

OFFICIAL STATEMENT**Dated: August 5, 2025**

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

The City has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

\$6,970,000**CITY OF SULPHUR SPRINGS, TEXAS****(Hopkins County)****COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025****Dated Date: August 1, 2025****Due: September 1, as shown on page ii**

The City of Sulphur Springs, Texas (the "City" or the "Issuer") \$6,970,000 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, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

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

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with and (1) designing, constructing and equipping an expansion and renovations to City Hall; (2) designing and constructing drainage improvements; and (3) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The scheduled payment of principal and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by ASSURED GUARANTY INC. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)



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

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) (See "OTHER PERTINENT INFORMATION - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Certificates will be available for delivery through the facilities of DTC on or about August 20, 2025.

\$6,970,000
CITY OF SULPHUR SPRINGS, TEXAS
(Hopkins County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2025

STATED MATURITY SCHEDULE

(Due September 1)
Base CUSIP –865525^(a)

\$6,165,000 SERIAL CERTIFICATES

<u>Stated Maturity September 1</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>CUSIP Suffix^(a)</u>
2026	\$265,000	5.000	2.640	XK0
2027	225,000	5.000	2.640	XL8
2028	235,000	5.000	2.650	XM6
2029	250,000	5.000	2.660	XN4
2030	260,000	5.000	2.800	XP9
2031	275,000	5.000	3.000	XQ7
2032	290,000	5.000	3.160	XR5
2033	300,000	5.000	3.280	XS3
2034	315,000	5.000	3.450	XT1
2035	330,000	5.000 ^(b)	3.630	XU8
2036	350,000	5.000 ^(b)	3.810	XV6
2037	365,000	4.000 ^(b)	3.850	XW4
2038	380,000	4.000 ^(b)	3.900	XX2
2040	xxx	xxx	xxx	xxx
2041	430,000	4.000	4.050	YA1
2042	445,000	4.000	4.100	YB9
2043	465,000	4.125	4.200	YC7
2044	485,000	4.250	4.250	YD5
2045	500,000	4.250	4.300	YE3

\$805,000 TERM CERTIFICATES

\$805,000 4.000% Term Certificates due September 1, 2040, and priced to yield 4.000% CUSIP Suffix ^(a) XZ7

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on and after September 1, 2035, on September 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. Additionally, the Certificate maturing on September 1, 2040 (the “Term Certificate”) is also subject to mandatory sinking fund redemption. (See “THE CERTIFICATES - Redemption Provisions” herein.)

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

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

CITY OF SULPHUR SPRINGS, TEXAS
125 South Davis Street
Sulphur Springs, Texas 75482
(903) 885-7541

ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>	<u>On Council Since</u>	<u>Term Expires May</u>
Tyler Law	Mayor	2023	2026
Oscar Aguilar	Mayor Pro-Tem	2020	2027
Jay Julian	Council Member	2020	2027
Tommy Harrison	Council Member	2022	2028
Gary Spraggins	Council Member	2020	2028
Harold Nash, Sr.	Council Member	2019	2027
John Sellers	Council Member	2011	2026

ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Length of Service With the City</u>
Marc Maxwell	City Manager	28 years
Lesa Smith	ACM / Finance Director	7 years
Natalie Burling	City Secretary	4 years
Nate Smith	City Attorney	4 years
Tory Niewiadomski	ACM / Community Development Director	8 years
Oscar Aguayo	Accounting Specialist	6 years
Gordon Frazier	ACM/ H.R. Director	19 years
David James	Fire Chief	6 years
Jason Ricketson	Police Chief	6 years
Dave Reed	City Engineer	37 years
James Jordan	Utilities Director	6 years
Bryan Craig	Public Works Director	2 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	Vail & Park, P.C. Frisco, Texas

For Additional Information Please Contact:

Mr. Marc Maxwell City Manager City of Sulphur Springs 125 South Davis Street Sulphur Springs, Texas 75482 903-885-7541 mmaxwell@sulphurspringstx.org	Mr. Mark McLiney Senior Managing Director SAMCO Capital Markets, Inc. 1020 NE Loop 410, Suite 640 San Antonio, Texas 78209 210-832-9760 mmcliney@samcocapital.com	Mr. Andrew Friedman Senior Managing Director SAMCO Capital Markets, Inc. 1020 NE Loop 410, Suite 640 San Antonio, Texas 78209 210-832-9760 afriedman@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, THE PURCHASER OR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, OR THE MUNICIPAL BOND INSURER WITH RESPECT TO ITS MUNICIPAL BOND INSURANCE POLICY AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC AND THE MUNICIPAL BOND INSURER, RESPECTIVELY.

Assured Guaranty Inc. ("AG" or the "Insurer") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "**BOND INSURANCE**" and **Appendix E – Specimen Municipal Bond Insurance Policy**".

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

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Sulphur Springs, Texas (the “Issuer” or “City”) is a political subdivision of the State of Texas and is located 80 miles east of Dallas in Hopkins County (the “County”). The Issuer is a Home Rule City which operates under a Council-Manager form of government, with the City Council comprised of seven members including the Mayor. All members are elected by place number and at-large for three-year staggered terms. The City’s population according to the 2020 census was 15,449, and the current estimated population is 16,969. (See “Appendix B - General Information Regarding the City of Sulphur Springs and Hopkins County, Texas” herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and laws of the State of Texas (the “State”), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, Texas Government Code, Chapter 1502, as amended, an ordinance (the “Ordinance”) adopted by the City Council, and the City’s Home Rule Charter. (See “THE CERTIFICATES - Authority for Issuance” herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas Texas.
Security	The Certificates constitute direct general obligations of the Issuer payable from a combination of the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and further secured by a pledge of the surplus Net Revenues derived from the operation of the City’s combined Waterworks and Sewer System (the “System”). (See “THE Certificates - Security for Payment” herein.)
Qualified Tax-Exempt Obligations	The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
Redemption Provision	The Issuer reserves the right to redeem the Certificates maturing on and after September 1, 2035, on September 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. Additionally, the Certificate maturing September 1, 2040 (the “Term Certificate” is also be subject to mandatory sinking fund redemption. (See “THE CERTIFICATES - Redemption Provisions” herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date of the initial delivery of the Certificates, subject to the matters described under “TAX MATTERS” herein. (See “TAX MATTERS” for a discussion of the Opinion of Bond Counsel and “APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL” herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used to pay all or a portion of the City’s contractual obligations incurred in connection with (1) designing, constructing and equipping an expansion and renovations to City Hall; (2) designing and constructing drainage improvements; and (3) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects. (See “THE CERTIFICATES - Use of Certificate Proceeds” herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See “Book-Entry-Only System” herein.)
Ratings	S&P Global Ratings (“S&P”) is expected to assign a rating of “AA” to the Certificates with the understanding that, concurrently with the delivery of the Certificates, a municipal bond insurance policy will be issued by Insurer. The City has received an underlying unenhanced rating of “A+” (stable outlook) from S&P. (See “OTHER PERTINENT INFORMATION - Rating” herein.)

Bond Insurance	The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by ASSURED GUARANTY INC. ("AG"). (See "BOND INSURANCE – Bond Insurance Policy" herein.)
Issuance of Additional Debt	The City does not anticipate the issuance of any additional debt in 2025.
Payment Record	The City has not defaulted since 1921, when there was a slight delay due to an error in bookkeeping.
Delivery	When issued, anticipated on or about August 20, 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
\$6,970,000
CITY OF SULPHUR SPRINGS, TEXAS
(A political subdivision of the State of Texas located in Hopkins County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2025

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by City of Sulphur Springs, Texas (the "City" or the "Issuer") of its \$6,970,000 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 and operates as a home-rule municipality under the statutes and the constitution of the State of Texas (the "State"). The Certificates are being issued pursuant to the Constitution and general laws of the State, an ordinance (the "Ordinance") adopted by the City Council authorizing the issuance of the Certificates, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

THE CERTIFICATES

General

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

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

Authority for Issuance

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

Security for Payment

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

Tax Rate Limitation

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

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

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (1) designing, constructing and equipping an expansion and renovations to City Hall; (2) designing and constructing drainage improvements; and (3) paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects.

Redemption Provisions of the Certificates

Optional Redemption. The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after September 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on September 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Mandatory Sinking Fund Redemption: The Certificate maturing September 1, 2040 (the "Term Certificate") is also subject to mandatory redemption prior to their stated maturity in part and by lot, at the redemption prices equal to the principal amounts thereof, plus accrued interest thereon to the redemption dates, on February 1, in the years and principal amounts shown below:

Term Certificates to Mature on September 1, 2040

<u>Year</u>	<u>Principal Amount</u>
2039	\$395,000
2040*	\$410,000

*Payable at Stated Maturity

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Certificates, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificates within the applicable Stated Maturity to be redeemed on the next following September 1 from money set aside for that purpose in the Certificate Fund. Any Certificate not selected for prior redemption shall be paid on the date of their stated maturity. The principal amount of a Certificate Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Certificates of such stated maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption

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

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

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

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice 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 not defaulted since 1921, when there was a slight delay due to an error in bookkeeping.

Legality

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

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times

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

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

Amendments

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

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

Default and Remedies

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the

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

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

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

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

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (as defined below) by check or draft mailed on March 1, 2026, and on each September 1 and March 1 thereafter until maturity or prior redemption of the Certificates, by the Paying Agent/Registrar to the last known address of the registered owner as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal of a Certificate will be paid to the registered owner at its stated maturity or its prior redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

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

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

Future Registration

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

or Certificates surrendered for exchange or transfer. (See “BOOK-ENTRY-ONLY SYSTEM” herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer or Exchange of Certificates

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

Replacement Certificates

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

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Certificates, Assured Guaranty Inc. (“AG”) will issue its Municipal Bond Insurance Policy for the Certificates (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as Appendix E to this Official Statement.

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

Assured Guaranty Inc.

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

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

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

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On June 30, 2025, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

On October 18, 2024, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 10, 2024, Moody's, following Assured Guaranty's announcement of the Merger, announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

Capitalization of AG

At March 31, 2025:

- The policyholders' surplus of AG was approximately \$3,522 million.
- The contingency reserve of AG was approximately \$1,421 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,416 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025).

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

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

Miscellaneous Matters

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

BOND INSURANCE GENERAL RISKS

If an insurance policy is purchased, the following are risk factors relating to bond insurance.

General

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

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

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

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

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

THE SYSTEM

Water Supply

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

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

Raw water is treated at the City's water treatment plant with an estimated treatment capacity of 12 million gallons per day. The plant is a conventional classification plant utilizing rapid mixing, flocculation, sedimentation, filtration, and disinfection. The City has ground storage capacity for treated water in the amount of three million gallons at the water plant site. Elevated storage capacity is provided by three elevated storage tanks located throughout the City with a total capacity of 2.25 million gallons.

Sewer System

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

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>
Checking Account	1,293,800	3.85%
Certificates of Deposit	2,316,034	6.89%
TexPool	<u>30,014,017</u>	<u>89.26%</u>
Total	<u>33,623,851</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 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.org.

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

property (the “10% Homestead Cap”). See “Table 1 – Assessed Valuation” for the reduction in taxable valuation attributable to the 10% Homestead Cap.

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

Certain goods that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action after conducting a public

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

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

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

Other Exempt Property

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

Tax Increment Financing Zones

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

Tax Abatement Agreements

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

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

Public Hearing and Maintenance and Operation Tax Rate Limitations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Issuer and Taxpayer Remedies

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

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

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

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

Issuer’s Rights in the Event of Tax Delinquencies

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

FUTURE LEGISLATION . . . The 89th Texas legislative session commenced on January 14, 2025 and adjourned on June 2, 2025. 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. During this time, the Texas Legislature may enact laws that materially affect the City and its finances.

CITY APPLICATION OF THE PROPERTY TAX CODE

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

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

The City taxes only business personal property.

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

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

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

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

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

The City created Tax Increment Reinvestment Zone #2 ("TIRZ #2") in April 2024. The 2024 property values will be used as the "base values" for the TIRZ. The first year for property value to be captured by the TIRZ will be the 2024 tax year or the first year that property comes on to the tax roll. Pursuant to the ordinance establishing TIRZ #2, the City and Hopkins County agree to contribute 75% of their property taxes (both M&O and I&S) to the tax increment fund which is to be used to pay projects for TIRZ #2 projects consisting of roadway improvements and drainage; water distribution and storage; wastewater collection; electrical lines and fiber optic cabling. The TIRZ expires September 30, 2055.

The City has entered into tax abatement agreements with Saputo and Signature Solar, and has adopted criteria therefore, which are prerequisites to the execution of abatement agreements. For the 2024 Tax Year, the total aggregate amount of the City's assessed valuation loss due to abatement agreements equals \$40,849,483 and the latest expiration date for any of the agreements is 2033.

ADDITIONAL TAX COLLECTIONS

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

Municipal Sales Tax Collections

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

Optional Sales Tax

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

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

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

TAX MATTERS

Opinion

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

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

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law

is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

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

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

Future and Proposed Legislation

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

The Issuer has designated the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a**

de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the IRS could take a contrary view. If the IRS takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Certificates would not be “qualified tax-exempt obligations.”

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The City will provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the “Annual Operating Report”) with respect to the City of the general type included in this Official Statement. The information to be updated includes the information in Tables 1, 2, 3, 11, 12, 13, 14, 20, 21, 22, 23, 24 and 25 of Appendix A. The City will additionally provide financial statements of the City (the “Financial Statements”), that will be (i) prepared in accordance with the accounting principles described in the City’s annual audited financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D to this Official Statement and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in 2025. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

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

Notice of Certain Events

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

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

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

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Agreements

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

Litigation

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

Future Debt Issuance

The City does not anticipate the issuance of any additional debt in 2025.

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

Legal Opinions and No-Litigation Certificate

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

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

Ratings

S&P Global Ratings ("S&P") is expected to assign a rating of "AA" to the Certificates with the understanding that concurrently with the delivery of the Certificates, the policy will be issued by Insurer. The City has received an underlying, unenhanced rating of "A+" from S&P. An explanation of the significance of such rating may be obtained from S&P. The rating of the Certificates by S&P reflect only the views of S&P at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised

downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revisions or withdrawals of the rating may have an adverse effect on the market price or marketability of the Certificates.

Financial Advisor

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

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

Winning Bidder

After requesting competitive bids for the Certificates, the City accepted the bid of Hilltop Securities Inc. (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page ii of this Official Statement at a price of par, plus a net premium of \$276,320.15, less an underwriting discount of \$135,907.83, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

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

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

Links to Websites

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

Forward-Looking Statements Disclaimer

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

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

Concluding Statement

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

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

CITY OF SULPHUR SPRINGS, TEXAS

/s/ Tyler Law
Mayor
City of Sulphur Springs, Texas

ATTEST:

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

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

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

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2025 Actual Market Value of Taxable Property (100% of Actual) ^(a)		\$ 2,293,325,662
Less Exemptions:		
Over -65 or Disabled Homestead	\$ 13,085,987	
Homestead Exemption	100,235,776	
Disabled and Deceased Veterans'	13,135,830	
Pollution Control	1,717,949	
Productivity Value Loss/Ag Use	36,845,180	
Abatement Loss	38,351,182	
Homestead Cap Adjustment	94,768,263	
Circuit Breaker Cap	92,669,928	
Other	913,526	
\$500 Minimum Value Loss	12,048	
Anticipated Loss due to Protest	-	
Totally Exempt Property	200,635,602	
Total Exemptions	\$ 592,371,271	
Certified Value Captured by the Tax Increment Reinvestment Zone 1 ("TIRZ")	23,075,172	^(b)
2025 Net Taxable Assessed Valuation Excluding Value Captured by the TIRZ		\$ 1,677,879,219

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

^(b) The City and County contributed 100% of their taxes and the Hospital contributed 25% of its taxes to the tax increment fund which is used to pay for TIRZ #1 projects.

Source: Hopkins County Appraisal District and the Issuer.

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Principal Outstanding: (As of August 1, 2025)		
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2012	\$	3,585,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2014		1,130,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016		14,115,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2017		2,555,000
General Obligation Refunding Bonds, Series 2017		335,000
General Obligation Refunding Bonds, Series 2019		2,430,000
Combination Tax and Revenue Certificates of Obligation, Series 2020		2,315,000
General Obligation Refunding Bonds, Series 2021		1,785,000
Combination Tax and Revenue Certificates of Obligation, Series 2024	\$	11,795,000
Total Gross General Obligation Debt Principal Outstanding:	\$	40,045,000
Current Issue General Obligation Debt Principal:		
Combination Tax and Revenue Certificates of Obligation, Series 2025 (the "Certificates")	\$	6,970,000
Total Gross General Obligation Debt Principal Outstanding Following the Issuance of the Certificates	\$	47,015,000
Less: Self-Supporting General Obligation Debt Principal ^(a)		
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2012 (31.24% W&S)	\$	1,120,000
Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2014 (32.74% W&S)		370,000
Combination Tax and Surplus Revenue Certificates of Obligation, Series 2016 (100% W&S)		14,115,000
Combination Tax and Revenue Certificates of Obligation, Series 2017 (100% W&S)		2,555,000
General Obligation Refunding Bonds, Series 2017 (100% W&S)		335,000
General Obligation Refunding Bonds, Series 2019 (100% TIRZ)		2,430,000
Combination Tax and Revenue Certificates of Obligation, Series 2020 (100% EDC)		2,315,000
General Obligation Refunding Bonds, Series 2021 (100% W&S)		1,785,000
Combination Tax and Revenue Certificates of Obligation, Series 2024 (75.71% W&S)		8,930,000
Total Self-Supporting General Obligation Debt Principal	\$	33,955,000
Total Net General Obligation Debt Outstanding (Following the issuance of the Certificates):	\$	13,060,000
Ratio of Gross General Obligation Debt Principal to 2025 Net Taxable Assessed Valuation		2.80%
Ratio of Net General Obligation Debt Principal to 2025 Net Taxable Assessed Valuation		0.78%
Population: 1980 - 12,804; 1990 - 14,007; 2000 - 14,551; 2010 - 15,449; 2020 - 16,532; Current Estimate		16,885
Per Capita 2025 Net Taxable Assessed Valuation -	\$	99,371
Per Capita Gross General Obligation Debt Principal -	\$	2,784
Per Capita Net General Obligation Debt Principal -	\$	773

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

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

Notes Payable:

During the year ended September 30, 2024, the following changes occurred in liabilities reported for the Corporation:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Notes payable	\$ 1,261,787	\$ -	\$ (226,886)	\$ 1,034,901	\$ 234,499
	\$ 1,261,787	\$ -	\$ (226,886)	\$ 1,034,901	\$ 234,499

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

Leases:

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

Lessee:

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

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

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

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

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

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

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

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

	Interest Rate	Lease Terms In Years	Ending Balance
Governmental Activities:			
Equipment Operating Leases	2.45%	2.54 Years	\$ 571,194
Total Governmental activities			\$ 571,194
Business-type Activities:			
Equipment Operating Leases	2.64%	4.02 Years	\$ 375,760
Total Business-type activities			\$ 375,760

The annual requirements to amortize leases payable outstanding as of September 30, 2024 are as follows:

	Governmental Activities		Business-type Activities	
	Interest	Principal	Interest	Principal
2025	11,302	274,189	8,729	110,458
2026	5,955	175,128	6,166	93,083
2027	2,227	77,028	3,867	71,881
2028	731	34,067	1,894	59,959
2029	112	10,784	721	25,961
Thereafter	-	-	166	14,418
	<u>\$ 20,327</u>	<u>\$ 571,196</u>	<u>\$ 21,543</u>	<u>\$ 375,760</u>

Lessor - Economic Development Corporation

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

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

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

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

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

	Interest Rate	Lease Terms In Years	Ending Balance
Building Leases	6%	7.06 Years	\$ 2,286,415

<u>Year</u>	<u>Net Taxable Assessed Valuation</u>	<u>Change From Preceding Year</u>	
		<u>Amount (\$)</u>	<u>Percent</u>
2016	\$ 887,649,352	\$ 9,469,739	1.08%
2017	912,204,964	24,555,612	2.77%
2018	919,433,113	7,228,149	0.79%
2019	976,465,783	57,032,670	6.20%
2020	1,040,308,928	63,843,145	6.54%
2021	1,227,911,135	187,602,207	18.03%
2022	1,266,009,512	38,098,377	3.10%
2023	1,356,975,175	90,965,663	7.19%
2024	1,516,834,590	159,859,415	11.78%
2025	1,700,954,391	184,119,801	12.14%

