entity to which taxes are paid. Using the total tax values within the Government Unit and dividing by the total tax value of the City of Hewitt, the MAC determines the percentage applicable for debt.

* Gross Debt. Please note that some debt may be supported by other revenues and thus be considered self-supporting debt. Using gross debt may overstate the actual amount of debt supported by ad valorem taxes.

CITY OF HEWITT, TEXAS

LEGAL DEBT MARGIN INFORMATION
(Unaudited)

LAST TEN FISCAL YEARS
(Taxable Assessed Value in Thousands)

	Fiscal Year			
	2024	2023	2022	2021
Total Assessed Value	<u>\$ 1,474,189</u>	<u>\$ 1,301,880</u>	<u>\$ 1,132,424</u>	<u>\$ 1,033,773</u>
Statutory tax levy limit for general obligation debt service	\$ 18,427,363	\$ 16,273,500	\$ 14,155,300	\$ 12,922,163
Current year general obligation debt service requirements	<u>3,147,701</u>	<u>2,686,843</u>	<u>2,565,000</u>	<u>2,425,000</u>
Excess of statutory limit for debt service over current requirements	<u>\$ 15,279,662</u>	<u>\$ 13,586,657</u>	<u>\$ 11,590,300</u>	<u>\$ 10,497,163</u>
Current requirements as a % of statutory limit	17.08%	16.51%	18.12%	18.77%

Notes:

No direct outstanding debt limitation is imposed on the City under current state law or the City Charter. Article XI, Section 5 of the Texas Consitution is applicable to the City and limits maximum ad valorem rate to \$2.50 per \$100 of assessed valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.25 of the maximum tax rate for the general obligation debt service.

TABLE 13

Fiscal Year					
2020	2019	2018	2017	2016	2015
<u>\$ 1,008,342</u>	<u>\$ 936,910</u>	<u>\$ 842,795</u>	<u>\$ 775,310</u>	<u>\$ 730,585</u>	<u>\$ 706,087</u>
\$ 12,604,275	\$ 11,711,375	\$ 10,534,938	\$ 9,691,363	\$ 9,132,325	\$ 8,826,088
<u>2,360,000</u>	<u>2,215,000</u>	<u>1,835,000</u>	<u>1,636,476</u>	<u>1,530,913</u>	<u>1,265,295</u>
<u>\$ 10,244,275</u>	<u>\$ 9,496,375</u>	<u>\$ 8,699,938</u>	<u>\$ 8,054,887</u>	<u>\$ 7,601,412</u>	<u>\$ 7,560,793</u>
18.72%	18.91%	17.42%	16.89%	16.76%	14.34%

TABLE 14

CITY OF HEWITT, TEXAS

PLEDGED REVENUE COVERAGE
(Unaudited)

LAST TEN FISCAL YEARS

	Water/Sewer Revenue Bonds and Certificates of Obligation						
	Utility	Less:	Net	Debt Service			
Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Available Revenue	Principal	Interest	Total	Coverage
2015	\$ 7,647,318	\$ 4,312,310	\$ 3,335,008	\$ 742,713	\$ 754,362	\$ 1,497,075	2.23
2016	8,244,648	4,819,036	3,425,612	920,525	909,463	1,829,988	1.87
2017	8,070,972	4,022,088	4,048,884	964,273	915,563	1,879,836	2.15
2018	8,979,401	4,376,005	4,603,396	997,420	886,500	1,883,920	2.44
2019	9,180,440	4,318,705	4,861,735	1,025,997	860,039	1,886,036	2.58
2020	8,111,560	4,468,802	3,642,758	1,059,691	832,163	1,891,854	1.93
2021	8,248,431	4,650,419	3,598,012	1,092,782	802,632	1,895,414	1.90
2022	9,220,142	5,073,704	4,146,438	1,196,859	772,718	1,969,577	2.11
2023	9,899,288	5,641,318	4,257,970	1,235,600	742,122	1,977,722	2.15
2024	10,188,200	6,115,185	4,073,015	1,275,105	708,774	1,983,879	2.05

Notes: (1) Total revenue including interest

(2) Total Operating expenses less depreciation

CITY OF HEWITT, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS
(Unaudited)

LAST TEN CALENDAR YEARS

Calendar Year	Population (1)	Personal Income (dollars in thousands) (1)	Per Capita Personal Income (1)	Unemployment Rate (2)
2015	14,341	\$ 71,347	\$ 31,866	4.40%
2016	14,500	71,347	31,866	4.30%
2017	14,500	74,467	33,138	4.10%
2018	14,750	74,467	33,138	3.40%
2019	14,855	74,467	33,138	3.10%
2020	15,034	78,124	32,753	6.30%
2021	16,026	72,077	32,834	4.30%
2022	16,131	72,395	32,588	3.40%
2023	16,431	75,898	34,883	3.70%
2024	16,897	83,798	37,532	3.40%