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

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 5

Fiscal Year	Currently Outstanding		The Certificates		Total	Combined Debt Service ^(a)	Less: Self Supporting		Net General Obligation Debt Service ^(b)
	30-Sep	Debt Service ^(a)	Principal	Interest			Debt Service ^(b)	Debt Service ^(b)	
2025		\$ 3,746,769	-	-	-	\$ 3,746,769	\$ 2,565,067	\$ 1,181,702	
2026		3,379,910	\$ 265,000	\$ 338,860	\$ 603,860	3,983,770	2,490,897	1,492,872	
2027		3,384,632	225,000	299,544	524,544	3,909,176	2,492,420	1,416,756	
2028		2,890,670	235,000	288,294	523,294	3,413,964	2,321,108	1,092,856	
2029		2,898,596	250,000	276,544	526,544	3,425,140	2,327,821	1,097,319	
2030		2,666,403	260,000	264,044	524,044	3,190,447	2,329,966	860,481	
2031		2,658,087	275,000	251,044	526,044	3,184,131	2,324,837	859,294	
2032		2,662,592	290,000	237,294	527,294	3,189,886	2,327,779	862,106	
2033		2,387,430	300,000	222,794	522,794	2,910,224	2,056,517	853,706	
2034		2,390,927	315,000	207,794	522,794	2,913,721	2,059,164	854,556	
2035		2,391,752	330,000	192,044	522,044	2,913,796	2,059,564	854,231	
2036		2,335,424	350,000	175,544	525,544	2,860,968	2,018,311	842,656	
2037		2,319,059	365,000	158,044	523,044	2,842,103	2,006,921	835,181	
2038		2,085,887	380,000	143,444	523,444	2,609,331	1,769,187	840,144	
2039		2,078,213	395,000	128,244	523,244	2,601,457	1,767,638	833,819	
2040		1,674,036	410,000	112,444	522,444	2,196,480	1,364,836	831,644	
2041		1,675,466	430,000	96,044	526,044	2,201,510	1,363,141	838,369	
2042		1,675,101	445,000	78,844	523,844	2,198,945	1,368,539	830,406	
2043		1,488,539	465,000	61,044	526,044	2,014,583	1,282,939	731,644	
2044		1,492,728	485,000	41,863	526,863	2,019,591	1,284,728	734,862	
2045		1,285,704	500,000	21,250	521,250	1,806,954	1,285,704	521,250	
2046		1,280,864	-	-	-	1,280,864	1,280,864	-	
2047		539,944	-	-	-	539,944	539,944	-	
2048		538,856	-	-	-	538,856	538,856	-	
2049		537,150	-	-	-	537,150	537,150	-	
2050		534,825	-	-	-	534,825	534,825	-	
2051		536,881	-	-	-	536,881	536,881	-	
2052		538,113	-	-	-	538,113	538,113	-	
2053		537,925	-	-	-	537,925	537,925	-	
2054		536,888	-	-	-	536,888	536,888	-	
	\$	55,149,370	\$ 6,970,000	\$ 3,595,016	\$ 10,565,016	\$ 61,413,805	\$ 46,448,530	\$ 19,265,856	

^(a) Includes general obligation self-supporting debt.

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

TAX ADEQUACY (Includes Self-Supporting Debt)

TABLE 6

2025 Certified Net Taxable Assessed Valuation	\$ 1,677,879,219
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2026)	\$ 3,983,770
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$ 0.24227

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

TAX ADEQUACY (Excludes Self-Supporting Debt)

TABLE 7

2025 Certified Net Taxable Assessed Valuation	\$ 1,677,879,219
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2026)	\$ 1,492,872
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	\$ 0.09079

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

INTEREST AND SINKING FUND MANAGEMENT INDEX**TABLE 8**

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2024 (audited)	\$ 21,187
2024-25 Interest and Sinking (I&S) Fund Tax Levy of \$.08120 at 98% Collections Produces	1,319,652
Total Available for Debt Service	\$ 1,340,839
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-25	\$ 1,181,702
Estimated Balance for Fiscal Year Ending 9-30-25	\$ 159,137

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

Net System Revenues Available, Fiscal Year End September 30, 2024	\$ 5,596,555
Less: 2024 Annual Debt Service Requirement on Outstanding Revenue Bonds	-
Less: 2024 Annual Debt Service Requirement on Waterworks and Sewer System Self-Supporting Debt	2,164,667
Balance Available for Other Purposes	\$ 3,431,888

^(a) Self-supporting general obligation debt being paid from revenues of the Waterworks and Sewer System.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**TABLE 10**

(As of August 1, 2025)

Fiscal Year Ending 9-30	Principal Repayment Schedule			Unpaid at End of Year	Percent of Principal Retired (%)
	Outstanding Principal	The Certificates	Total		
2025	\$ 1,860,000	-	\$ 1,860,000	\$ 45,155,000	4%
2026	2,255,000	\$ 265,000	2,520,000	42,635,000	9%
2027	2,320,000	225,000	2,545,000	40,090,000	15%
2028	1,895,000	235,000	2,130,000	37,960,000	19%
2029	1,960,000	250,000	2,210,000	35,750,000	24%
2030	1,785,000	260,000	2,045,000	33,705,000	28%
2031	1,830,000	275,000	2,105,000	31,600,000	33%
2032	1,890,000	290,000	2,180,000	29,420,000	37%
2033	1,665,000	300,000	1,965,000	27,455,000	42%
2034	1,715,000	315,000	2,030,000	25,425,000	46%
2035	1,765,000	330,000	2,095,000	23,330,000	50%
2036	1,760,000	350,000	2,110,000	21,220,000	55%
2037	1,795,000	365,000	2,160,000	19,060,000	59%
2038	1,615,000	380,000	1,995,000	17,065,000	64%
2039	1,655,000	395,000	2,050,000	15,015,000	68%
2040	1,300,000	410,000	1,710,000	13,305,000	72%
2041	1,340,000	430,000	1,770,000	11,535,000	75%
2042	1,375,000	445,000	1,820,000	9,715,000	79%
2043	1,225,000	465,000	1,690,000	8,025,000	83%
2044	1,260,000	485,000	1,745,000	6,280,000	87%
2045	1,085,000	500,000	1,585,000	4,695,000	90%
2046	1,105,000	-	1,105,000	3,590,000	92%
2047	390,000	-	390,000	3,200,000	93%
2048	405,000	-	405,000	2,795,000	94%
2049	420,000	-	420,000	2,375,000	95%
2050	435,000	-	435,000	1,940,000	96%
2051	455,000	-	455,000	1,485,000	97%
2052	475,000	-	475,000	1,010,000	98%
2053	495,000	-	495,000	515,000	99%
2054	515,000	-	515,000	-	100%
	<u>\$ 40,045,000</u>	<u>\$ 6,970,000</u>	<u>\$ 47,015,000</u>		

CLASSIFICATION OF ASSESSED VALUATION

TABLE 11

Category	2025-26	% of Total	2024-2025	% of Total	2023-2024	% of Total	2022-2023	% of Total	2021-2022	% of Total
Real, Residential, Single-Family	\$ 916,141,743	39.95%	\$ 826,967,910	40.36%	\$ 639,465,555	36.27%	\$ 612,127,580	36.43%	\$ 507,344,500	32.93%
Real, Residential, Multi-Family	108,235,403	4.72%	57,178,548	2.79%	38,102,540	2.16%	38,000,920	2.26%	34,847,140	2.26%
Real, Vacant Lots/Tracts	27,473,370	1.20%	21,236,740	1.04%	14,529,930	0.82%	12,989,440	0.77%	9,981,760	0.65%
Real, Acreage (Land Only)	38,757,100	1.69%	27,248,170	1.33%	36,016,690	2.04%	20,679,030	1.23%	19,970,960	1.30%
Farm & Ranch Improvements	30,989,240	1.35%	38,848,620	1.90%	27,399,630	1.55%	24,243,740	1.44%	20,199,850	1.31%
Real, Commercial	363,748,655	15.86%	322,585,101	15.74%	321,095,192	18.21%	348,580,038	20.74%	359,895,221	23.36%
Real, Industrial	88,810,480	3.87%	81,936,000	4.00%	76,757,880	4.35%	49,342,500	2.94%	50,977,100	3.31%
Real & Tangible, Personal Utilities	43,024,709	1.88%	41,514,564	2.03%	32,009,196	1.82%	30,716,782	1.83%	27,607,217	1.79%
Tangible Personal, Business	200,342,296	8.74%	162,587,187	7.93%	135,830,309	7.70%	128,147,827	7.63%	119,891,379	7.78%
Tangible Personal, Industrial	270,496,694	11.79%	271,972,903	13.27%	251,242,178	14.25%	236,760,852	14.09%	212,134,540	13.77%
Mobile Homes	1,251,860	0.05%	1,248,870	0.06%	1,308,260	0.07%	1,308,270	0.08%	1,313,500	0.09%
Real / Special Inventory	12,544,242	0.55%	12,910,211	0.63%	12,380,358	0.70%	12,432,808	0.74%	12,096,768	0.79%
Totally Exempt Property	191,509,870	8.35%	182,845,760	8.92%	177,118,540	10.04%	165,102,700	9.83%	163,839,730	10.64%
Total Appraised Value	\$ 2,293,325,662	100.00%	\$ 2,049,080,584	100.00%	\$ 1,763,256,258	100.00%	\$ 1,680,432,487	100.00%	\$ 1,540,480,545	99.98%
Less Exemptions:										
Over -65 or Disabled Homestead	\$ 13,085,987		\$ 12,974,350		\$ 12,938,531		\$ 12,858,882		\$ 12,661,910	
Homestead Exemption	100,235,776		90,471,351		74,942,337		67,724,949		-	
Disabled and Deceased Veterans'	13,135,830		11,036,806		9,572,500		8,273,730		5,990,910	
Pollution Control	1,717,949		1,763,079		1,820,798		1,780,536		791,475	
Productivity Value Loss/Ag Use	36,845,180		34,753,410		35,196,190		19,867,370		19,179,720	
Abatement Loss	38,351,182		40,849,483		43,648,155		68,738,955		71,278,849	
Homestead Cap Adjustment	94,768,263		97,552,414		40,240,790		56,444,110		30,603,420	
Circuit Breaker Cap	92,669,928		48,776,520		-		-		-	
Other	913,526		1,346,222		135,380		-		-	
\$500 Minimum Value Loss	12,048		310,363		297,906		305,206		11,824	
Anticipated Loss due to Protest	-		-		767,866		4,559,687		-	
Totally Exempt Property	200,635,602		192,411,996		186,720,630		173,869,550		172,051,302	
Total Exemptions	\$ 592,371,271		\$ 532,245,994		\$ 406,281,083		\$ 414,422,975		\$ 312,569,410	
Net Taxable Valuation	\$ 1,700,954,391		\$ 1,516,834,590		\$ 1,356,975,175		\$ 1,266,009,512		\$ 1,227,911,135	
Value Captured by Tax Increment										
Reinvestment Zone (TIRZ)	\$ (23,075,172)		\$ (19,330,066)		\$ (18,432,852)		\$ (17,400,240)		\$ (16,320,330)	
Net Taxable Assessed Valuation After TIRZ Adjustment	\$ 1,677,879,219		\$ 1,497,504,524		\$ 1,338,542,323		\$ 1,248,609,272		\$ 1,211,590,805	

Source: Hopkins County Appraisal District. Figures represent Certified Appraisal Rolls and do not include property values under review or arbitration.
 Note: Assessed Valuations shown are Certified Values and may change during the year due to various supplements and protests. Valuations on a later date or in other tables of this
 Official Statement may not match those shown on this table.

PRINCIPAL TAXPAYERS*
TABLE 12

<u>Name</u>	<u>Type of Business</u>	<u>2024</u>		<u>% of Total 2024</u>
		<u>Assessed Valuation</u>	<u>Assessed Valuation</u>	<u>Valuation</u>
Saputo Dairy Foods USA LLC	Food Service / Processing	\$ 55,000,418		3.63%
BEF Foods Inc.	Food Service / Processing	46,522,857		3.07%
GSC Enterprises	Warehousing / Distribution	36,113,900		2.38%
Ocean Spray Cranberries	Food Service / Processing	30,440,494		2.01%
Signature Solar LLC	Warehousing / Distribution	26,176,941		1.73%
Flowserve US Inc.	Manufacturing	24,761,608		1.63%
Load Trail LLC	Manufacturing	24,199,898		1.60%
Oncor Electric Delivery Co LLC	Utility	17,641,120		1.16%
D6 Inc.	Manufacturing	16,662,820		1.10%
Jeld-Wen Inc	Manufacturing	15,710,557		1.04%
Wal-Mart Stores Inc.	Retail Sales	15,483,240		1.02%
		Total	\$ 308,713,853	20.35%

Source: Hopkins County Appraisal District.

*The 2025 Principal Taxpayers were not available at the time of publication.

PROPERTY TAX RATES AND COLLECTIONS ^(a)
TABLE 13

<u>Tax Year</u>	<u>Net Taxable Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>% Collections</u>		<u>Year Ended</u>
				<u>Current</u>	<u>Total</u>	
2015	\$ 878,179,613	0.440000	\$ 3,921,008	98.10%	101.15%	9/30/2016
2016	887,649,352	0.440000	3,905,657	98.20%	100.34%	9/30/2017
2017	912,204,964	0.440000	4,013,702	98.40%	100.15%	9/30/2018
2018	919,433,113	0.440000	4,045,506	98.50%	100.94%	9/30/2019
2019	976,465,783	0.440000	4,296,449	99.00%	99.70%	9/30/2020
2020	1,040,308,928	0.440000	4,577,359	98.50%	99.60%	9/30/2021
2021	1,227,911,135	0.426920	5,242,198	98.40%	99.20%	9/30/2022
2022	1,266,009,512	0.440000	5,515,954	97.96%	98.99%	9/30/2023
2023	1,356,975,175	0.440000	5,943,083	98.08%	100.15%	9/30/2024
2024	1,516,834,590	0.435730	6,605,188	96.14%	97.05%	9/30/2025*
2025	1,700,954,391			(In process)		9/30/2026

*As of May 31, 2025 (Unaudited).

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

Source: Hopkins County Appraisal District and the Issuer.

TAX RATE DISTRIBUTION
TABLE 14

	<u>2024-2025</u>	<u>2023-2024</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>2020-2021</u>
General Fund	\$0.357080	\$0.359880	\$0.365470	\$0.362410	\$0.367100
I & S Fund	0.078650	0.080120	0.074530	0.064510	0.072900
TOTAL	<u>\$0.435730</u>	<u>\$0.440000</u>	<u>\$0.440000</u>	<u>\$0.426920</u>	<u>\$0.440000</u>

Source: Hopkins County Appraisal District.

MUNICIPAL SALES TAX
TABLE 15

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

Calendar Year	Total Collected	1.00% City	City Collections as % of		0.50% EDC
			Ad Valorem Tax Levy	(%) Equivalent of Ad Valorem Tax Rate	
2015	\$ 5,286,183	\$ 3,524,122	89.88%	0.40	\$ 1,762,061
2016	5,670,544	3,780,363	96.79%	0.43	1,890,181
2017	5,601,068	3,734,045	93.03%	0.41	1,867,023
2018	6,217,782	4,145,188	102.46%	0.45	2,072,594
2019	6,676,970	4,451,314	103.60%	0.46	2,225,657
2020	6,944,271	4,629,514	101.14%	0.45	2,314,757
2021	7,700,523	5,133,682	97.93%	0.42	2,566,841
2022	8,584,810	5,723,207	103.76%	0.45	2,861,603
2023	8,777,616	5,851,744	98.46%	0.43	2,925,872
2024	9,194,334	6,129,556	92.80%	0.40	3,064,778
2025*	5,582,003	3,721,335			1,860,668

* Through July 2025.

Source: Texas Comptroller of Public Accounts.

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

OVERLAPPING DEBT DATA AND INFORMATION
TABLE 16

(As of August 1, 2025)

Taxing Body	Gross Debt Principal Outstanding	% Overlapping	Amount Overlapping
Hopkins County	\$ 10,115,000	41.85%	\$ 4,233,128
Sulphur Springs ISD	134,585,000	69.63%	93,711,536
Total Gross Overlapping Debt			\$ 97,944,663
City of Sulphur Springs	47,015,000 ^(a)	100.00%	47,015,000 ^(a)
Total Gross Direct and Overlapping Debt			\$ 144,959,663 ^(a)
Ratio of Gross Direct and Overlapping Debt to 2025 Net Taxable Assessed Valuation			8.64% ^(a)
Per Capita Direct and Overlapping Debt			\$ 8,585 ^(a)
Note: The above figures show Gross General Obligation Debt Principal for the City of Sulphur Springs, Texas			
The Issuer's Net General Obligation Debt Principal is			
Calculations on the basis of Net General Obligation Debt Principal would change the above figures as follows:			
Total Net Direct and Overlapping Debt Principal			\$ 111,004,663
Ratio of Gross Direct and Overlapping Debt to 2025 Net Taxable Assessed Valuation			6.62% ^(a)
Per Capita Direct and Overlapping Debt			\$ 6,574 ^(a)

^(a) Includes the Certificates.

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

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES
TABLE 17

Governmental Entity	2024 Assessed Valuation	% of Actual	2024 Tax Rate
Hopkins County	\$ 4,058,077,681	100%	\$ 0.400000
Sulphur Springs ISD	2,281,741,077	100%	0.980000

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 of Authorization</u>	<u>Amount (\$) Authorized</u>	<u>Amount Issued to Date</u>	<u>Amount (\$) Unissued</u>
Hopkins County	None	-	-	-
City of Sulphur Springs	None	-	-	-
Sulphur Springs ISD	5/4/2024	\$ 157,150,000	\$ 105,000,000	\$ 52,150,000

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

FUND BALANCES

TABLE 19

	<u>Audited Balance As of 9/30/2024</u>	<u>Unaudited Balance As of 5/31/2025</u>
General Operating Fund	\$ 6,875,520	\$ 8,843,391
General Obligation Interest and Sinking Fund (Debt Service)	21,186	1,275,293
Special Revenue Fund	1,165,319	1,279,062
Water and Sewer Interest and Sinking Fund	554,670	1,444,981
Waterworks and Sewer System Operating Fund	7,872,477	8,983,258
Meter Deposit Fund	679,640	716,547
Internal Service Fund	1,443,635	1,523,244
Capital Projects Fund (General Fund Projects)	2,126,599	1,851,555
Capital Projects Fund (Utility Fund Projects)	9,062,005	7,034,710
Tourism Fund	620,747	671,811
Total	\$ 30,421,798	\$ 33,623,852

Source: The Issuer.

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

TABLE 20

	Fiscal Year Ended September 30				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues:					
Taxes:					
Property	\$ 4,916,270	\$ 4,591,484	\$ 4,314,626	\$ 3,903,024	\$ 3,703,504
Sales	6,048,654	5,892,414	5,712,018	5,213,428	4,405,088
Franchise	1,188,306	1,221,524	1,198,589	1,132,895	1,107,672
Alcoholic Beverage	57,617	59,818	48,978	50,553	40,060
Licenses and Permits	287,943	287,447	245,472	175,067	142,131
Intergovernmental	30,015	27,835	20,625	24,375	39,375
Charges for Services	37,791	47,979	22,732	4,485	4,871
Fines & Forfeitures	954,606	955,715	966,872	960,395	800,920
Interest	417,058	330,564	41,847	4,436	39,524
Grants & Contributions	-	-	56,875	221,469	667,883
In-Kind	-	-	-	-	8,890,090
Miscellaneous	282,086	284,421	374,521	333,809	205,809
Total Revenues	<u>\$ 14,220,346</u>	<u>\$ 13,699,201</u>	<u>\$ 13,003,155</u>	<u>\$ 12,023,936</u>	<u>\$ 20,046,927</u>
Expenditures:					
Current:					
General Government	\$ 3,133,222	\$ 3,019,021	\$ 2,708,084	\$ 2,735,936	\$ 2,496,083
Public Safety	7,188,125	6,400,207	6,200,641	5,828,044	5,511,021
Transportation	698,167	700,422	800,593	737,400	656,500
Culture & Recreation	1,712,516	1,587,127	1,745,915	1,293,833	1,225,570
Capital Outlay	696,864	290,125	307,226	368,909	9,170,154
Debt Service:					
Principal	286,595	367,477	-	-	-
Interest & Fiscal Charges	-	-	-	-	-
Total Expenditures	<u>\$ 13,715,489</u>	<u>\$ 12,364,379</u>	<u>\$ 11,762,459</u>	<u>\$ 10,964,122</u>	<u>\$ 19,059,328</u>
Excess (Deficit) of Revenues Over Expenditures	\$ 504,857	\$ 1,334,822	\$ 1,240,696	\$ 1,059,814	\$ 987,599
Other Financing Sources (Uses):					
Transfers In	\$ 2,569,135	\$ 2,283,236	\$ 1,805,949	\$ 1,727,354	\$ 1,684,151
Transfers Out	(2,814,424)	(2,805,558)	(2,218,765)	(1,948,194)	(2,110,962)
Bond Proceeds	442,101	-	-	-	-
Other Uses - Bond Issuance	-	-	-	-	-
Operating Lease Liabilities Proceeds	-	132,543	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 196,812</u>	<u>\$ (389,779)</u>	<u>\$ (412,816)</u>	<u>\$ (220,840)</u>	<u>\$ (426,811)</u>
Net Change in Fund Balances	701,669	945,043	827,880	838,974	560,788
Fund Balance - Beginning	<u>7,145,456</u>	<u>6,200,413</u>	<u>5,372,533</u> *	<u>4,053,529</u>	<u>3,492,741</u>
Fund Balance - Ending	<u>\$ 7,847,125</u>	<u>\$ 7,145,456</u>	<u>\$ 6,200,413</u>	<u>\$ 4,892,503</u>	<u>\$ 4,053,529</u>

The Issuer's estimated General Fund balance for FYE September 30, 2025 is \$7,835,803.

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

Source: *The Issuer's Annual Comprehensive Financial Reports.*

CONDENSED WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT
TABLE 21

	Fiscal Year Ended September 30				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues	\$ 13,361,428	\$ 12,587,113	\$ 11,557,496	\$ 10,594,098	\$ 10,241,181
Expenses	<u>7,764,873</u>	<u>7,018,138</u>	<u>5,220,514</u>	<u>5,170,251</u>	<u>5,259,247</u>
Net Available for Debt Service	<u>\$ 5,596,555</u>	<u>\$ 5,568,975</u>	<u>\$ 6,336,982</u>	<u>\$ 5,423,847</u>	<u>\$ 4,981,934</u>
Annual Revenue Bond Debt Service Requirements	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage of Annual Revenue Bond Requirements	N/A	N/A	N/A	N/A	N/A
Annual Requirements on all Obligations Paid from System Revenues	\$ 1,522,018	\$ 1,686,932	\$ 2,228,269	\$ 2,226,493	\$ 2,284,296
Coverage of Annual Requirements on all Obligations Paid from System Revenues	3.68X	3.30X	2.84X	2.44X	2.18X
Customer Count:					
Water	6,754	6,742	6,697	6,632	6,645
Sewer	6,098	6,086	5,994	5,957	5,956

Note: All revenues and expenses associated with sanitation services are EXCLUDED from these figures.

Source: The City's Comprehensive Annual Financial Reports and the Issuer.

WATER RATES
TABLE 22

Existing Rates		
(Rates Effective October 1, 2024)		
<u>Residential and Commercial Rates</u>		
<u>Demand Charge Based on Meter Size</u>		
3/4" Meter	\$	6.80
1" Meter	\$	12.71
1.5" Meter	\$	20.84
2" Meter	\$	60.63
3" Meter	\$	250.26
4" Meter	\$	644.71
6" Meter	\$	3,607.24
8" Meter	\$	4,509.35
10" Meter	\$	5,771.59
Usage Fee	\$	4.61 /1,000 Gallons
<u>Previous Rates</u>		
(Rates Effective October 1, 2023)		
<u>Residential and Commercial Rates</u>		
<u>Demand Charge Based on Meter Size</u>		
3/4" Meter	\$	6.28
1" Meter	\$	11.99
1.5" Meter	\$	19.85
2" Meter	\$	58.29
3" Meter	\$	241.51
4" Meter	\$	622.62
6" Meter	\$	3,484.97
8" Meter	\$	4,356.21
10" Meter	\$	5,575.95
Usage Fee	\$	4.45 /1,000 Gallons

PRINCIPAL WATER CUSTOMERS 2024

TABLE 23

<u>Name of Customer</u>	<u>Average Monthly Consumption (Gallons)</u>	<u>Average Monthly Bill</u>
North Hopkins Water Supply District	18,711,633	\$ 92,890
Saputo Foods, Inc	17,011,842	82,151
Ocean Spray, Inc.	5,934,408	29,495
Brashear Water District	3,943,858	18,160
BEF Foods, Inc.	2,938,300	17,647
Shady Grove Water District	2,535,758	11,735
Christus Hospital	1,328,808	10,178
Brinker Water Supply District	506,567	6,052
Kalashine Holdings Apartments	1,115,592	5,098
Sulphur Springs High School	685,583	4,660
Totals	54,712,349	\$ 278,066

SEWER RATES

TABLE 24

<u>Existing Rates</u> (Rates Effective October 1, 2024)		
<u>Residential and Commercial Rates</u>		
<u>Demand Charge Based on Meter Size</u>		
3/4" Meter	\$	12.88
1" Meter	\$	12.88
1.5" Meter	\$	19.32
2" Meter	\$	25.76
3" Meter	\$	38.64
4" Meter	\$	51.52
6" Meter	\$	77.28
8" Meter	\$	103.04
10" Meter	\$	128.80
Usage Fee	\$	4.81 1000 Gallons

<u>Previous Rates</u> (Rates Effective October 1, 2023)		
<u>Residential and Commercial Rates</u>		
<u>Demand Charge Based on Meter Size</u>		
3/4" Meter	\$	12.15
1" Meter	\$	12.15
1.5" Meter	\$	18.23
2" Meter	\$	24.30
3" Meter	\$	36.45
4" Meter	\$	48.60
6" Meter	\$	72.90
8" Meter	\$	97.20
10" Meter	\$	121.50
Usage Fee	\$	4.65 1000 Gallons

PRINCIPAL SEWER CUSTOMERS 2024

TABLE 25

<u>Name of Customer</u>	<u>Average Monthly Consumption (Gallons)</u>	<u>Average Monthly Bill</u>
Saputo Foods, Inc	17,011,842	\$ 78,598
Ocean Spray, Inc.	3,439,873	15,751
BEF Foods, Inc.	2,855,833	13,301
Kalashine Holdings Apartments	1,115,592	5,285
Christus Hospital	702,717	4,243
Hopkins County Law	608,067	2,884
Carriage House Manor	591,958	2,777
Heartland Village LTD	543,267	2,648
Rahman Properties	544,150	2,579
Hopkins Development	523,683	2,459
Totals	27,936,982	\$ 130,525

Source: Information from the Issuer

APPENDIX B

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

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

CITY OF SULPHUR SPRINGS, TEXAS

Location

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



Population:

<u>Census Report</u>	<u>City of Sulphur Springs</u>	<u>Hopkins County</u>
Current Estimate (2025)	16,885	38,930
2020	16,532	36,787
2010	15,449	35,161
2000	14,551	31,960
1990	14,062	28,833
1980	12,804	25,257

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

Major Employers within the City for 2024

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Number of Employees 2024</u>
Sulphur Springs ISD	Public Education	663
Grocery Supply Company	Wholesale Grocery	540
Saputo Foods, Inc.	Dairy Products	540
Hopkins County Hospital	Health Care Services	463
Wal-Mart Stores, Inc.	Retail Sales	375
CMH Manufacturing	Mobil Home Construction	293
Signature Solar	Solar equipment distribution	257
Hopkins County	Government	252
M&F Western Products	Retail	198
City of Sulphur Springs	Government	183

Source: Issuer's 2024 Annual Comprehensive Financial Report

HOPKINS COUNTY, TEXAS

General

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

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

Labor Force Statistics

	Hopkins County		State of Texas	
	<u>2025*</u>	<u>2024</u>	<u>2025*</u>	<u>2024</u>
Civilian Labor Force	19,776	19,318	15,826,370	15,608,932
Total Employed	19,130	18,677	15,194,230	14,971,373
Total Unemployed	646	641	632,140	637,559
% Unemployed	3.3	3.3	4.0	4.1

Source: Texas Workforce Commission, Labor Market Information.

**As of June 2025*

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 SULPHUR SPRINGS, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
SERIES 2025**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$6,970,000

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

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

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

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express



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

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

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

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

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

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



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

Respectfully,

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APPENDIX D

EXCERPTS FROM THE CITY OF SULPHUR SPRINGS ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2024

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

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2024

CITY MANAGER

Marc Maxwell

Prepared By:

Lesa Smith

Assistant City Manager – Finance Director

Oscar Aguayo

Accounting Specialist

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INTRODUCTORY SECTION



March 5, 2025

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

State law requires that every general-purpose local government publish and file in the office of the municipal secretary, within 180 days of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 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 it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Vail & Park, P.C., has issued an unmodified ("clean") opinion on the City of Sulphur Springs, Texas financial statements for the year ended September 30, 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) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Sulphur Springs, Texas, incorporated in 1859, is located in the northeastern part of the state. It currently occupies almost 32 square miles and serves a population of 16,564. The City of Sulphur Springs, Texas is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, although recent legislation has greatly reduced this ability.

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

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

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

Local Economy

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

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

- In November 2022, the City signed a tax abatement agreement with Ashoka Steel for the construction of a new 345,000 sq. ft. steel factory with an initial investment of \$245,000,000. The facility must be completed by June 1, 2026. As part of the abatement, they must maintain a minimum of 315 jobs. The City will abate taxes 70% each year for the first 5 years and 50% for the next five years. As of the date of this letter, Ashoka has not begun construction.
- In November 2023, The City signed a tax abatement with Signature Solar for improvements to a previously vacant facility with a minimum investment of \$5,000,000 and creation of 500 jobs over a period of 5 years.

In 2024, 10 commercial permits were issued with a valuation of \$18.24 million. In addition to business growth, the City has experienced residential growth as well. In 2024, 63 residential permits were issued with a valuation of \$10,663,540. To address the single-family home shortage, in addition to filling in vacant lots within the City, the City Council established the Housing Infill Program in 2020. This program provides incentives to builders that construct a new single-family home in certain areas of town. To date, the program has resulted in 53 new homes with an increase in assessed valuation of \$10.9 million. With the combination of our vibrant downtown, parks, schools, new jobs, and expansion along the I-30 corridor, and within the former mining property, the City expects to see our local economy flourish in the coming years.

At the end of 2024, the unemployment rate was 3.3% which is the same as 2023's rate. Local sales tax collection growth slowed down in FY 2024 to 2.55% which is the slowest level of growth we have seen in several years. In 2023, sales tax increased 5.69%. Other historical sales tax growth rates are as follows: 11.73% in 2022, 8.74% in 2021, 4.62% in 2020, and 7.17% in 2019. As of February 2025, sales tax is up year over year by 7.10%.

Long-Term Financial Planning

In 1998, the City of Sulphur Springs started budgeting significant resources for its Capital Improvement Plan (CIP). The annual CIP was part of a long-term planning document which had been finalized in 1997. Funding was designed to be ongoing year by year. Significant progress was made from 2008-2016 on capital projects but has been scaled back in recent years due to budgetary constraints and an increase in the cost of materials over time. In 2018, a new CIP was adopted that includes the reconstruction of 10 streets, and associated utilities and drainage. Along with the 10 streets being reconstructed in the plan, 24 streets are a part of the Street Improvement Plan (SIP) in which they will receive maintenance and overlays. The CIP and SIP are budgeted in conjunction with the annual adopted operating budget and carry over as needed from year-to-year. In the past, the City has used debt to fund a significant portion of the capital projects. The 5-year plan adopted in 2018 does not include the issuance of any new debt for these projects. The 5-year CIP was supposed to wrap up in Fiscal Year 2023, but project delays have carried the projects into Fiscal Year 2025 and likely into FY 2026. A committee composed of City staff is currently working on compiling the next 5-year CIP.

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

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

During FY 2008, the City of Sulphur Springs created a Tax Increment Financing Reinvestment Zone to redevelop its downtown core. The Project and Financial Plan was adopted in 2009 and financially guided that work through its completion. Work on the downtown started in the latter part of 2009 and continued through 2012. Work was completed in 2013. At this point the City is diligently working to increase commercial activity in its downtown district. Since 2007, taxable values of properties located in the TIFRZ have increased 137%.

Major Initiatives

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

In October 2018, the City signed a development agreement with Luminant Mining Company in which Luminant agreed to deed 4,858 acres located just outside of the City limits to the City. On November 22, 2019, the transfer of the land was complete. City Council annexed the City's land into the city limits on March 3, 2020. The donation of this land provides the City and its citizens with significant possibilities in the near future such as industrial parks, residential and retail development and recreational uses. In FY 2024, the City of Sulphur Springs created Tax Increment Reinvestment Zone #2. This zone consists of 4,333 acres that the City owns. The base value is estimated at \$6.7 million. To date, there are no increases in the value of the zone but the City is working diligently to bring development to this area. The City, Hospital District, and Hopkins County are each participating at 75% of the increment. The creation of the zone will catalyze the growth of that property. A new 2-mile road paid in part by a grant from the Economic Development Administration is nearing completion.

Awards & Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sulphur Springs, Texas for its annual comprehensive financial report for the fiscal year ended September 30, 2020. This was the 31st consecutive year that the government has received this prestigious award. Due to timing issues created in part by the pandemic, the City did not submit the 2021 report for review and potential award. The 2022 and 2023 reports were submitted for review, but we did not receive the award. To be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized annual report that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'M. Maxwell', is positioned above the printed name.

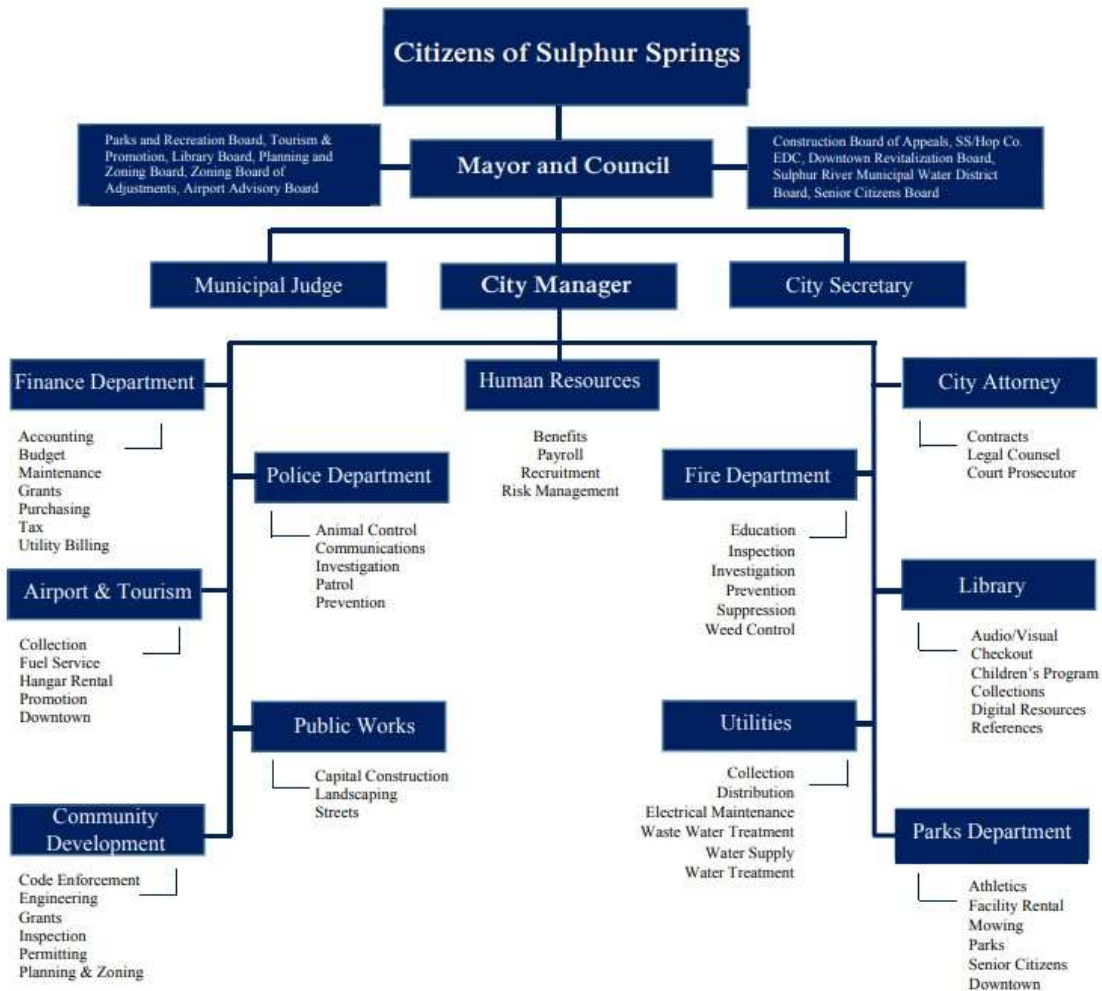
Marc Maxwell
City Manager

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CITY OF SULPHUR SPRINGS, TEXAS

Organizational Chart

September 30, 2024



CITY OF SULPHUR SPRINGS, TEXAS

List of Principal Officials
September 30, 2024

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

FINANCIAL SECTION

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Independent Auditors' Report

To the Honorable Mayor and Members of the City Council

City of Sulphur Springs, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sulphur Springs (the "City") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Emphasis of Matters

A restatement was necessary to correct the opening balance in the statement of the net position of the Economic Development Corporation. This resulted in a decrease in the net position by \$8,770,478, and a corresponding net decrease in capital assets by the same amount. See "Correction of an Error in Previously Issued Financial Statements" footnote.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Pension Contributions, and Schedule of Changes in Total OPEB Liability and Related Ratios on pages 4 - 10, 59 - 60, and 61 - 66, respectively be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Vail + Park, P.C.

Frisco, Texas

March 19, 2025

City of Sulphur Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2024

As management of the City of Sulphur Springs, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$90,264,588 (net position). Of this amount, \$26,395,862, (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$9,738,369. This increase can be attributed to the increases in property tax revenue, sales tax revenue, charges for services, interest revenue, and grant revenue. The increase in property tax revenue was mainly due to the increase in property appraisals. The increase in interest revenue was due to the City allocating more funds in interest bearing accounts and an increase in interest rates. The increase in grant revenue was due to the City recognizing ARPA grant in the current year. The increase in sales tax revenue is due to an increase in population of approximately 1% and an increase in costs of goods.
- As of the close of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of \$12,471,348, an increase of \$95,690 in comparison with the prior year. The increase of governmental fund balance is largely attributed to the increases in grant revenues, sales tax, revenue, and property tax revenue, as noted above.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,847,125 or approximately 57 percent of total general fund expenditures.
- The City's noncurrent liabilities increased by \$8,788,760 during the current fiscal year. This is mainly due to an issuance of 2024 bond of approximately \$11,795,000.

Overview of the Financial Statements

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

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

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

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

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

City of Sulphur Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2024

plant and distribution system, wastewater treatment plant and collection system, as well as sanitation collection and disposal.

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

The government-wide financial statements can be found on pages 11 - 13 of this report.

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

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

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

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

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

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

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

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

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

City of Sulphur Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2024

Pension Trust Funds. Pension Trust funds are used to account for resources held for the benefit of parties outside the government in a trustee capacity for a defined contribution pension plan. Pension Trust funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for Pension Trust funds is much like that used for proprietary funds.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 – 58 of this report.

Other Information: The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. The individual fund schedule provides a budgetary comparison schedule for the enterprise fund. Combining and individual fund statements and schedules can be found on pages 67 – 75 of this report.

Government–Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceed liabilities by \$90,264,588 at the close of the most recent fiscal year.