Source: (1) U.S. Census Bureau, city staff and city-data.com

(2) U. S. Department of Labor, Bureau of Labor Statistics, Waco, TX Metropolitan Statistical Area

CITY OF HEWITT, TEXAS
PRINCIPAL EMPLOYERS
(Unaudited)
CURRENT AND PRIOR YEARS

Employer	2024		2023	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Midway ISD	1,500	12.71%	1,355	11.48%
Walmart	265	2.25%	260	2.20%
Cracker Barrel	66	0.56%	91	0.77%
Metals 2 Go (formerly Davis Iron Works)	124	1.05%	116	0.98%
Sturdisteel	109	0.92%	113	0.96%
City of Hewitt	118	1.00%	111	0.94%
Midway Transportation	14	0.12%	18	0.15%
Merry Maids	-	- %	13	0.11%
United Super IGA	28	0.24%	27	0.23%
Scott & White Clinic	26	0.22%	25	0.21%
General Implements (Alliance Distributing)	8	0.07%	8	0.07%
Hewitt Nursing and Rehabilitation	107	0.91%	55	0.47%
Sleep Inn	12	0.10%	12	0.10%
Ramada Inn	12	0.10%	12	0.10%
Central TX Dental Care	24	0.20%	22	0.19%
Stoney Brook	47	0.40%	63	0.53%
Atwoods	31	0.26%	36	0.31%
Rosa's Café	40	0.34%	40	0.34%
Total	2,531	21.45%	2,377	20.14%

Employer	2019		2018	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Midway ISD	1,186	11.30%	1,120	10.82%
Walmart	249	2.37%	279	2.70%
EMSI	-	- %	260	2.51%
Cracker Barrel	100	0.95%	121	1.17%
Metals 2 Go (formerly Davis Iron Works)	115	1.10%	103	1.00%
Sturdisteel	120	1.14%	100	0.97%
City of Hewitt	104	0.99%	104	1.00%
Midway Transportation	28	0.27%	31	0.30%
Merry Maids	14	0.13%	15	0.14%
United Super IGA	23	0.22%	21	0.20%
Scott & White Clinic	19	0.18%	19	0.18%
General Implements (Alliance Distributing)	9	0.09%	10	0.10%
Senior Care Center	84	0.80%	84	0.81%
Sleep Inn	15	0.14%	15	0.14%
Ramada Inn	11	0.10%	10	0.10%
Central TX Dental Care	26	0.25%	26	0.25%
Total	2,103	20.02%	2,318	22.39%

Source: City of Hewitt staff.

TABLE 16

2022		2021		2020	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
1,324	11.22%	1,206	10.86%	1,185	10.68%
289	2.45%	217	1.95%	259	2.33%
80	0.68%	80	0.72%	78	0.70%
103	0.87%	97	0.87%	106	0.95%
92	0.78%	102	0.92%	106	0.95%
105	0.89%	103	0.93%	100	0.90%
24	0.20%	26	0.23%	28	0.25%
13	0.11%	17	0.15%	14	0.13%
30	0.25%	26	0.23%	27	0.24%
26	0.22%	25	0.23%	24	0.22%
8	0.07%	9	0.08%	9	0.08%
55	0.47%	115	1.04%	92	0.83%
12	0.10%	14	0.13%	10	0.09%
8	0.07%	8	0.07%	7	0.06%
22	0.19%	22	0.20%	29	0.26%
-	- %	-	- %	-	- %
-	- %	-	- %	-	- %
-	- %	-	- %	-	- %
2,191	18.57%	2,067	18.62%	2,074	18.68%
2017		2016		2015	
Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
1,413	13.85%	1,437	14.37%	1,056	12.14%
286	2.80%	300	3.00%	-	- %
260	2.55%	260	2.60%	300	3.45%
-	- %	-	- %	-	- %
100	0.98%	97	0.97%	56	0.64%
120	1.18%	100	1.00%	90	1.03%
102	1.00%	100	1.00%	93	1.07%
50	0.49%	30	0.30%	36	0.41%
17	0.17%	16	0.16%	20	0.23%
26	0.25%	23	0.23%	30	0.34%
20	0.20%	16	0.16%	17	0.20%
8	0.08%	8	0.08%	16	0.18%
150	1.47%	115	1.15%	129	1.48%
12	0.12%	14	0.14%	15	0.17%
11	0.11%	10	0.10%	12	0.14%
24	0.24%	23	0.23%	23	0.26%
2,599	25.48%	2,549	25.49%	1,893	21.76%

CITY OF HEWITT, TEXAS

**FULL TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
(Unaudited)**

LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>Fiscal Year</u>			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
General government and administration	11.5	10.5	11	11.75
Public safety	66	60	57	53
Community services	16	16	16	14
Culture and recreation	11.50	11.50	10.25	10.25
Water, sewer and sanitation	<u>11</u>	<u>11</u>	<u>11.50</u>	<u>12</u>
Total	<u><u>116.00</u></u>	<u><u>109.00</u></u>	<u><u>105.75</u></u>	<u><u>101.00</u></u>

Source: City Staff. Full-time Equivalent Employees per the Adopted Budget.

TABLE 17

Fiscal Year					
2020	2019	2018	2017	2016	2015
11.75	13	15	15.5	14.5	14.0
53	54	52	51	51.5	48.5
15	15	13	13	12	11
10.50	10.50	10.5	9.75	9	6
13	13	13	13	13	13
103.25	105.50	103.50	102.25	100.0	92.50

CITY OF HEWITT, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM (Unaudited)

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2024	2023	2022	2021
Public safety				
Fire protection:				
Number of fulltime employees	19	16	16	16
Number of emergency responses	1,891	2,104	1,587	1,284
Police protection:				
Number of sworn personnel	31	31	29	27
Number of citations issued	1,687	1,044	1,692	1,286
Number of emergency responses	22,015	17,248	14,706	17,943
Cultural and recreation				
Libraries:				
Number of patrons using the library	143,708	208,610	127,530	121,870
Circulation	159,459	196,962	242,320	259,105
Parks and recreation:				
Number of parks - developed	2	2	2	2
Number of parks - undeveloped	1	1	1	1
Number of playgrounds	2	2	2	2
Water and sewer				
Number of water connections	6,774	6,746	6,665	6,455
Average daily consumption (thousands of gallons)	1,576	1,490	1,585	1,325
Number of sewer connections	6,677	6,640	6,567	6,382
Average daily sewage treatment (thousands of gallons)	1,279	1,312	1,463	1,240

Source: City Staff

Note: In October 2018 (FY 2019), the City started using Units for customer counts of water connections. Units include the count of residences in multi-family housing; i.e. apartments.

TABLE 18

Fiscal Year					
2020	2019	2018	2017	2016	2015
16	16	16	16	16	16
1,203	1,488	1,153	894	1,172	907
27	27	25	24	24	23
592	968	934	880	1,165	1,542
16,912	18,180	18,087	16,233	17,360	18,496
82,844	387,000	369,000	420,000	275,000	200,000
166,465	481,131	456,114	599,760	362,041	279,840
2	2	2	2	2	2
1	1	1	1	1	1
2	2	2	2	2	2
6,324	6,289	5,734	5,693	5,600	5,524
1,594	1,346	1,603	1,307	1,432	1,332
6,279	6,200	5,652	5,605	5,520	5,456
1,379	1,250	1,435	1,208	1,318	1,226

CITY OF HEWITT, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION (Unaudited)

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year			
	2024	2023	2022	2021
Public safety				
Number of fire stations	1	1	1	1
Number of police stations	1	1	1	1
Number of patrol units	4	4	4	4
Other public works				
City acres	4,392	4,392	4,392	4,392
Streets (miles)	70	70	70	70
Cultural and recreation				
Libraries:				
Number of public libraries	1	1	1	1
Parks and recreation:				
Number of parks - developed	2	2	2	2
Number of parks - undeveloped	1	1	1	1
Number of playgrounds	2	2	2	2
Water and sewer				
Water mains (miles)	100	100	125	125
Water storage capacity (thousands of gallons)	6,950	6,950	7,450	7,450
Sanitary sewers (miles)	89	89	88	73
Sewer capacity (thousands of gallons)	3.5744	3.5744	3.5744	3.5744

Source: Various City departments

Note: The number of miles of water main lines were reduced during replacement and reconstruction of Spring Valley Road.

Note: The amount of water storage decreased when the City of Hewitt transferred the fixed assets of a pumping station outside the city limits to the City of Waco.

TABLE 19

Fiscal Year					
2020	2019	2018	2017	2016	2015
1	1	1	1	1	1
1	1	1	1	1	1
4	4	4	4	4	4
4,392	4,392	4,392	4,392	4,392	4,392
70	70	70	69	68	68
1	1	1	1	1	1
2	2	2	2	2	2
1	1	1	1	1	1
2	2	2	2	2	2
125	125	125	124	124	124
7,450	7,450	7,450	7,450	7,450	7,450
73	73	73	72	72	72
3.5744	3.5744	3.5744	3.5744	3.5744	3.5744

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