A portion of the City's net position (approximately 67 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF SULPHUR SPRINGS – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current & Other Assets	\$ 15,195,640	\$ 17,981,190	\$ 19,556,339	\$ 10,262,305	\$ 34,751,979	\$ 28,243,495
Capital Assets	57,276,296	50,454,212	46,926,329	43,368,149	104,202,625	93,822,361
Total Assets	72,471,936	68,435,402	66,482,668	53,630,454	138,954,604	122,065,856
Deferred Outflows	1,380,516	2,664,808	456,254	891,610	1,836,770	3,556,418
Total Assets & Deferred Outflows	73,852,452	71,100,210	66,938,922	54,522,064	140,791,374	125,622,274
Noncurrent Liabilities	17,244,174	16,469,819	30,407,692	22,393,287	47,651,866	38,863,106
Other Liabilities	1,274,200	4,556,025	1,295,355	1,083,603	2,569,555	5,639,628
Total Liabilities	18,518,374	21,025,844	31,703,047	23,476,890	50,221,421	44,502,734
Deferred Inflows	228,318	444,573	75,459	148,748	303,777	593,321
Total Liabilities & Deferred Inflows	18,746,692	21,470,417	31,778,506	23,625,638	50,525,198	45,096,055
Net Position						
Net Investment in Capital Assets	42,820,508	38,040,737	17,696,107	22,444,804	60,516,615	60,485,541
Restricted	2,147,111	3,100,430	1,205,000	453,782	3,352,111	3,554,212
Unrestricted	10,138,141	8,488,626	16,259,309	7,997,840	26,397,450	16,486,466
Total Net Position	\$ 55,105,760	\$ 49,629,793	\$ 35,160,416	\$ 30,896,426	\$ 90,266,176	\$ 80,526,219

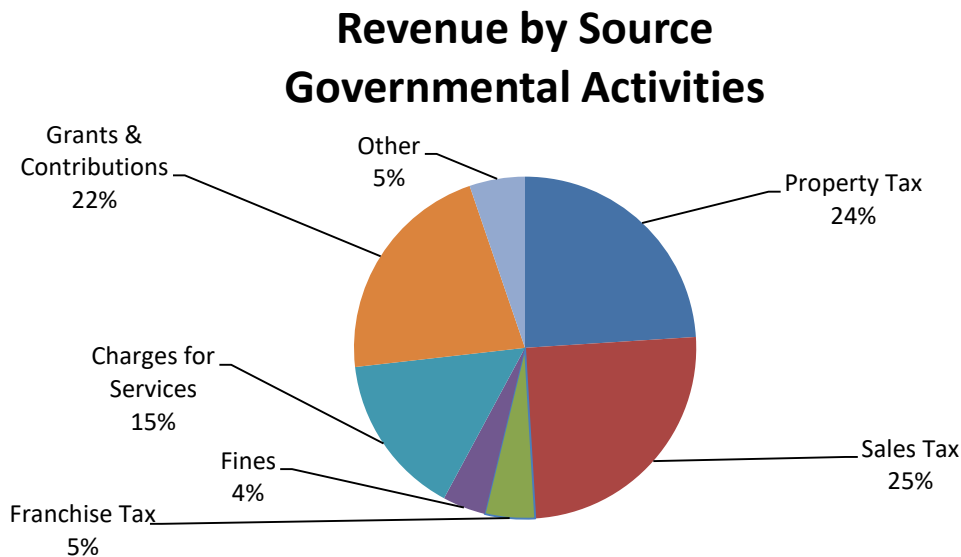
City of Sulphur Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2024

An additional portion of the City's net position (approximately 4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$26,395,588 is available to meet the government's ongoing obligations to citizens and creditors.

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

Governmental Activities

Governmental activities (after transfers) increased the City's net position by \$5,474,379. This increase is lower from prior fiscal year due to mainly attributed to the increases in grant revenues due to recognition of ARPA grant in the current year with increases in expenses and a net transfer out instead of a net transfer in.



City of Sulphur Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2024

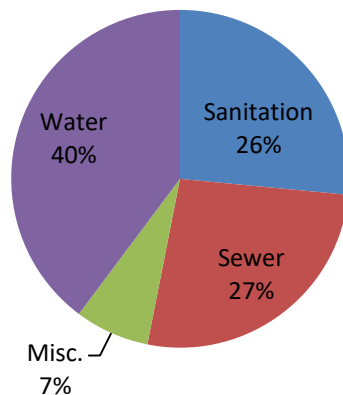
CITY OF SULPHUR SPRINGS – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,866,377	\$ 3,048,184	\$ 17,424,393	\$ 16,314,499	\$ 22,290,770	\$ 19,362,683
Operating Grants & Contributions	3,615,365	719,323	-	-	3,615,365	719,323
Capital Grants & Contributions	1,893,464	2,742,949	-	-	1,893,464	2,742,949
General Revenues:						
Property Taxes	6,021,070	5,684,615	-	-	6,021,070	5,684,615
Other Taxes	7,540,338	7,420,951	-	-	7,540,338	7,420,951
Interest	780,162	684,339	582,421	428,351	1,362,583	1,112,690
Other	380,541	381,623	175,791	178,762	556,332	560,385
Total Revenues	25,097,317	20,681,984	18,182,605	16,921,612	43,279,922	37,603,596
Expenses:						
General Government	3,273,634	3,609,086	-	-	3,273,634	3,609,086
Public Safety	9,225,293	6,757,173	-	-	9,225,293	6,757,173
Transportation	3,343,503	3,275,050	-	-	3,343,503	3,275,050
Sanitation	-	-	4,222,006	3,792,010	4,222,006	3,792,010
Culture & Recreation	2,614,273	2,171,221	-	-	2,614,273	2,171,221
Interest on Long-Term Debt	437,164	377,487	-	-	437,164	377,487
Water & Sewer	-	-	10,424,092	9,393,684	10,424,092	9,393,684
Total Expenses	18,893,867	16,190,017	14,646,098	13,185,694	33,539,965	29,375,711
Increase/(Decrease) in Net Position Before Transfers	6,203,450	4,491,967	3,536,507	3,735,918	9,739,957	8,227,885
Transfers	(727,483)	2,190,718	727,483	(2,190,718)	-	-
Increase/(Decrease) in Net Position	5,475,967	6,682,685	4,263,990	1,545,200	9,739,957	8,227,885
Net Position - Beginning	49,629,793	42,947,108	30,896,426	29,351,226	80,526,219	72,298,334
Net Position - Ending	\$ 55,105,760	\$ 49,629,793	\$ 35,160,416	\$ 30,896,426	\$ 90,266,176	\$ 80,526,219

Business-Type Activities

Business-Type Activities (after transfers) increased the City's net position by \$4,263,990. This can be attributed to increases in charges for services due to increase utility consumption and a transfer in of ARPA funding for the construction project.

**Program Revenue
Business Type Activities**



City of Sulphur Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2024

Financial Analysis of the Government's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$12,471,348, a slight increase of \$95,690 from the prior year. Of the current combined ending fund balance, a total of \$2,125,924 is restricted for capital projects, \$21,187 is restricted for debt service, \$80,300 is restricted for special revenue, \$612,188 is classified as nonspendable, \$1,784,624 is assigned, and the remaining \$7,847,125 is unassigned in the General Fund.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund increased \$701,669 from the prior year. The increase in fund balance can be attributed to increases in property tax revenue, sales tax revenue, and interest revenue. The increase in property tax revenue was mainly due to the increase in property appraisals. The increase in interest revenue was due to the City allocating more funds in interest bearing accounts and an increase in interest rates. The increase in sales tax revenue is due to an increase in population of approximately 1% and an increase in costs of goods. Total unassigned fund balance represents 57% of total general fund expenditures.

The Capital Project Funds have a total fund balance of \$2,001,775, of which all is restricted for construction. The decrease in fund balance of \$50,022 is due to the net of grant revenue, debt proceeds, and capital outlay during the year.

The American Rescue Plan Fund has a fund balance of \$32,322, which decreased by \$158,561. The decrease is due to amount being spent in the current year.

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

Unrestricted net position of the Enterprise Fund at the end of the year amounted to \$16,259,309. The total increase in net position of the Enterprise Fund was \$4,263,990. The factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year, revenues were \$8,276 less than budgetary estimates and expenditures were \$704,783 less than budgetary estimates. The budget had called for a \$1,028,144 decrease in fund balance (prior to transfers), while actual results display an increase in fund balance of \$504,857 (prior to transfers).

Capital Asset & Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2024 amounts to \$104,202,622 (net of accumulated depreciation). This investment in capital assets includes land and right-of-way, lakes and dams, buildings, systems, improvements, equipment, right-to-use leased assets, and Subscription-Based Information Technology Agreements (SBITA) assets.

City of Sulphur Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2024

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

Governmental activities

- Construction Projects - Street improvements, Senior Center, Airport Improvement, and Pacific Park
- Capitalization of right-to-use leased assets and SBITA assets.

Business-Type activities

- Construction Projects - College Street, Ramsey Street, Water Treatment Plant

Additional information on the City's capital assets can be found in the notes to the financial statements on pages 41 – 43 of this report.

Long-Term Debt. At the end of the current fiscal year, the City had bonded debt outstanding of approximately \$40,670,000. Of this amount, \$4,715,000 comprises General Obligation Bonds, and the remaining amount represents Combination Tax and Revenue Bonds.

Additional information on the City's long-term debt can be found in the notes to the financial statements on pages 46 – 49 of this report.

Economic Factors and Next Year's Budget & Rates

- Sales tax revenue will normally increase by at least the amount of inflation. In 2009, 2010 and in 2011 Sulphur Springs saw a contraction though modest of total sales tax revenue. The last half of FY 2012 and all of FY 2013 (increase of 10.7%) finally brought on a recovery. FY 2014 - FY 2016 continued to grow but more modestly at 3.4%, 4.3% and 5.1% respectively. Sales Tax Revenue regressed to no change in FY 2017. Sales tax increased 10.17% in 2018, 7.17% in 2019, 4.62% in 2020, 8.74% in 2021, 11.73% in 2022, 5.69% in 2023 and 2.55% in 2024.
- Typically, the City of Sulphur Springs only budgets for the next year what it receives in Sales Tax Revenue for the preceding year, saving any good news for the next year as well as to better protect against contraction. That will continue to be true going into FY 2025.
- The FY 2025 budget uses \$2,224,661 of general fund balance which is being used for transfers to the Capital Fund, and equipment and vehicle purchases, including a new fire engine rolled forward from the previous year along with the purchase of another fire engine expected to be paid for in or around FY 2028. The property tax rate decreased to \$0.43573 per \$100. The volumetric rates for Water and Sewer increased by around 3.5%. Hand-collect residential and commercial sanitation increased in February 2025 by 2.58%. Employees were given a 3.0% COLA. In addition to the COLA, significant changes in the step plan for the fire department were made to remain competitive in the market.

Request for Information

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

BASIC FINANCIAL STATEMENTS

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CITY OF SULPHUR SPRINGS

Statement of Net Position
September 30, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
ASSETS				
Cash & Cash Equivalents	\$ 11,160,292	\$ 14,761,479	\$ 25,921,771	\$ 7,404,400
Investments	914,251	1,372,016	2,286,267	-
Restricted Cash & Cash Equivalents	-	2,035,168	2,035,168	-
Receivables (Net of Allowance for Uncollectibles):				
Utility Bills	-	1,197,382	1,197,382	-
Delinquent Property Taxes	195,862	-	195,862	-
Sales Tax	1,014,868	12,664	1,027,532	503,520
Other Taxes	279,939	-	279,939	-
Other	1,018,240	-	1,018,240	51,149
Notes Receivable	-	-	-	2,179,658
Leases Receivable	-	-	-	2,286,415
Inventory	80,381	177,630	258,011	-
Prepaid Items	531,807	-	531,807	32,251
Capital Assets Not Being Depreciated/Amortized				
Land & Right of Way	10,073,224	1,452,758	11,525,982	1,092,594
Lakes	-	401,408	401,408	-
Dams/Spillways/Appurtenances	-	2,629,410	2,629,410	-
Construction in Progress	2,219,389	1,220,322	3,439,711	2,047,977
Capital Assets (Net of Accumulated Depreciation/Amortization):				
Right-to-use Lease Equipment	598,616	395,264	993,880	-
Subscription-Based Information Technology Agreements Assets	46,336	146,729	193,065	-
Building, Systems & Improvements	21,319,178	39,726,933	61,046,111	10,366,470
Furniture & Equipment	1,140,287	953,505	2,093,792	-
Infrastructure	21,879,266	-	21,879,266	-
Total Assets	<u>72,471,936</u>	<u>66,482,668</u>	<u>138,954,604</u>	<u>25,964,434</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred Outflows - TMRS Pension	1,355,966	448,140	1,804,106	-
Deferred Outflows - TMRS OPEB	24,550	8,114	32,664	-
Total Deferred Outflow of Resources	<u>1,380,516</u>	<u>456,254</u>	<u>1,836,770</u>	<u>-</u>
Total Assets & Deferred Outflows	<u>\$ 73,852,452</u>	<u>\$ 66,938,922</u>	<u>\$ 140,791,374</u>	<u>\$ 25,964,434</u>
LIABILITIES				
Accounts Payable	\$ 1,143,142	\$ 510,798	\$ 1,653,940	\$ 182,962
Unearned revenue	82,430	-	82,430	53,273
Accrued Interest Payable	48,628	104,177	152,805	-
Deposits	-	680,380	680,380	122,289
Noncurrent Liabilities:				
Due Within One Year	1,769,688	1,480,645	3,250,333	233,904
Due in More than One Year	12,342,242	27,891,856	40,234,098	800,997
Net Pension Liability Due in More Than One Year	2,709,433	895,454	3,604,887	-
Net OPEB Liability Due in More Than One Year	422,811	139,737	562,548	-
Total Liabilities	<u>18,518,374</u>	<u>31,703,047</u>	<u>50,221,421</u>	<u>1,393,425</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - TMRS Pension	133,607	44,157	177,764	-
Deferred Inflows - TMRS OPEB	94,711	31,302	126,013	-
Deferred Inflows - Leases Related	-	-	-	2,286,415
Total Deferred Inflows of Resources	<u>228,318</u>	<u>75,459</u>	<u>303,777</u>	<u>2,286,415</u>
Total Liabilities & Deferred Inflows	<u>18,746,692</u>	<u>31,778,506</u>	<u>50,525,198</u>	<u>3,679,840</u>
NET POSITION				
Net Investment in Capital Assets	42,820,508	17,696,107	60,516,615	12,472,140
Restricted for:				
Debt Service	21,187	1,205,000	1,226,187	-
Capital Projects	2,125,924	-	2,125,924	-
Unrestricted	10,138,141	16,259,309	26,397,450	9,812,454
Total Net Position	<u>\$ 55,105,760</u>	<u>\$ 35,160,416</u>	<u>\$ 90,266,176</u>	<u>\$ 22,284,594</u>

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

CITY OF SULPHUR SPRINGS
Statement of Activities
For the Year Ended September 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,273,634	\$ 287,943	\$ 3,428,337	\$ -
Public Safety	9,225,293	2,790,217	157,013	-
Transportation	3,343,503	1,750,426	-	1,893,464
Culture & Recreation	2,614,273	37,791	30,015	-
Interest & Fiscal Charges	437,164	-	-	-
Total Governmental Activities	<u>18,893,867</u>	<u>4,866,377</u>	<u>3,615,365</u>	<u>1,893,464</u>
Business-Type Activities:				
Water & Sewer	10,424,092	12,603,216	-	-
Sanitation	4,222,006	4,821,177	-	-
Total Business-Type Activities	<u>14,646,098</u>	<u>17,424,393</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 33,539,965</u>	<u>\$ 22,290,770</u>	<u>\$ 3,615,365</u>	<u>\$ 1,893,464</u>
Component Unit:				
Economic Development Corporation	\$ 2,298,734	\$ 490,651	\$ -	\$ -
Total Component Unit	<u>\$ 2,298,734</u>	<u>\$ 490,651</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Alcoholic Beverage Taxes
Unrestricted Investment Earnings
Rent Income
Gain on Sale of Assets
Miscellaneous Revenue
Transfers
Total General Revenues & Transfers

Change in Net Position

Net Position - Beginning - Restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
\$ 442,646		\$ 442,646	
(6,278,063)		(6,278,063)	
300,387		300,387	
(2,546,467)		(2,546,467)	
(437,164)		(437,164)	
<u>(8,518,661)</u>		<u>(8,518,661)</u>	
	\$ 2,179,124	2,179,124	
	599,171	599,171	
	<u>2,778,295</u>	<u>2,778,295</u>	
<u>(8,518,661)</u>	<u>2,778,295</u>	<u>(5,740,366)</u>	
			\$ (1,808,083)
			<u>(1,808,083)</u>
6,021,070	-	6,021,070	-
6,294,415	-	6,294,415	3,016,983
1,188,306	-	1,188,306	-
57,617	-	57,617	-
780,162	582,421	1,362,583	316,447
-	-	-	552,395
-	-	-	1,945,269
380,541	175,791	556,332	15,087
(727,483)	727,483	-	-
<u>13,994,628</u>	<u>1,485,695</u>	<u>15,480,323</u>	<u>5,846,181</u>
5,475,967	4,263,990	9,739,957	4,038,098
<u>49,629,793</u>	<u>30,896,426</u>	<u>80,526,219</u>	<u>18,246,496</u>
<u>\$ 55,105,760</u>	<u>\$ 35,160,416</u>	<u>\$ 90,266,176</u>	<u>\$ 22,284,594</u>

CITY OF SULPHUR SPRINGS

Balance Sheet
Governmental Funds
September 30, 2024

	General Fund
ASSETS	
Cash & Cash Equivalents	\$ 6,356,127
Investments	519,822
Receivables (Net of Allowance for Uncollectibles):	
Delinquent Property Taxes	195,862
Sales Tax	1,014,868
Other Taxes	279,939
Other	86,578
Inventory	-
Prepaid Items	-
Total Assets	<u>\$ 8,453,196</u>
LIABILITIES	
Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 310,469
Unearned Revenue	-
Total Liabilities	<u>310,469</u>
DEFERRED INFLOW OF RESOURCES	
Unavailable Revenue Property Taxes	207,908
Unavailable Revenue Municipal Court	87,694
Total Deferred Inflow of Resources	<u>295,602</u>
FUND BALANCES:	
Nonspendable:	
Inventory	-
Prepaid Items	-
Restricted:	
Debt Service	-
Capital Projects	-
Special Revenue	-
Assigned:	
Tourism	-
Police Contingency	-
Revolving Loan Fund	-
Airport Contingency	-
Unassigned	<u>7,847,125</u>
Total Fund Balances	<u>7,847,125</u>
Total Liabilities, Deferred Inflows, & Fund Balances	<u>\$ 8,453,196</u>

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

Capital Projects Fund	American Rescue Plan Act (ARPA)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,860,982	\$ 104,542	\$ 1,675,230	\$ 9,996,881
152,196	10,210	136,876	819,104
-	-	-	195,862
-	-	-	1,014,868
-	-	-	279,939
728,077	-	203,585	1,018,240
-	-	80,381	80,381
-	-	531,807	531,807
<u>\$ 2,741,255</u>	<u>\$ 114,752</u>	<u>\$ 2,627,879</u>	<u>\$ 13,937,082</u>
\$ 739,480	\$ -	\$ 11,269	\$ 1,061,218
-	82,430	-	82,430
<u>739,480</u>	<u>82,430</u>	<u>11,269</u>	<u>1,143,648</u>
-	-	24,896	232,804
-	-	-	87,694
<u>-</u>	<u>-</u>	<u>24,896</u>	<u>320,498</u>
-	-	80,381	80,381
-	-	531,807	531,807
-	-	21,187	21,187
2,001,775	-	124,149	2,125,924
-	32,322	47,978	80,300
-	-	614,919	614,919
-	-	782,459	782,459
-	-	135,483	135,483
-	-	253,351	253,351
-	-	-	7,847,125
<u>2,001,775</u>	<u>32,322</u>	<u>2,591,714</u>	<u>12,472,936</u>
<u>\$ 2,741,255</u>	<u>\$ 114,752</u>	<u>\$ 2,627,879</u>	<u>\$ 13,937,082</u>

CITY OF SULPHUR SPRINGS

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position September 30, 2024

Total Fund Balances - Governmental Funds \$ 12,472,936

The government uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consideration is to increase net position.

1,176,634

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$78,590,093 and the accumulated depreciation was \$(28,135,880). In addition, long-term liabilities, including bonds payable of \$(11,672,291), are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.

38,781,922

Current year capital outlays of \$9,779,877 and long-term debt principal payments of \$1,483,719 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.

11,263,596

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net position.

(48,628)

The current year depreciation and amortization expense increases accumulated depreciation and amortization. The net effect of the current year's depreciation and amortization is to decrease net position.

(2,944,786)

Included in the noncurrent liabilities is the recognition of the City's net pension asset (liability) required by GASB 68 in the amount of \$(2,709,433), a deferred resource inflow in the amount of \$(133,607), and a deferred resource outflow in the amount of \$1,355,966. The net effect of the GASB 68 adjustment is to decrease net position.

(1,487,074)

Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of \$(422,811), and a deferred resource inflow in the amount of \$(94,711), and a deferred outflows of resources in the amount of \$24,550. The net effect of the GASB 75 adjustment is to decrease net position.

(492,972)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue as revenue, recognizing the liabilities associated with compensated absences, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the gain or loss on disposal of capital assets. The net effect of these reclassifications is to decrease net position.

(3,615,868)

Net Position of Governmental Activities \$ 55,105,760

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

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CITY OF SULPHUR SPRINGS

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2024

	General Fund
REVENUES	
Taxes:	
Property	\$ 4,916,270
Sales	6,048,654
Franchise	1,188,306
Alcoholic Beverage	57,617
Licenses & Permits	287,943
Intergovernmental	30,015
Charges for Services	37,791
Fines & Forfeitures	954,606
Interest	417,058
Grants & Contributions	-
Miscellaneous	282,086
Total Revenues	<u>14,220,346</u>
EXPENDITURES	
Current:	
General Government	3,133,222
Public Safety	7,188,125
Transportation	698,167
Culture & Recreation	1,712,516
Capital Outlay	696,864
Debt Service:	
Principal	286,595
Interest & Fiscal Charges	-
Total Expenditures	<u>13,715,489</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>504,857</u>
OTHER FINANCING SOURCES (USES)	
Transfers In	2,569,135
Transfers Out	(2,814,424)
Other Financing Sources - Debt Proceeds	442,101
Other Financing Source - Bond Premium	-
Other Financing Uses - Cost of Issuance	-
Total Other Financing Sources (Uses)	<u>196,812</u>
Net Change in Fund Balances	701,669
Fund Balances - Beginning	<u>7,145,456</u>
Fund Balances - Ending	<u><u>\$ 7,847,125</u></u>

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

Capital Projects Fund	American Rescue Plan Act (ARPA)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,174,494	\$ 6,090,764
-	-	245,761	6,294,415
-	-	-	1,188,306
-	-	-	57,617
-	-	-	287,943
-	-	-	30,015
-	-	1,750,426	1,788,217
-	-	60,341	1,014,947
47,317	143,274	158,207	765,856
1,168,608	3,327,537	982,669	5,478,814
-	-	56,025	338,111
<u>1,215,925</u>	<u>3,470,811</u>	<u>4,427,923</u>	<u>23,335,005</u>
-	-	-	3,133,222
-	-	107,067	7,295,192
-	-	761,812	1,459,979
126,896	-	276,080	2,115,492
6,600,973	-	2,482,040	9,779,877
-	-	1,197,124	1,483,719
-	-	341,864	341,864
<u>6,727,869</u>	<u>-</u>	<u>5,165,987</u>	<u>25,609,345</u>
<u>(5,511,944)</u>	<u>3,470,811</u>	<u>(738,064)</u>	<u>(2,274,340)</u>
2,658,978	-	524,048	5,752,161
(197,056)	(3,629,372)	(181,792)	(6,822,644)
2,865,000	-	-	3,307,101
221,558	-	-	221,558
(86,558)	-	-	(86,558)
<u>5,461,922</u>	<u>(3,629,372)</u>	<u>342,256</u>	<u>2,371,618</u>
(50,022)	(158,561)	(395,808)	97,278
<u>2,051,797</u>	<u>190,883</u>	<u>2,987,522</u>	<u>12,375,658</u>
<u>\$ 2,001,775</u>	<u>\$ 32,322</u>	<u>\$ 2,591,714</u>	<u>\$ 12,472,936</u>

CITY OF SULPHUR SPRINGS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended September 30, 2024

Total Net Change in Fund Balances - Governmental Funds \$ 97,278

The government uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The net loss of the internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position. 475,132

Current year capital outlays of \$9,779,877 and long-term debt principal payments of \$1,483,719 are expenditures and sources in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position. 11,263,596

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to increase net position. (9,665)

Depreciation and amortization are not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation and amortization is to decrease net position. (2,944,786)

GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/23 caused the change in the ending net position to increase. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position. The City's reported TMRS net pension expense had to be recorded. The net effect of the GASB 68 adjustment is to increase net position by \$175,309. 175,309

GASB 75 requires that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/23 caused the change in the ending net position to increase. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position. The City's reported TMRS net OPEB expense had to be recorded. The net effect of the GASB 75 adjustment is to increase net position by 1,942. 1,942

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue, recognizing the liabilities associated with compensated absences and changes in unfunded pension obligation. The net effect of these reclassifications is to decrease net position. (3,582,840)

Change in Net Position of Governmental Activities \$ 5,475,966

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CITY OF SULPHUR SPRINGS

Statement of Net Position

Proprietary Funds

September 30, 2024

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
ASSETS		
Current Assets:		
Cash & Cash Equivalents	\$ 14,761,479	\$ 1,163,411
Investments	1,372,016	95,147
Restricted Cash & Cash Equivalents	2,035,168	-
Receivables (Net of Allowance of Uncollectibles)		
Utility Bills	1,197,382	-
Sales Taxes	12,664	-
Inventory	177,630	-
Prepaid Items	-	-
Total Current Assets	<u>19,556,339</u>	<u>1,258,558</u>
Noncurrent Assets:		
Capital Assets:		
Land & Right-of-Way	1,452,758	-
Lakes	401,408	-
Dams/Spillways/Appurtenances	2,629,410	-
Buildings & Systems	73,715,500	-
SBITA Assets	197,942	-
Right-to-use Equipment	569,212	-
Equipment	2,733,129	-
Construction in Progress	1,220,322	-
Less: Accumulated Depreciation	<u>(35,993,352)</u>	<u>-</u>
Total Capital Assets (Net of Accumulated Depreciation)	46,926,329	-
Net Pension Assets	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>46,926,329</u>	<u>-</u>
Total Assets	<u>66,482,668</u>	<u>1,258,558</u>
Deferred Outflow of Resources:		
Deferred Outflows - TMRS Pension	448,140	-
Deferred Outflows - TMRS OPEB	8,114	-
Total Deferred Outflow of Resources	<u>456,254</u>	<u>-</u>
Total Assets & Deferred Outflows	<u>\$ 66,938,922</u>	<u>\$ 1,258,558</u>

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

CITY OF SULPHUR SPRINGS

Statement of Net Position

Proprietary Funds

September 30, 2024

continued

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 510,798	\$ 81,924
Accrued Interest	104,177	-
Deposits	680,380	-
Compensated Absences Payable	142,279	-
Current Portion of Revenue Certificates of Obligation Payable	900,611	-
Current Portion of General Obligation Enterprise Bonds Payable	350,000	-
Current Portion of SBITA Payable	36,096	-
Current Portion of Operating Leases Payable	51,659	-
Total Current Liabilities	<u>2,776,000</u>	<u>81,924</u>
Noncurrent Liabilities:		
Revenue Certificates of Obligation Payable	25,556,500	-
General Obligation Bonds Enterprise Payable	1,935,000	-
SBITA Payable	76,254	-
Operating Leases Payable	324,102	-
Net Pension Liability	895,454	-
Net OPEB Liability	139,737	-
Total Noncurrent Liabilities	<u>28,927,047</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows - TMRS Pension	44,157	-
Deferred Inflows - TMRS OPEB	31,302	-
Total Deferred Inflows of Resources	<u>75,459</u>	<u>-</u>
Total Liabilities & Deferred Inflows	<u>31,778,506</u>	<u>81,924</u>
NET POSITION		
Net Investment in Capital Assets	17,696,107	-
Restricted for:		
Revenue Bond Current Debt Service	1,205,000	-
Unrestricted	16,259,309	1,176,634
Total Net Position	<u>\$ 35,160,416</u>	<u>\$ 1,176,634</u>

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

CITY OF SULPHUR SPRINGS

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Fiscal Year Ended September 30, 2024

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
OPERATING REVENUES		
Charges for Sales & Services	\$ -	\$ 1,772,046
Water Sales	7,228,671	-
Sewer Charges	4,836,414	-
Sanitation Charges	4,821,177	-
Service Charges	216,561	-
Water & Sewer Connections	321,570	-
Miscellaneous Revenues	175,791	2,268
Total Operating Revenues	<u>17,600,184</u>	<u>1,774,314</u>
OPERATING EXPENSES		
Cost of Sales & Services	-	1,265,832
Administration	999,761	430,817
Personnel Services	3,177,878	-
Supplies	1,806,369	-
Contractual Services	5,114,201	-
Repairs and Maintenance	293,839	-
Depreciation and Amortization	2,216,378	-
Other Operating Expenses	409,738	-
Total Operating Expenses	<u>14,018,164</u>	<u>1,696,649</u>
Operating Income (Loss)	<u>3,582,020</u>	<u>77,665</u>
NONOPERATING REVENUES/(EXPENSES)		
Interest Revenue	582,421	14,306
Interest Expense & Fiscal Charges	(362,847)	-
Debt Issuance Cost	(265,087)	-
Insurance Proceeds	-	94,231
Insurance Claim Expenses	-	(54,070)
Total Nonoperating Revenues (Expenses)	<u>(45,513)</u>	<u>54,467</u>
Net Income/(Loss) Before Transfers	3,536,507	132,132
Transfers In	3,214,372	343,000
Transfers Out	<u>(2,486,889)</u>	<u>-</u>
Change in Net Position	4,263,990	475,132
Net Position - Beginning,	<u>30,896,426</u>	<u>701,502</u>
Net Position - Ending	<u>\$ 35,160,416</u>	<u>\$ 1,176,634</u>

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

CITY OF SULPHUR SPRINGS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2024

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	Enterprise Fund	Internal Service Fund
Cash Flows from Operating Activities:		
Cash Received from Customers & Users	\$ 17,027,933	\$ 1,774,314
Cash Payments to Suppliers for Goods & Services	(8,676,420)	(1,653,946)
Cash Payments to Employees for Services	(3,246,903)	-
Net Cash Provided by/(Used in) Operating Activities	<u>5,104,610</u>	<u>120,368</u>
Cash Flows from Noncapital Financing Activities:		
Transfers to Other Funds	(2,486,889)	-
Transfers from Other Funds	3,214,372	343,000
Insurance Proceeds, Net	-	40,161
Net Cash Provided by/(Used in) Noncapital Financing Activities	<u>727,483</u>	<u>383,161</u>
Cash Flows from Capital & Related Financing Activities:		
Acquisition & Construction of Capital Assets	(5,314,516)	-
Principal Paid on Bonds	(1,151,875)	-
Proceeds from Sale of Bonds	9,000,000	-
Interest Paid on Debt	(365,927)	-
Net Cash Provided by/(Used in) Capital & Related Financing Activities	<u>2,167,682</u>	<u>-</u>
Cash Flows from Investing Activities:		
Purchases of Investments	(1,367,284)	(95,147)
Interest on Deposits & Investments	582,421	14,306
Net Cash Provided by/(Used in) Investing Activities	<u>(784,863)</u>	<u>(80,841)</u>
Net Increase/(Decrease) in Cash, Cash Equivalents, and Restricted Cash	7,214,912	422,688
Cash, Cash Equivalents, & Restricted Cash - Beginning	<u>9,594,397</u>	<u>740,723</u>
Cash, Cash Equivalents, & Restricted Cash - Ending	<u>\$ 16,809,309</u>	<u>\$ 1,163,411</u>

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

CITY OF SULPHUR SPRINGS
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2024
continued

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating Income/(Loss)	\$ 3,582,020	\$ 77,665

Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used in) Operating Activities

Depreciation and Amortization Expense	2,216,378	-
(Increase)/Decrease in Right to Use Asset	(266,835)	
(Increase)/Decrease in Accounts Receivable	(640,729)	-
(Increase)/Decrease in Inventory	(66,375)	-
(Increase)/Decrease in Deferred Outflows	435,356	-
Increase/(Decrease) in Accounts Payable	110,982	42,703
Increase/(Decrease) in Customer Deposits	68,478	-
Increase/(Decrease) in Compensated Absences	(1,618)	-
Increase/(Decrease) in SBITA Liability	(85,592)	-
Increase/(Decrease) in Operating Lease Liability	255,308	-
Increase/(Decrease) in Net Pension Liability/Asset	(432,884)	-
Increase/(Decrease) in Net OPEB Liability	3,410	-
Increase/(Decrease) in Deferred Inflows	(73,289)	-
Total Adjustments	1,522,590	42,703
Net Cash Provided by/(Used in) Operating Activities	\$ 5,104,610	\$ 120,368

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

CITY OF SULPHUR SPRINGS
Statement of Fiduciary Net Position
Pension Trust Funds
September 30, 2024

ASSETS

Cash & Cash Equivalents	\$ 202,509
Investments	<u>13,992</u>
Total Assets	<u>216,501</u>

LIABILITIES

Accounts Payable	<u>15,031</u>
Total Liabilities	<u>15,031</u>

NET POSITION

Net Position Restricted for Pensions	<u><u>\$ 201,470</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF SULPHUR SPRINGS
Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended September 30, 2024

ADDITIONS

Contributions	\$ 313,990
Interest Income	<u>6,757</u>
Total Additions	<u>320,747</u>

DEDUCTIONS

General Government	<u>230,787</u>
Total Deductions	<u>230,787</u>

Change in Net Position	89,960
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Net Position, Beginning	<u>111,510</u>
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Net Position, Ending	<u><u>\$ 201,470</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

Government-Wide & Fund Financial Statements

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

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

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

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement Focus, Basis of Accounting & Financial Statement Presentation

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

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

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

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.
- The *American rescue plan act fund* accounts for grant funds received and spent from the American Rescue Plan. It transfers the grant money to reimburse other funds spending money related to the plan. The money is restricted only to that specific purpose.

The government reports the following proprietary funds:

- The *enterprise fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The government's enterprise fund is for water and sewer operations.
- The *internal service fund* accounts for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The government's internal service fund is for self-insurance.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Additionally, the government reports the following pension trust funds:

- The *volunteer firemen pension fund* is used to account for dues and contributions that are received pursuant to a trust agreement that restricts the use of those dues and contributions to providing payments to volunteer firemen. This was a volunteer single-employer defined contribution plan for volunteer fire fighters before the City established a fire department. No contributions are being made into the plan and once assets are depleted the plan will be closed.
- The *deferred compensation plan fund* is used to account for employee contributions and employers match to an employee supplemental retirement plan. This is a volunteer single-employer defined contribution plan established under section 457(b) of the Internal Revenue Code. The 457 plan is a 67% match with the maximum city participation at \$335 per month. Total City contributions were \$223,096.

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

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

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

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Upcoming and Newly Implemented Accounting Pronouncements

The GASB has issued the following statements:

GASB issued Statement No. 100, "Accounting Changes and Error Corrections-Amendment of GASB Statement No. 62," which prescribes the accounting and financial reporting for each type of accounting change and error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating the prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement are effective for reporting periods beginning after June 15, 2023. The City has evaluated the impact the implementation of this Statement will have on its financial statements, and no impact on the City's Primary Government. The Corporation has implemented this standard in fiscal year 2024 in relation to the correction of an error in beginning balance of the Corporation's capital assets. See Note "Correction of an Error in Previously Issued Financial Statements".

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

GASB issued Statement No. 102, "Certain Risk Disclosures," that clarifies the definitions & disclosure guidance for risks due to concentration or constraint. The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources and a constraint as a limitation imposed by an external party or formal action of the government's highest level of decision-making authority. The Statement requires the government to assess whether a concentration or constraint makes the primary reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact, and whether an event associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin within the 12 months after the date the financial statements are issued. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2024. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

GASB issued Statement No. 103, "Financial Reporting Model Improvements," that attempts 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 expands requirements for the management discussion & analysis, presentation of proprietary fund statement of revenues, expenses & changes in fund net position, and information related to major component units & budgetary comparisons. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

GASB issued Statement No. 104, "Disclosure of Certain Capital Assets," to clarify the disclosure requirements related to capital assets. This Statement requires separate disclosure of capital assets arising from leases, public-private & public-public partnerships & availability payment arrangements, and subscription-based information technology arrangements, and additional disclosures for capital assets held for sale. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2025. The City is evaluating the impact that adoption of this Statement will have on its financial statements.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deposits & Investments

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

Short – Term Inter-Fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/payables." There were no inter-fund balances as of September 30, 2024.

Inventories & Prepaid Items

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

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

Restricted Assets

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

Capital Assets

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

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

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

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

Compensated Absences

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

Long-Term Obligations

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

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

Leases

The City is a lessee for noncancellable leases of property and equipment. The City recognizes a lease liability, reported with noncurrent liabilities, and a right-to-use (RTU) asset, reported with other capital assets, in the government-wide and proprietary fund financial statements.

The City recognizes lease liabilities with an initial individual value of \$5,000 or more for a lease term greater than one year. At the commencement of the lease, the City measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subscription-Based Information Technology Arrangements (SBITA)

The City has noncancellable contracts with SBITA vendors for the right to use information technology software, alone or in combination with tangible capital assets. The City recognizes a subscription liability, reported with noncurrent liabilities, and a right to use subscription asset, reported with other capital assets, in the government-wide financial statements.

The City recognizes subscription liabilities with subscription term greater than one year and no variable payments. At the commencement of SBITA, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made.

Fund Balance

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

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2024.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Manager to which the City Council delegates this authority. This delegation of authority was granted by ordinance.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the governmental funds.

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

It is the desire of the City to maintain adequate General Fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. City Council has adopted a financial standard to maintain a General Fund minimum unassigned fund balance of 60 days working capital.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Balance *(continued)*

As of September 30, 2024, fund balances are composed of the following:

	General Fund	Capital Projects Fund	American Rescue Plan Act (ARPA)	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory	\$ -	\$ -	\$ -	\$ 80,381	\$ 80,381
Prepaid Items	-	-	-	531,807	531,807
Restricted:					
Debt Service	-	-	-	21,187	21,187
Capital Projects	-	2,001,775	-	124,149	2,125,924
Special Revenue	-	-	32,322	47,978	80,300
Assigned:					
Tourism	-	-	-	614,919	614,919
Police Contingency	-	-	-	782,459	782,459
Revolving Loan Fund	-	-	-	135,483	135,483
Airport	-	-	-	253,351	253,351
Unassigned	7,847,125	-	-	-	7,847,125
Total Fund Balances	<u>\$7,847,125</u>	<u>\$2,001,775</u>	<u>\$ 32,322</u>	<u>\$2,591,714</u>	<u>\$12,472,936</u>

Pensions

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

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

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS

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

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

Long-Term Debt:	
Proceeds from Long-term Debt	\$ (3,307,101)
Bond Premium	(220,635)
Compensated Absences Payable	(395,622)
Unavailable Revenue:	
To Remove the Uncollected Tax Levy from Unavailable Revenue	232,804
To Remove the Uncollected Municipal Court Revenue from Unavailable Revenue	87,694
Capital Assets	
Disposal of Capital Assets	<u>(13,008)</u>
Net Adjustment to Decrease Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u><u>\$ (3,615,868)</u></u>

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

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

Long-Term Debt:	
Proceeds from Long-term Debt	\$ (3,307,101)
Bond Premium	(220,635)
Changes in Compensated Absences Payable	24,374
Taxes:	
To Move the Unavailable Revenues to Revenues	320,498
To Remove the Prior Year Collections from Current Year Revenue	<u>(386,968)</u>
	(66,470)
Capital Assets:	
Disposal of Capital Assets	<u>(13,008)</u>
Net Adjustment to Decrease Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u><u>\$ (3,582,840)</u></u>

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY

Budgetary Information

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

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

1. Prior to September 1, the City Manager and staff meet with the City Council in a series of workshops to work on the budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On the first Tuesday in September, the City Manager officially presents the budget to the City Council for consideration. A second Council meeting and second reading of the budget ordinance is scheduled before October 1 to finalize the adoption of the new budget.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund and Special Revenue Fund. No supplemental appropriations were made during the fiscal year for the General Fund or Special Revenue Fund.
6. The budget approved for the Water and Sewer Fund follows similar approval procedures but departs from accounting principles generally accepted in the United States of America by not including depreciation in the approved budget. These amounts are reported at year end as part of the "actual" column. No supplemental appropriations were made during the fiscal year.
7. The Debt Service and Capital Project Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis. The non-major governmental funds are not budgeted.

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

Budget/GAAP Reconciliation

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

	<u>Water & Sewer Fund</u>
Net Position (Budget)	\$ 28,132,190
Depreciation	(2,216,378)
Net Position (GAAP)	<u>\$ 25,915,812</u>

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

DEPOSITS & INVESTMENTS

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were insured up to \$250,000 or collateralized as required by State statutes at September 30, 2024. At year-end, the carrying amount of the City's demand deposits was a balance of \$27,955,351– bank balance of \$28,420,208 The bank balance and certificates of deposits for the primary government were covered by FDIC insurance and collateral held in the City's name by the pledging financial institution's trust department or agent in the government's name.

As of September 30, 2024, the Corporation's carrying amount of deposits was \$7,361,889 and the bank balance of the Corporation's deposits was \$7,807,942. Of the bank balance, \$500,000 was secured by federal depository insurance, and \$5,557,343 was collateral held by the pledging financial institution's trust department or agent in the Corporation's name. The Corporation did not have enough collateral to cover the remaining bank balances of \$1,750,599.

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

Investment Pools

During the year, the City invested in one public fund investment pool, including TexPool. The pools governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective to preserve principal, liquidity, and yield of capital investment consistent with the Texas Public Funds Investment Act (TPFIA). Invests conservatively in U.S. government securities, repurchase agreements, AAA-rated money market mutual funds, commercial paper, and certificates of deposit to provide a safe, efficient, and liquid investment option. Pools offer same day access to investment funds. The City can liquidate funds daily without penalty and there is no unfunded commitment.

Federated Investors is the full-service provider for the TexPool program. As the provider, the responsibilities include managing the assets, providing participant services, and arranging for all custody and other functions in support of the operations under a contract with the State Comptroller of Public Accounts

Following the criteria for GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, TexPool uses amortized cost. As is legally permissible for municipalities and school districts in the state, TexPool invests in a high-quality portfolio of short-term investments. Investments in the pools are considered to be cash equivalents when preparing the basic financial statements. As of September 30, 2024, the City had \$27,304,727 invested in TexPool, which are included as cash and cash equivalents on the basic financial statements

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

DEPOSITS & INVESTMENTS *(continued)*

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

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

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

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

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

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

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

DEPOSITS & INVESTMENTS *(continued)*

Fair Value of Investments

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

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

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement. Investments that are measured using the net asset value per share (or its equivalent) practical expedient and amortized cost have not been classified in the fair value hierarchy. Additionally, certificates of deposits are excluded from the fair value hierarchy as their carrying amounts approximate fair value.

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

		Fair Value Measurements using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government	September 30, 2024			
<u>Cash & Cash Equivalents:</u>				
Bank Deposits	\$ 652,212	\$ -	\$ -	\$ -
Texpool	27,304,727	-	-	-
Total Cash & Cash Equivalents	<u>27,956,939</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Investments measured at</u>				
<u>Amortized Costs:</u>				
Certificates of Deposit	2,286,267	-	-	-
Total Investments	<u>2,286,267</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cash & Investments	<u>\$ 30,243,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

RECEIVABLES

Receivables at September 30, 2024 consist of the following:

	General	Capital Projects	Nonmajor Governmental Funds	Enterprise	Total
Receivables:					
Utility Bills	\$ -	\$ -	\$ -	\$ 1,893,368	\$ 1,893,368
Delinquent Taxes	207,908	-	-	-	207,908
Sales Taxes	1,014,891	-	-	12,664	1,027,555
Alcoholic Beverage Taxes	7,894	-	-	-	7,894
Franchise Taxes	272,022	-	-	-	272,022
Municipal Court	2,261,982	-	-	-	2,261,982
Grant	-	728,077	-	-	728,077
Other	-	-	203,585	-	203,585
Gross Receivables	3,764,697	728,077	203,585	1,906,032	6,602,391
Less: Allowance for Uncollectibles	(2,187,450)	-	-	(695,986)	(2,883,436)
Net Total Receivables	<u>\$ 1,577,247</u>	<u>\$ 728,077</u>	<u>\$ 203,585</u>	<u>\$ 1,210,046</u>	<u>\$ 3,718,955</u>

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

As of September 30, 2024, the Corporation had sales taxes receivable of \$503,520. No allowance for uncollectibles has been made.

Notes Receivable – Economic Development Corporation

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

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

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

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

RECEIVABLES *(continued)*

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

	Beginning Balance	Additions	Retirements	Ending Balance
Notes Receivable	\$ 2,326,685	\$ -	\$ (147,027)	\$ 2,179,658

CAPITAL ASSETS

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

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated/Amortized:				
Land	\$ 9,962,696	\$ 110,528	\$ -	\$ 10,073,224
Construction in Progress	5,774,727	6,281,100	(9,836,438)	2,219,389
Total Capital Assets Not Being Depreciated/Amortized	15,737,423	6,391,628	(9,836,438)	12,292,613
Capital Assets Being Depreciated/Amortized:				
Right-to-use Lease Equipment	827,762	416,085	(116,419)	1,127,428
SBITA Assets	-	62,508	-	62,508
Buildings & Improvements	25,251,500	7,564,817	(12,755)	32,803,562
Furniture & Equipment	5,260,227	324,273	(674,621)	4,909,879
Infrastructure	31,513,181	4,857,004	-	36,370,185
Total Capital Assets Being Depreciated/Amortized	62,852,670	13,224,687	(803,795)	75,273,562
Less: Accumulated Depreciation/Amortization for:				
Right-to-use Lease Equipment	(367,948)	(264,275)	103,411	(528,812)
SBITA Assets	-	(16,172)	-	(16,172)
Buildings & Improvements	(10,449,076)	(1,048,063)	12,755	(11,484,384)
Furniture & Equipment	(4,203,868)	(240,345)	674,621	(3,769,592)
Infrastructure	(13,114,988)	(1,375,931)	-	(14,490,919)
Total Accumulated Depreciation and Amortization	(28,135,880)	(2,944,786)	790,787	(30,289,879)
Total Capital Assets Being Depreciated/Amortized, Net	34,716,790	10,279,901	(13,008)	44,983,683
Governmental Activities Capital Assets, net	\$ 50,454,213	\$ 16,671,529	\$ (9,849,446)	\$ 57,276,296

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

CAPITAL ASSETS *(continued)*

	Primary Government		
	Beginning Balance	Additions	Ending Balance
Business-Type Activities:			
Capital Assets Not Being Depreciated/Amortized:			
Land	\$ 1,452,760	\$ -	\$ 1,452,758
Lakes	401,408	-	401,408
Dam/Spillway	2,629,410	-	2,629,410
Construction in Progress	3,141,483	5,208,496	1,220,322
Total Capital Assets Not Being Depreciated/Amortized	7,625,061	5,208,496	5,703,898
Capital Assets Being Depreciated/Amortized:			
Right-to-use Lease Equipment	213,998	355,214	569,212
SBITA Assets	-	197,942	197,942
Buildings & Plant	66,585,844	7,129,656	73,715,500
Equipment	2,790,016	106,021	2,733,129
Total Capital Assets Being Depreciated/Amortized	69,589,858	7,788,833	77,215,783
Less: Accumulated Depreciation/Amortization for:			
Right-to-use Lease Equipment	(85,569)	(88,379)	(173,948)
SBITA Assets	-	(51,213)	(51,213)
Buildings & Plant	(31,988,118)	(2,000,449)	(33,988,567)
Equipment	(1,773,083)	(164,716)	(1,779,624)
Total Accumulated Depreciation and Amortization	(33,846,770)	(2,304,757)	(35,993,352)
Total Capital Assets Being Depreciated, Net	35,743,088	5,484,076	41,222,431
Business-Type Activities Capital Assets, net	<u>\$ 43,368,149</u>	<u>\$ 10,692,572</u>	<u>\$ (7,134,392)</u>
			<u>\$ 46,926,329</u>

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

Governmental Activities:	
General Government	\$ 185,253
Public Safety	344,419
Transportation	1,903,525
Culture & Recreation	511,589
Total Depreciation and Amortization Expense - Governmental Activities	<u>\$ 2,944,786</u>
Business-Type Activities: Water & Sewer	<u>\$ 2,304,757</u>
Total Depreciation and Amortization Expense - Business-Type Activities	<u>\$ 2,304,757</u>

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

CAPITAL ASSETS *(continued)*

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

	Beginning Balance, As Restated	Additions	Retirements	Ending Balance
Component Unit:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,135,094	\$ -	\$ (42,500)	\$ 1,092,594
Construction in Progress	61,664	1,986,313	-	2,047,977
Total Capital Assets Not Being Depreciated	<u>1,196,758</u>	<u>1,986,313</u>	<u>(42,500)</u>	<u>3,140,571</u>
Capital Assets Being Depreciated:				
Land Improvements	215,610	-	-	215,610
Buildings	11,774,590	101,971	-	11,876,561
Office Equipment	29,285	-	-	29,285
Total Capital Assets Being Depreciated	<u>12,019,485</u>	<u>101,971</u>	<u>-</u>	<u>12,121,456</u>
Less Accumulated Depreciation for:				
Land Improvements	(43,122)	(10,781)	-	(53,903)
Buildings	(1,332,119)	(339,679)	-	(1,671,798)
Office Equipment	(29,285)	-	-	(29,285)
Total Accumulated Depreciation	<u>(1,404,526)</u>	<u>(350,460)</u>	<u>-</u>	<u>(1,754,986)</u>
Total Capital Assets Being Depreciated, Net	<u>10,614,959</u>	<u>(248,489)</u>	<u>-</u>	<u>10,366,470</u>
Component Unit				
Capital Assets, net	<u>\$ 11,811,717</u>	<u>\$ 1,737,824</u>	<u>\$ (42,500)</u>	<u>\$ 13,507,041</u>

LEASES

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

Lessee

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

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

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

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

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

LEASES *(continued)*

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

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

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

	Weighted Average Interest Rate	Weighted Remaining Lease Term in Years	Ending Balance
Governmental Activities:			
Equipment Operating Leases	2.45%	2.54 Years	\$ 571,194
Total Governmental activities			<u>\$ 571,194</u>
Business-type Activities:			
Equipment Operating Leases	2.64%	4.02 Years	\$ 375,760
Total Business-type activities			<u>\$ 375,760</u>

The annual requirements to amortize leases payable outstanding as of September 30, 2024 are as follows:

	Governmental Activities		Business-type Activities	
	Interest	Principal	Interest	Principal
2025	\$ 11,302	\$ 274,189	\$ 8,729	\$ 110,458
2026	5,955	175,128	6,166	93,083
2027	2,227	77,026	3,867	71,881
2028	731	34,067	1,894	59,959
2029	112	10,784	721	25,961
Thereafter	-	-	166	14,418
	<u>\$ 20,327</u>	<u>\$ 571,194</u>	<u>\$ 21,543</u>	<u>\$ 375,760</u>

Lessor – Economic Development Corporation

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

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

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

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

LEASES *(continued)*

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

	Interest Rate	Weighted Remaining Lease Term in Years	Ending Balance
Building Leases	6%	7.06 Years	\$ 2,286,415

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

GASB has issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). GASB 96 provides guidance on financial reporting for subscription-based information technology arrangements (SBITA) for government end users. SBITA results in a right-to-use subscription asset and related liability. The City has implemented this statement for the 2023 fiscal year.

The City has entered into a SBITA that allows the right to use the SBITA vendor's data storage over the subscription term. The City is required to make annual payments for the SBITA. As of September 30, 2024, SBITA assets, net of accumulated amortization, and SBITA liabilities were \$147,829.

The following table presents future lease payments that is related to SBITA as of September 30, 2024. Imputed interest represents the difference between undiscounted cash flows and discounted cash flows.

	Governmental Activities		Business-type Activities	
	SBITA Liability	Imputed Interest	SBITA Liability	Imputed Interest
2025	\$ 12,623	\$ 1,224	\$ 39,973	\$ 3,877
2026	24,692	612	78,192	1,938
Total	37,315	\$ 1,836	118,165	\$ 5,815
Imputed Interest	(1,836)		(5,815)	
SBITA Liability	<u>\$ 35,479</u>		<u>\$ 112,350</u>	

The following table presents SBITA costs for fiscal year 2024:

	Governmental Activities		Business-type Activities	
SBITA Cost	\$	27,029	\$	85,592
Short-Term SBITA Costs		53,945		104,284
Amortization of SBITA Assets	\$	16,172	\$	51,213

The following table presents statistical information related to the City's SBITA:

SBITA Liability	
Weighted-Average Remaining Liability	Weighted-Average Discount Rate
2.00	5.00%

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

INTER-FUND TRANSFERS

Inter-fund transfer activity for the year ended September 30, 2024, was as follows:

	Transfers Out:					Total
	General Fund	Capital Projects	Tax Increment Financing	American Rescue Plan Act	Water & Sewer Fund	
Transfers In:						
General Fund	\$ -	\$ -	\$ -	\$ 415,000	\$ 2,154,135	\$ 2,569,135
Airport Fund	20,000	15,000	-	-	10,000	45,000
Debt Service Fund	-	182,056	181,792	-	-	363,848
Capital Projects	2,508,978	-	-	-	150,000	2,658,978
Tourism	115,200	-	-	-	-	115,200
Internal Services Fund	170,246	-	-	-	172,754	343,000
Water & Sewer Fund	-	-	-	3,214,372	-	3,214,372
Total	\$ 2,814,424	\$ 197,056	\$ 181,792	\$3,629,372	\$2,486,889	\$9,309,533

Purpose of Transfers

Each transfer represents a specific budgetary policy decision by the City Council. Starting with Fiscal Year 2005, the City Council assessed the three city utilities, Water, Sewer and Sanitation, all part of the Enterprise Fund, a franchise fee of 4% which is similar to franchise fees assessed on the other utilities such as electric, gas and communications. Thus, the Enterprise Fund sent the General Fund \$2,154,135, which includes its percentage of Administration, Finance, Planning, and Engineering. The General Fund transferred \$2,508,978 to the Capital Fund to pay for street and drainage projects. The Airport Fund received \$20,000 from the General Fund, \$15,000 from the Capital Fund, and \$10,000 from the Enterprise Fund to assist with operations as well as match grants for capital work. The transfers from the Capital and Tax Increment Financing Funds to the Debt Service Fund made specific debt service payments. The General Fund and Enterprise Fund transferred \$170,246 and \$172,754 respectively to the Internal Services Fund to pay for Property and Liability Insurance.

LONG-TERM DEBT

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

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

LONG-TERM DEBT *(continued)*

Long-term liability activity for the year ended September 30, 2024 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 11,088,124	\$ 2,865,000	\$ (1,168,124)	\$ 12,785,000	\$ 1,280,000
Leases Payable	451,167	379,593	(259,566)	571,194	110,458
SBITA Payable	-	62,508	(27,029)	35,479	11,399
Note Payable	133,000	-	(29,000)	104,000	34,000
	<u>11,672,291</u>	<u>3,307,101</u>	<u>(1,483,719)</u>	<u>13,495,673</u>	<u>1,435,857</u>
Bond Premium	-	221,558	(923)	220,635	11,078
Compensated Absences	419,996	-	(24,374)	395,622	322,753
Totals	<u>\$ 12,092,287</u>	<u>\$ 3,528,659</u>	<u>\$ (1,509,016)</u>	<u>\$ 14,111,930</u>	<u>\$ 1,769,688</u>

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

Bonds payable at September 30, 2024 are comprised of the following issues for the debt service fund:

<u>Combination Tax and Revenue Certificates of Obligation</u>	
A bond issue of \$7,440,000 dated July 1, 2012 maturing serially September 1, 2013 to September 1, 2042. Interest rates range from 1.25% to 3.75%, payable March 1 and September 1 to September 1, 2042.	\$ 3,585,000
<u>Combination Tax & Limited Surplus Revenue Certificates of Obligation</u>	
A bond issue of \$5,350,000 (93.37% Debt Service Fund portion) dated December 4, 2014 maturing serially July 1, 2016 to July 1, 2035. Interest rates range from 1.5% to 3.5%, payable January 1 and July 1 to July 1, 2035.	1,590,000
<u>Combination Tax & Limited Surplus Revenue Certificates of Obligation</u>	
A bond issue of \$5,230,000 (20.92% Debt Service Fund portion) dated August 17, 2017 maturing serially September 1, 2018 to September 1, 2037. Interest rates range from 2.0% to 4.0%, payable March 1 and September 1 to September 1,	-
<u>General Obligation Refunding Bonds</u>	
A bond issue of \$3,505,000 dated June 6, 2019 maturing serially September 1, 2020 to September 1, 2039. Interest rates range from 3.00% to 4.00%, payable March 1 and September 1 to September 1, 2039.	2,430,000
<u>Combination Tax and Revenue Certificates of Obligation</u>	
A bond issue of \$7,440,000 dated July 1, 2012 maturing serially September 1, 2013 to September 1, 2042. Interest rates range from 1.25% to 3.75%, payable March 1 and September 1 to September 1, 2042.	2,315,000
<u>Combination Tax and Revenue Certificates of Obligation</u>	
A bond issue of \$2,865,000 dated July 15, 2024 maturing serially September 1, 2025 to September 1, 2044. Interest rates range from 4.00% to 5.00%, payable March 1 and September 1, 2025 to September 1, 2044.	2,865,000
Combined Debt	<u>\$ 12,785,000</u>

On December 7, 2016, the City bought certain real property (a lot at the municipal airport) for \$280,000 and financed the purchase. The loan is collateralized by the real property. The note is to be paid in interest free annual payments beginning December 30, 2016 and continuing until December 30, 2027. Outstanding balance of the note is \$104,000.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

LONG-TERM DEBT *(continued)*

The annual requirements to amortize the long-term debt (includes Bonds and Notes Payable) outstanding for the governmental funds as of September 30, 2024 are as follows:

Year Ending	Principal	Interest	Total
2025	\$ 1,314,000	\$ 469,802	\$ 1,783,802
2026	1,040,000	412,863	1,452,863
2027	1,080,000	378,413	1,458,413
2028	755,000	342,613	1,097,613
2029	785,000	315,188	1,100,188
2030-2034	3,075,000	1,238,888	4,313,888
2035-2039	3,405,000	785,275	4,190,275
2040-2044	1,435,000	154,125	1,589,125
Totals	<u>\$ 12,889,000</u>	<u>\$ 4,097,167</u>	<u>\$ 16,986,167</u>

During the year ended September 30, 2024, the following changes occurred in liabilities reported in the Water and Sewer Fund.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds Payable	\$ 20,106,875	\$ 8,930,000	\$ (1,151,875)	\$ 27,885,000	\$ 1,205,000
Leases Payable	120,453	333,811	(78,503)	375,761	51,659
SBITA Payable	-	197,942	(85,592)	112,350	36,096
Compensated Absences	143,897	-	(1,618)	142,279	115,115
	<u>20,371,225</u>	<u>9,461,753</u>	<u>(1,317,588)</u>	<u>28,515,390</u>	<u>1,407,870</u>
Bond Premium	557,397	335,087	(35,372)	857,112	45,611
	<u>\$ 20,928,622</u>	<u>\$ 9,796,840</u>	<u>\$ (1,352,960)</u>	<u>\$ 29,372,502</u>	<u>\$ 1,453,481</u>

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

LONG-TERM DEBT *(continued)*

Bonds payable at September 30, 2024 are comprised of the following issues for the Water and Sewer fund:

Combination Tax & Revenue Certificates of Obligation

A bond issue of \$18,200,000 dated October 4, 2016 maturing serially September 1, 2017 to September 1, 2046. Interest rates range from 0.01% to 1.45%, payable March 1 and September 1 to September 1, 2046. \$ 14,115,000

General Obligation Refunding Bonds

A bond issue \$1,555,000 dated August 17, 2017 maturing serially July 1, 2018 to July 1, 2027. Interest is 2.20%, payable January 1 and July 1 to July 1, 2027. These bonds were issued to redeem \$1,515,000 of Combination Tax and Revenue Refunding Bonds dated July 1, 2007. 500,000

Combination Tax & Limited Surplus Revenue Certificates of Obligation

A bond issue of \$5,230,000 (79.08% Debt Service Fund portion) dated August 17, 2017 maturing serially September 1, 2018 to September 1, 2037. Interest rates range from 2.0% to 4.0%, payable March 1 and September 1 to September 1, 2037. 2,555,000

General Obligation Refunding Bonds

A bond issue of \$2,120,000 dated November 1, 2021 maturing serially September 1, 2023 to September 1, 2032. Interest rates range from 2.00% to 5.00%, payable March 1 and September 1, 2023 to September 1, 2039. 1,785,000

Combination Tax and Revenue Certificates of Obligation

A bond issue of \$8,930,000 dated July 15, 2024 maturing serially September 1, 2025 to September 1, 2054. Interest rates range from 4.00% to 5.00%, payable March 1 and September 1, 2025 to September 1, 2054. 8,930,000

Combined Debt \$ 27,885,000

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

The annual requirements to amortize all bonded debt outstanding for the Water and Sewer Fund as of September 30, 2024 are as follows:

Year Ending	Principal	Interest	Total
2025	\$ 1,205,000	\$ 369,270	\$ 1,574,270
2026	1,250,000	791,968	2,041,968
2027	1,275,000	712,048	1,987,048
2028	1,140,000	686,220	1,826,220
2029	1,175,000	653,058	1,828,058
2030-2034	5,810,000	2,641,551	8,451,551
2035-2039	5,185,000	1,955,697	7,140,697
2040-2044	5,065,000	1,351,747	6,416,747
2045-2049	3,405,000	777,519	4,182,519
2050-2054	2,375,000	309,631	2,684,631
Totals	<u>\$ 27,885,000</u>	<u>\$ 10,248,709</u>	<u>\$ 38,133,709</u>

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

Notes Payable – Economic Development Corporation

During the year ended September 30, 2024, the following changes occurred in liabilities reported for the Corporation:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Notes payable	\$ 1,261,787	\$ -	\$ (226,886)	\$ 1,034,901	\$ 233,904
	<u>\$ 1,261,787</u>	<u>\$ -</u>	<u>\$ (226,886)</u>	<u>\$ 1,034,901</u>	<u>\$ 233,904</u>

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

RESTRICTED ASSETS & LIABILITIES

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

Customer Deposits	\$ 680,380
Accrued Interest Payable	104,177
Current Revenue CO's Payable	900,611
Current GO Bonds Payable	350,000
Total Restricted Assets	<u>\$ 2,035,168</u>

RISK MANAGEMENT

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

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

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

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

RISK MANAGEMENT *(continued)*

Changes in the medical claims liability amounts in fiscal year 2024 were as follows:

	<u>2024</u>
Unpaid Claims, Beginning of Year	\$ 28,720
Incurred Claims (Including IBNR)	878,359
Claim Payments	<u>(866,316)</u>
Unpaid Claims, End of Year	<u>\$ 40,763</u>

UNEARNED REVENUE

In 2021, the American Rescue Plan Act was signed into law and established the Coronavirus State Fiscal Recovery Fund and the Coronavirus Local Fiscal Recovery Fund, which together make up the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. As September 30, 2024, the governmental funds recognized \$82,430 of unearned revenue from unspent grant proceeds.

RETIREMENT SYSTEM – PENSION PLAN

Plan Description - The City participates as one of 934 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

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

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

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

	<u>Plan Year 2023</u>	<u>Plan Year 2022</u>
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%, Transfers	100%, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

RETIREMENT SYSTEM – PENSION PLAN *(continued)*

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	131
Inactive Employees Entitled to but Not Yet Receiving Benefits	98
Active Employees	<u>147</u>
	376

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

Employees for the City were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.11% and 7.65% in calendar year 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were \$767,638 and were equal to required contributions.

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

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.00%	6.70%
Core Fixed Income	6.00%	4.70%
Non-Core Fixed Income	20.00%	8.00%
Other Public and Private Markets	12.00%	8.00%
Real Estate	12.00%	7.60%
Hedge Funds	5.00%	6.40%
Private Equity	10.00%	11.60%
	<u>100.00%</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 Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

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

Changes in the Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2022	\$ 49,081,895	\$ 43,783,475	\$ 5,298,420
Changes for the Year:			
Service Cost	1,336,054	-	1,336,054
Interest	3,278,137	-	3,278,137
Change of Benefit Terms	-	-	-
Diff. Between Expected/Actual Experience	280,796	-	280,796
Changes of Assumptions	(236,821)	-	(236,821)
Contributions - Employer	-	719,647	(719,647)
Contributions - Employee	-	607,297	(607,297)
Net Investment Income	-	5,057,217	(5,057,217)
Benefit Payments, Including Refunds of Employee Contributions	(2,369,862)	(2,369,862)	-
Administrative Expenses	-	(32,238)	32,238
Other Changes	-	(224)	224
Net Changes	<u>2,288,304</u>	<u>3,981,837</u>	<u>(1,693,533)</u>
Balance at 12/31/2023	<u>\$ 51,370,199</u>	<u>\$ 47,765,312</u>	<u>\$ 3,604,887</u>

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

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
City's Net Pension Liability	<u>\$ 9,818,582</u>	<u>\$ 3,604,887</u>	<u>\$ (1,606,716)</u>

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

Pension Expense and Deferred Outflows and Inflows of Resources - For the year ended September 30, 2024, the City recognized pension gain in the amount of \$240,049. 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 & Actual Economic Experience (net of current year amortization)	\$ -	\$ 3,101
Changes in Actuarial Assumptions	-	174,663
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	1,222,998	-
Contributions Subsequent to the Measurement Date	581,108	-
Total	<u>\$ 1,804,106</u>	<u>\$ 177,764</u>

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

RETIREMENT SYSTEM – PENSION PLAN -

Pension Expense and Deferred Outflows and Inflows of Resources *(continued)*

\$581,108 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2024	\$ 125,370
2025	395,661
2026	944,568
2027	(420,365)
2028	-
Thereafter	-
	\$ 1,045,234

RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS

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

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

Benefits Provided – SDBF is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit and is a fixed amount of \$7,500.

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

Employees for the City were not required to contribute to the SDBF. The contribution rates for the City were 0.44% and 0.43% in calendar year 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024 were \$44,207 and were equal to required contributions.

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	92
Inactive Employees Entitled to but Not Yet Receiving Benefits	19
Active Employees	147
	258

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

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

Actuarial Assumptions - The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate*	3.77%
Retirees' share of benefit related costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality Rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

Note: The actuarial assumption used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Total OPEB Liability - The City's Total OPEB Liability was determined by an actuarial valuation as of December 31, 2023.

	<u>Increase/(Decrease)</u>
	<u>Total OPEB</u>
	<u>Liability</u>
Balance at 12/31/2022	\$ 543,777
Changes for the Year:	
Service Cost	17,207
Interest	21,941
Change of Benefit Terms	-
Diff. Between Expected/Actual Experience	(25,504)
Changes of Assumptions	26,382
Contributions - Employer	-
Contributions - Employee	-
Net Investment Income	-
Benefit Payments, Including Refunds of Employee Contributions	(21,255)
Administrative Expenses	-
Other Changes	-
Net Changes	<u>18,771</u>
Balance at 12/31/2023	<u>\$ 562,548</u>

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

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

Discount Rate Sensitivity Analysis - The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate.

	1% Decrease 2.77%	Discount Rate 3.77%	1% Increase 4.77%
City's total OPEB Liability	\$ 659,370	\$ 562,548	\$ 484,922

OPEB Expense and Deferred Outflows and Inflows of Resources - For the year ended September 30, 2024, the City recognized OPEB gain in the amount of \$4,609. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected & Actual Economic Experience (net of current year amortization)	\$ -	\$ 40,974
Changes in Actuarial Assumptions	-	85,039
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	-	-
Contributions Subsequent to the Measurement Date	32,664	-
Total	<u>\$ 32,664</u>	<u>\$ 126,013</u>

\$32,664 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ended December 31,	
2024	\$ (19,771)
2025	(35,398)
2026	(41,325)
2027	(29,597)
2028	78
Thereafter	-
	<u>\$ (126,013)</u>

TAX ABATEMENTS

The City enters into economic development agreements authorized under Chapter 380 of the Texas Local Government Code. These agreements are planning tools designed to stimulate economic activity, redevelopment, community improvement, and provide a return on investment for the community. These programs abate or rebate property taxes and may include other incentive payments such as fee reductions or construction cost reimbursements. Economic Development agreements are considered on a case by case basis by the City Council and generally contain recapture provisions, which may require repayment or termination if recipients do not meet the required provisions of the economic incentives. A summary of the tax abatements for the 2024 and 2023 tax years follows:

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2024

TAX ABATEMENTS *(continued)*

Company	Abatements		Begins	Ends
	2024 Tax Year	2023 Tax Year		
Saputo Dairy Foods	\$ 40,849,483	\$ 42,748,155	2018	2027
Backstory Beverages	-	597,470	2019	2023
Backstory Beverages	-	302,530	2019	2023
Total	<u>\$ 40,849,483</u>	<u>\$ 43,648,155</u>		

CORRECTION OF AN ERROR IN PREVIOUSLY ISSUED FINANCIALS STATEMENTS

Economic Development Corporation – Correction of Prior Year Error in Capital Assets

During fiscal year 2024, the Corporation identified that certain capital assets, which had been previously sold or donated, were incorrectly included in the beginning balance of capital assets. As a result, the net value of capital assets was overstated by \$8,770,478 as of September 30, 2023. Additionally, the depreciation expense for fiscal year 2023 was overstated by \$249,316.

During fiscal year 2024, the change due to an error correction resulted in a restatement of beginning net position, as follows:

Net Position Restatement	Corporation
Net Position - As Originally Reported	\$ 27,016,974
Decrease in Land	(316,490)
Decrease in Buildings and Infrastructure	(8,494,970)
Increase in Land Improvements	40,982
Net Position as of September 30, 2023 - Restated	<u>\$ 18,246,496</u>

EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 19, 2025, the date which the financial statements were available to be issued. There are no matters to report with the evaluation.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

CITY OF SULPHUR SPRINGS

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

General Fund

For the Fiscal Year Ended September 30, 2024

(Unaudited)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 5,062,908	\$ 5,062,908	\$ 4,916,270	\$ (146,638)
Sales	5,805,500	5,955,500	6,048,654	93,154
Franchise	1,248,000	1,248,000	1,188,306	(59,694)
Alcoholic Beverages	55,000	55,000	57,617	2,617
License & Permits	305,850	305,850	287,943	(17,907)
Intergovernmental	32,500	32,500	30,015	(2,485)
Charges for Services	30,650	30,650	37,791	7,141
Fines & Forfeitures	1,013,500	1,013,500	954,606	(58,894)
Interest	-	-	417,058	417,058
Miscellaneous	249,715	249,715	282,086	32,371
Total Revenues	<u>13,803,623</u>	<u>13,953,623</u>	<u>14,220,346</u>	<u>266,723</u>
EXPENDITURES				
Current:				
General Government				
Administration	829,733	829,733	888,565	(58,832)
Finance & Tax	488,983	488,983	483,417	5,566
Municipal Court	643,046	643,046	569,323	73,723
Community Development	1,334,974	1,334,974	760,159	574,815
Maintenance	354,258	354,258	357,921	(3,663)
Department Capital	119,500	119,500	173,160	(53,660)
Contingency	60,000	170,000	19,342	150,658
Economic Development Agreements	97,700	97,700	81,524	16,176
Total General Government	<u>3,928,194</u>	<u>4,038,194</u>	<u>3,333,411</u>	<u>704,783</u>
Public Safety:				
Police	4,658,284	4,658,284	4,027,802	630,482
Lease Related - Police	-	-	639,159	(639,159)
Fire	2,787,840	2,861,840	2,780,730	81,110
Department Capital	1,033,500	1,033,500	523,704	509,796
Total Public Safety	<u>8,479,624</u>	<u>8,553,624</u>	<u>7,971,395</u>	<u>582,229</u>
Transportation:				
Street	799,069	799,069	698,167	100,902
Department Capital	85,000	85,000	-	85,000
Total Transportation	<u>884,069</u>	<u>884,069</u>	<u>698,167</u>	<u>185,902</u>
Culture & Recreation:				
Library	401,084	401,084	391,040	10,044
Parks & Recreation	1,220,546	1,220,546	1,321,476	(100,930)
Department Capital	159,250	159,250	-	159,250
Total Culture & Recreation	<u>1,780,880</u>	<u>1,780,880</u>	<u>1,712,516</u>	<u>68,364</u>
Total Expenditures	<u>15,072,767</u>	<u>15,256,767</u>	<u>13,715,489</u>	<u>1,541,278</u>
Excess/(Deficiency) of Revenues Over/(Under)				
Expenditures	<u>(1,269,144)</u>	<u>(1,303,144)</u>	<u>504,857</u>	<u>1,808,001</u>

CITY OF SULPHUR SPRINGS

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

General Fund

For the Fiscal Year Ended September 30, 2024

(Unaudited)

(continued)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfer In	2,154,135	2,569,135	2,569,135	-
Transfer Out	(2,049,424)	(2,814,424)	(2,814,424)	-
Other Financing Sources - Debt Proceeds	-	-	442,101	442,101
Total Other Financing Sources (uses)	<u>104,711</u>	<u>(245,289)</u>	<u>196,812</u>	<u>442,101</u>
Net Change in Fund Balances	(1,164,433)	(1,548,433)	701,669	2,250,102
Fund Balances - Beginning	<u>7,145,456</u>	<u>7,145,456</u>	<u>7,145,456</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 5,981,023</u>	<u>\$ 5,597,023</u>	<u>\$ 7,847,125</u>	<u>\$ 2,250,102</u>

CITY OF SULPHUR SPRINGS

Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
Last Ten Measured Years
(Unaudited)

	Plan Year Ended December 31,			
	2023	2022	2021	2020
Total Pension Liability				
Service Cost	\$ 1,336,054	\$ 1,220,089	\$1,150,609	\$ 1,118,869
Interest (on the Total Pension Liability)	3,278,137	3,137,215	3,053,413	2,939,171
Changes of Benefit Terms	-	-	-	-
Difference Between Expected & Actual Experience	280,796	(11,304)	(812,402)	(82,940)
Change of Assumptions	(236,821)	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(2,369,862)	(2,262,637)	(2,107,075)	(2,489,908)
Net Change in Total Pension Liability	2,288,304	2,083,363	1,284,545	1,485,192
Total Pension Liability - Beginning	49,081,895	46,998,532	45,713,987	44,228,795
Total Pension Liability - Ending (a)	<u>\$ 51,370,199</u>	<u>\$ 49,081,895</u>	<u>\$ 46,998,532</u>	<u>\$ 45,713,987</u>
 Plan Fiduciary Net Position				
Contributions - Employer	\$ 719,647	\$ 726,369	\$ 680,016	\$ 693,360
Contributions - Employee	607,297	553,747	521,818	508,577
Net Investment Income	5,057,217	(3,519,096)	5,670,749	3,161,767
Benefit Payments, Including Refunds of Employee Contributions	(2,369,862)	(2,262,637)	(2,107,075)	(2,489,908)
Administrative Expense	(32,238)	(30,496)	(26,263)	(20,476)
Other	(224)	36,391	180	(799)
Net Change in Plan Fiduciary Net Position	3,981,837	(4,495,722)	4,739,425	1,852,521
Plan Fiduciary Net Position - Beginning	43,783,474	48,279,196	43,539,771	41,687,250
Plan Fiduciary Net Position - Ending (b)	<u>\$ 47,765,311</u>	<u>\$ 43,783,474</u>	<u>\$ 48,279,196</u>	<u>\$ 43,539,771</u>
Net Pension Liability - Ending (a) - (b)	\$ 3,604,888	\$ 5,298,421	\$ (1,280,664)	\$ 2,174,216
Plan Fiduciary Net Position as Percentage of Total Pension Liability	92.98%	89.20%	102.72%	95.24%
Covered Payroll	\$ 9,953,348	\$ 8,951,665	\$ 8,304,687	\$ 8,476,280
Net Pension Liability as Percentage of Covered Payroll	36.22%	59.19%	-15.42%	25.65%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates. For example: as of December 31, 2023 for fiscal year 2024. This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

2019	2018	2017	2016	2015	2014
\$ 1,134,768 2,837,419 -	\$ 1,098,723 2,705,236 -	\$ 1,067,537 2,605,150 -	\$ 1,071,312 2,487,880 -	\$ 974,458 2,409,813 -	\$ 881,939 2,280,911 -
(142,855) 88,307	278,872 -	(235,957) -	(97,651) -	(205,165) 638,184	119,290 -
<u>(2,314,585)</u> 1,603,054	<u>(1,970,603)</u> 2,112,228	<u>(1,968,528)</u> 1,468,202	<u>(1,476,121)</u> 1,985,420	<u>(1,392,134)</u> 2,425,156	<u>(1,581,767)</u> 1,700,373
<u>42,625,741</u>	<u>40,513,513</u>	<u>39,045,311</u>	<u>37,059,891</u>	<u>34,634,735</u>	<u>32,934,362</u>
<u>\$ 44,228,795</u>	<u>\$ 42,625,741</u>	<u>\$ 40,513,513</u>	<u>\$ 39,045,311</u>	<u>\$ 37,059,891</u>	<u>\$ 34,634,735</u>
\$ 636,073 508,864 5,740,055	\$ 606,304 491,599 (1,174,423)	\$ 574,089 479,074 4,888,366	\$ 458,959 478,977 2,268,525	\$ 471,266 456,065 50,194	\$ 481,593 429,994 1,877,990
(2,314,585) (32,453) (975)	(1,970,603) (22,706) (1,186)	(1,968,528) (25,337) (1,286)	(1,476,121) (25,624) (1,381)	(1,392,134) (30,574) (1,510)	(1,581,767) (19,609) (1,612)
<u>4,536,979</u>	<u>(2,071,015)</u>	<u>3,946,378</u>	<u>1,703,335</u>	<u>(446,693)</u>	<u>1,186,589</u>
<u>37,150,271</u>	<u>39,221,286</u>	<u>35,274,908</u>	<u>33,571,573</u>	<u>34,018,266</u>	<u>32,831,677</u>
<u>\$ 41,687,250</u>	<u>\$ 37,150,271</u>	<u>\$ 39,221,286</u>	<u>\$ 35,274,908</u>	<u>\$ 33,571,573</u>	<u>\$ 34,018,266</u>
\$ 2,541,545	\$ 5,475,470	\$ 1,292,227	\$ 3,770,403	\$ 3,488,318	\$ 616,469
94.25%	87.15%	96.81%	90.34%	90.59%	98.22%
\$ 8,481,073	\$ 8,193,314	\$ 7,984,569	\$ 7,982,952	\$ 7,601,080	\$ 7,166,568
29.97%	66.83%	16.18%	47.23%	45.89%	8.60%

CITY OF SULPHUR SPRINGS
Schedule of Pension Contributions
Texas Municipal Retirement System
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year Ended September 30,			
	2024	2023	2022	2021
Actuarially Determined Contribution	\$ 767,638	\$ 723,023	\$ 675,030	\$ 657,023
Contributions in Relation to the Actuarially Determined Contribution	(767,638)	(723,023)	(675,030)	(657,023)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 10,219,664	\$ 9,894,911	\$ 8,591,266	\$ 8,304,687
Contributions as Percentage of Covered Payroll	7.51%	7.31%	7.86%	7.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2024 are for the measurement date of December 31, 2023. This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods & Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 Years (longest amortization ladder)
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2023 valuation pursuant to an experience study of the period 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information: Granted 100% ad hoc USC with transfer.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 628,565	\$ 611,309	\$ 576,057	\$ 544,079	\$ 464,398	\$ 471,266
<u>(628,565)</u>	<u>(611,309)</u>	<u>(576,057)</u>	<u>(544,079)</u>	<u>(464,398)</u>	<u>(471,266)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,189,590	\$ 8,178,552	\$ 7,841,080	\$ 7,745,406	\$ 7,662,705	\$ 7,601,080
7.68%	7.47%	7.35%	7.02%	6.06%	6.20%

CITY OF SULPHUR SPRINGS
Schedule of Changes in Total OPEB Liability and Related Ratios
Texas Municipal Retirement System
Last Ten Measured Years
(Unaudited)

	Plan Year Ended December 31,		
	2023	2022	2021
Total OPEB Liability			
Service Cost	\$ 17,207	\$ 31,379	\$27,830
Interest (on the Total OPEB Liability)	21,941	13,822	14,778
Changes of Benefit Terms	-	-	-
Difference Between Expected & Actual Experience	(25,504)	7,521	(34,932)
Change of Assumptions	26,382	(235,663)	19,849
Benefit Payments, Including Refunds of Employee Contributions	(21,255)	(17,535)	(16,524)
Net Change in Total OPEB Liability	18,771	(200,476)	11,001
Total OPEB Liability - Beginning	543,777	744,253	733,252
Total OPEB Liability - Ending	<u>\$ 562,548</u>	<u>\$ 543,777</u>	<u>\$ 744,253</u>
Covered Payroll	\$ 9,953,348	\$ 8,951,665	\$ 8,304,687
Total OPEB Liability as a Percentage of Covered Payroll	5.65%	6.07%	8.96%

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

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

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

**COMBINING & INDIVIDUAL
FUND STATEMENTS & SCHEDULES
(Unaudited)**

NONMAJOR GOVERNMENTAL FUNDS

Capital Projects

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

Debt Service

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

Special Revenue Funds

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

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

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

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

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

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

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

CITY OF SULPHUR SPRINGS
Combining Balance Sheet
Nonmajor Governmental Funds
For the Year Ended September 30, 2024
(Unaudited)

	Tax Increment Financing	Tourism	Police Fund
ASSETS			
Cash & Cash Equivalents	\$ -	\$ 573,819	\$ 702,639
Investment	-	46,928	57,334
Sales Tax Receivable	-	-	-
Other Receivables	-	-	22,486
Inventory	-	-	-
Prepaid Items	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 620,747</u>	<u>\$ 782,459</u>
LIABILITIES & FUND BALANCES			
Liabilities			
Accounts Payable	<u>\$ -</u>	<u>\$ 5,828</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>5,828</u>	<u>-</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue Property Taxes	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Nonspendable:			
Inventory	-	-	-
Prepaid Items	-	-	-
Restricted:			
Debt Service	-	-	-
Capital Projects	-	-	-
Special Revenue	-	-	-
Assigned:			
Tourism	-	614,919	-
Other Purposes	-	-	782,459
Total Fund Balances	<u>-</u>	<u>614,919</u>	<u>782,459</u>
Total Liabilities, Derred Inflows, & Fund Balances	<u>\$ -</u>	<u>\$ 620,747</u>	<u>\$ 782,459</u>

Revolving Loan Fund	Street Improvement Fund	Airport Fund	Debt Service Fund	Opioid Settlement Fund	Total Nonmajor Governmental Funds
\$ 115,007	\$ 109,347	\$ 110,483	\$ 19,584	\$ 44,351	\$ 1,675,230
9,406	8,943	9,036	1,602	3,627	136,876
-	-	-	-	-	-
11,070	6,739	138,393	24,897	-	203,585
-	-	80,381	-	-	80,381
-	-	531,807	-	-	531,807
<u>\$ 135,483</u>	<u>\$ 125,029</u>	<u>\$ 870,100</u>	<u>\$ 46,083</u>	<u>\$ 47,978</u>	<u>\$ 2,627,879</u>
\$ -	\$ 880	\$ 4,561	\$ -	\$ -	\$ 11,269
-	-	-	-	-	-
<u>-</u>	<u>880</u>	<u>4,561</u>	<u>-</u>	<u>-</u>	<u>11,269</u>
-	-	-	24,896	-	24,896
<u>-</u>	<u>-</u>	<u>-</u>	<u>24,896</u>	<u>-</u>	<u>24,896</u>
-	-	80,381	-	-	80,381
-	-	531,807	-	-	531,807
-	-	-	21,187	-	21,187
-	124,149	-	-	-	124,149
-	-	-	-	47,978	47,978
-	-	-	-	-	614,919
135,483	-	253,351	-	-	1,171,293
<u>135,483</u>	<u>124,149</u>	<u>865,539</u>	<u>21,187</u>	<u>47,978</u>	<u>2,591,714</u>
<u>\$ 135,483</u>	<u>\$ 125,029</u>	<u>\$ 870,100</u>	<u>\$ 46,083</u>	<u>\$ 47,978</u>	<u>\$ 2,627,879</u>

CITY OF SULPHUR SPRINGS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended September 30, 2024

(Unaudited)

	Tax Increment Financing	Tourism	Police Fund
REVENUES			
Property Taxes	\$ 80,992	\$ -	\$ -
Sales Taxes	-	245,761	-
Intergovernmental	-	-	-
Charges for Services	-	-	-
Fines & Forfeitures	-	-	60,341
Interest	-	27,767	14,752
Grants & Contributions	100,800	-	157,013
Miscellaneous	-	-	28,310
Total Revenues	<u>181,792</u>	<u>273,528</u>	<u>260,416</u>
EXPENDITURES			
Current:			
Public Safety	-	-	107,067
Transportation	-	-	-
Culture & Recreation	-	276,080	-
Capital Outlay	-	-	216,652
Debt Service:			
Principal	-	-	-
Interest & Fiscal Charges	-	-	-
Total Expenditures	<u>-</u>	<u>276,080</u>	<u>323,719</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>181,792</u>	<u>(2,552)</u>	<u>(63,303)</u>
OTHER FINANCING SOURCES/(USES)			
Transfers In	-	115,200	-
Transfers Out	<u>(181,792)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources/(Uses)	<u>(181,792)</u>	<u>115,200</u>	<u>-</u>
Net Change in Fund Balances	-	112,648	(63,303)
Fund Balance - Beginning	<u>-</u>	<u>502,271</u>	<u>845,762</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 614,919</u>	<u>\$ 782,459</u>

Revolving Loan Fund	Street Improvement Fund	Airport Fund	Debt Service Fund	Opioid Settlement Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 1,093,502	\$ -	\$ 1,174,494
-	-	-	-	-	245,761
-	-	-	-	-	-
-	995,924	754,502	-	-	1,750,426
-	-	-	-	-	60,341
1,411	60,716	21,180	31,127	1,254	158,207
-	-	724,856	-	-	982,669
-	-	20,106	-	7,609	56,025
<u>1,411</u>	<u>1,056,640</u>	<u>1,520,644</u>	<u>1,124,629</u>	<u>8,863</u>	<u>4,427,923</u>
-	-	-	-	-	107,067
-	-	761,812	-	-	761,812
-	-	-	-	-	276,080
-	1,939,303	326,085	-	-	2,482,040
-	-	-	-	-	-
-	-	29,000	1,168,124	-	1,197,124
-	-	-	341,864	-	341,864
<u>-</u>	<u>1,939,303</u>	<u>1,116,897</u>	<u>1,509,988</u>	<u>-</u>	<u>5,165,987</u>
<u>1,411</u>	<u>(882,663)</u>	<u>403,747</u>	<u>(385,359)</u>	<u>8,863</u>	<u>(738,064)</u>
-	-	45,000	363,848	-	524,048
-	-	-	-	-	(181,792)
-	-	45,000	363,848	-	342,256
1,411	(882,663)	448,747	(21,511)	8,863	(395,808)
<u>134,072</u>	<u>1,006,812</u>	<u>416,792</u>	<u>42,698</u>	<u>39,115</u>	<u>2,987,522</u>
<u>\$ 135,483</u>	<u>\$ 124,149</u>	<u>\$ 865,539</u>	<u>\$ 21,187</u>	<u>\$ 47,978</u>	<u>\$ 2,591,714</u>

CITY OF SULPHUR SPRINGS

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Enterprise Fund
For the Year Ended September 30, 2024
(Unaudited)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
OPERATING REVENUES				
Water Sales	\$ 7,561,907	\$ 7,561,907	\$ 7,228,671	\$ (333,236)
Sewer Charges	4,653,441	4,653,441	4,836,414	182,973
Sanitation Charges	3,870,450	3,870,450	4,821,177	950,727
Service Charges	180,000	180,000	216,561	36,561
Water & Sewer Connections	231,000	231,000	321,570	90,570
Intergovernmental	-	-	-	-
Miscellaneous Revenues	343,659	343,659	175,791	(167,868)
Total Operating Revenues	<u>16,840,457</u>	<u>16,840,457</u>	<u>17,600,184</u>	<u>759,727</u>
OPERATING EXPENSES				
Administration	157,500	315,500	999,761	(684,261)
Personnel Services	3,219,906	3,320,121	3,177,878	142,243
Supplies	3,488,200	3,623,200	1,806,369	1,816,831
Contractual Services	4,916,170	4,916,170	5,114,201	(198,031)
Repairs and Maintenance	378,250	378,250	293,839	84,411
Depreciation and Amortization	-	-	2,216,378	(2,216,378)
Other Operating Expenses	6,773,848	6,773,848	409,738	6,364,110
Total Operating Expenses	<u>18,933,874</u>	<u>19,327,089</u>	<u>14,018,164</u>	<u>5,308,925</u>
Operating Income/(Loss)	<u>(2,093,417)</u>	<u>(2,486,632)</u>	<u>3,582,020</u>	<u>6,068,652</u>
NONOPERATING REVENUES/(EXPENSES)				
Interest Revenue	325,000	525,000	582,421	57,421
Debt Issuance Cost	-	-	(265,087)	(265,087)
Interest Expense & Fiscal Charges	(1,522,018)	(1,522,018)	(362,847)	1,159,171
Total Nonoperating Revenues/(Expenses)	<u>(1,197,018)</u>	<u>(997,018)</u>	<u>(45,513)</u>	<u>951,505</u>
Income Before Transfers	(3,290,435)	(3,483,650)	3,536,507	7,020,157
Transfers In	3,206,303	3,206,303	3,214,372	8,069
Transfers Out	<u>(2,486,889)</u>	<u>(2,486,889)</u>	<u>(2,486,889)</u>	<u>-</u>
Change in Net Position	(2,571,021)	(2,764,236)	4,263,990	7,028,226
Net Position - Beginning	<u>30,896,426</u>	<u>30,896,426</u>	<u>30,896,426</u>	<u>-</u>
Net Position - Ending	<u>\$ 28,325,405</u>	<u>\$ 28,132,190</u>	<u>\$ 35,160,416</u>	<u>\$ 7,028,226</u>

CITY OF SULPHUR SPRINGS
Combining Statement of Fiduciary Net Position
Pension Trust Funds
For the Year Ended September 30, 2024
(Unaudited)

	Volunteer Fireman Pension Plan	Employee Supplemental Retirement Plan	Total Private Purpose Trust Funds
ASSETS			
Cash & Cash Equivalents	\$ 31,423	\$ 171,086	\$ 202,509
Investments	-	13,992	13,992
Total Assets	<u>31,423</u>	<u>185,078</u>	<u>216,501</u>
LIABILITIES			
Accounts Payable	-	15,031	15,031
Total Liabilities	<u>-</u>	<u>15,031</u>	<u>15,031</u>
NET POSITION			
Net Position Restricted for Pensions	<u>\$ 31,423</u>	<u>\$ 170,047</u>	<u>\$ 201,470</u>

CITY OF SULPHUR SPRINGS
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended September 30, 2024
(Unaudited)

	Volunteer Fireman Pension Plan	Employee Supplemental Retirement Plan	Total Private Purpose Trust Funds
ADDITIONS			
Contributions	\$ 1,560	\$ 312,430	\$ 313,990
Interest Income	234	6,523	6,757
Total Additions	<u>1,794</u>	<u>318,953</u>	<u>320,747</u>
DEDUCTIONS			
General Government	<u>1,200</u>	<u>229,587</u>	<u>230,787</u>
Total Deductions	<u>1,200</u>	<u>229,587</u>	<u>230,787</u>
Change in Net Position	594	89,366	89,960
Net Position, Beginning	<u>30,829</u>	<u>80,681</u>	<u>111,510</u>
Net Position, Ending	<u>\$ 31,423</u>	<u>\$ 170,047</u>	<u>\$ 201,470</u>

CITY OF SULPHUR SPRINGS

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

Airport Fund

For the Fiscal Year Ended September 30, 2024

(Unaudited)

	Original & Final Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
REVENUES			
Charges for Services	\$ 967,050	\$ 754,502	\$ (212,548)
Grants & Contributions	462,200	724,856	262,656
Interest	6,500	21,180	14,680
Miscellaneous	6,000	20,106	14,106
Total Revenues	<u>1,441,750</u>	<u>1,520,644</u>	<u>78,894</u>
EXPENDITURES			
Transportation	1,059,987	761,812	298,175
Capital Outlay	458,000	326,085	131,915
Debt Service:			
Principal	29,000	29,000	-
Total Expenditures	<u>1,546,987</u>	<u>1,116,897</u>	<u>430,090</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(105,237)</u>	<u>403,747</u>	<u>508,984</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	45,000	45,000	-
Transfer Out	-	-	-
Total Other Financing Sources/(Uses)	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Net Change in Fund Balances	(60,237)	448,747	508,984
Fund Balances - Beginning	<u>416,792</u>	<u>416,792</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 356,555</u>	<u>\$ 865,539</u>	<u>\$ 508,984</u>

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STATISTICAL SECTION (Unaudited)

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

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

Revenue Capacity	83
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These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and water & sewer revenues.

Debt Capacity	90
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These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information	101
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information.....	103
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These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

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

	2015	2016	2017	2018	2019
Governmental Activities					
Net Investment in Capital Assets	\$ 18,084	\$ 17,204	\$ 18,597	\$ 20,508	\$ 20,362
Restricted	35	49	8	11	24
Unrestricted	4,284	5,680	3,988	3,047	2,739
Total Governmental Activities Net Position	<u>\$ 22,403</u>	<u>\$ 22,933</u>	<u>\$ 22,593</u>	<u>\$ 23,566</u>	<u>\$ 23,125</u>
Business-Type Activities					
Net Investment in Capital Assets	\$ 13,044	\$ 15,899	\$ 2,573	\$ 7,908	\$ 16,919
Restricted	618	591	532	498	435
Unrestricted	6,347	3,878	17,643	13,308	6,405
Total Business-Type Activities Net Position	<u>\$ 20,009</u>	<u>\$ 20,368</u>	<u>\$ 20,748</u>	<u>\$ 21,714</u>	<u>\$ 23,759</u>
Primary Government					
Net Investment in Capital Assets	\$ 31,128	\$ 33,103	\$ 21,170	\$ 28,416	\$ 37,281
Restricted	653	640	540	509	459
Unrestricted	10,631	9,558	21,631	16,355	9,144
Total Primary Government Net Position	<u>\$ 42,412</u>	<u>\$ 43,301</u>	<u>\$ 43,341</u>	<u>\$ 45,280</u>	<u>\$ 46,884</u>

2020	2021	2022	2023	2024
\$ 27,907	\$ 29,667	\$ 34,269	\$ 38,782	\$ 42,821
24	18	2,408	3,100	2,147
5,696	7,257	6,270	7,747	10,138
<u>\$ 33,627</u>	<u>\$ 36,942</u>	<u>\$ 42,947</u>	<u>\$ 49,629</u>	<u>\$ 55,106</u>
\$ 18,515	\$ 19,675	\$ 21,259	\$ 22,583	\$ 17,696
416	396	384	454	1,205
5,916	6,539	7,708	7,859	16,259
<u>\$ 24,847</u>	<u>\$ 26,610</u>	<u>\$ 29,351</u>	<u>\$ 30,896</u>	<u>\$ 35,160</u>
\$ 46,422	\$ 49,342	\$ 55,528	\$ 61,365	\$ 60,517
440	414	2,792	3,554	3,352
11,612	13,796	13,978	15,606	26,397
<u>\$ 58,474</u>	<u>\$ 63,552</u>	<u>\$ 72,298</u>	<u>\$ 80,525</u>	<u>\$ 90,266</u>

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

	2015	2016	2017	2018	2019
EXPENSES					
Governmental Activities:					
General Government	\$ 2,942	\$ 2,691	\$ 2,977	\$ 2,713	\$ 2,824
Public Safety	5,112	5,343	6,070	5,716	6,261
Transportation	3,562	1,989	2,022	1,433	2,664
Culture & Recreation	1,720	2,475	1,875	2,856	2,688
Interest on Long-Term Debt	695	611	512	538	260
Total Governmental Activities	14,031	13,109	13,456	13,256	14,697
Business-Type Activities:					
Water & Sewer	6,130	7,047	7,727	7,406	7,663
Sanitation	2,370	2,652	2,545	2,632	2,775
Total Business-Type Activities	8,500	9,699	10,272	10,038	10,438
Total Primary Government Expenses	22,531	22,808	23,728	23,294	25,135
PROGRAM REVENUES					
Governmental Activities:					
Charges for Services:					
General Government	152	92	133	196	139
Public Safety	873	904	1,070	596	586
Transportation	359	275	380	495	949
Culture & Recreation	-	3	2	10	4
Operating Grants & Contributions	318	447	365	378	636
Capital Grants & Contributions	119	444	22	520	204
Total Governmental Activities					
Program Revenues	1,821	2,165	1,972	2,195	2,518
Business-Type Activities:					
Charges for Services:					
Water & Sewer	9,176	9,228	9,254	9,841	9,933
Sanitation	2,826	3,036	3,099	3,200	3,449
Capital Grants & Contributions	-	-	-	-	-
Total Business-Type Activities					
Program Revenues	12,002	12,264	12,353	13,041	13,382
Total Primary Government					
Program Revenues	13,823	14,429	14,325	15,236	15,900
Net (Expense)/Revenue					
Governmental Activities	(12,210)	(10,944)	(11,484)	(11,061)	(12,179)
Business-Type Activities	3,502	2,565	2,081	3,003	2,944
Total Primary Government Net Asset	\$ (8,708)	\$ (8,379)	\$ (9,403)	\$ (8,058)	\$ (9,235)

	2020	2021	2022	2023	2024
\$	2,806	\$ 2,325	\$ 2,795	\$ 3,609	\$ 3,274
	6,088	5,975	5,892	6,757	9,225
	2,801	3,766	3,103	3,275	3,344
	1,974	1,981	2,087	2,171	2,614
	402	605	387	377	437
	14,071	14,652	14,264	16,189	18,894
	7,302	7,154	7,686	9,394	10,424
	3,073	3,009	3,459	3,792	4,222
	10,375	10,163	11,145	13,186	14,646
	24,446	24,815	25,409	29,375	33,540
	142	175	245	287	288
	708	903	576	834	2,790
	942	1,109	1,787	1,879	1,750
	5	4	23	48	38
	928	2,415	259	719	3,615
	202	76	2,471	2,743	1,893
	2,927	4,682	5,361	6,510	10,374
	9,984	9,938	11,505	11,980	12,603
	3,818	3,754	4,106	4,334	4,821
	-	-	-	-	-
	13,802	13,692	15,611	16,314	17,424
	16,729	18,374	20,972	22,824	27,798
	(11,144)	(9,970)	(8,903)	(9,679)	(8,520)
	3,427	3,529	4,466	3,128	2,778
\$	(7,717)	\$ (6,441)	\$ (4,437)	\$ (6,551)	\$ (5,742)

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

	2015	2016	2017	2018	2019
GENERAL REVENUES & OTHER CHANGES					
IN NET POSITION					
Governmental Activities:					
Taxes					
Property Taxes	\$ 3,914	\$ 3,954	\$ 3,998	\$ 4,089	\$ 4,134
Sales Taxes	3,682	3,884	3,875	4,287	4,618
Franchise Taxes	1,396	1,131	1,149	1,116	1,139
Alcoholic Beverage Taxes	30	31	37	42	47
Investment Earnings	7	23	40	118	174
Miscellaneous	201	424	182	487	344
Transfers	1,651	2,254	1,862	2,231	1,283
Total Governmental Activities	10,881	11,701	11,143	12,370	11,739
Business-Type Activities:					
Investment Earnings	6	18	92	226	239
Miscellaneous	44	52	69	78	145
Transfers	(1,651)	(2,254)	(1,862)	(2,231)	(1,283)
Total Business-Type Activities	(1,601)	(2,184)	(1,701)	(1,927)	(899)
Total Primary Government	9,280	9,517	9,442	10,443	10,840
CHANGE IN NET POSITION					
Governmental Activities	(1,329)	757	(341)	1,309	(440)
Business-Type Activities	1,901	381	380	1,076	2,045
Total Primary Government	\$ 572	\$ 1,138	\$ 39	\$ 2,385	\$ 1,605

	2020	2021	2022	2023	2024
\$	4,361	\$ 4,719	\$ 5,209	\$ 5,685	\$ 6,021
	4,556	5,421	5,941	6,140	6,294
	1,108	1,133	1,199	1,222	1,188
	40	50	49	60	58
	64	32	102	684	780
	9,150	829	385	382	381
	1,966	2,023	2,022	2,191	(727)
	21,245	14,207	14,907	16,364	13,995
	99	23	69	428	582
	158	234	227	179	176
	(1,966)	(2,023)	(2,022)	(2,191)	727
	(1,709)	(1,766)	(1,726)	(1,584)	1,485
	19,536	12,441	13,181	14,780	15,480
	10,101	4,237	6,004	6,684	5,475
	1,718	1,763	2,740	1,544	4,263
\$	11,819	\$ 6,000	\$ 8,744	\$ 8,228	\$ 9,738

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2015	\$ 3,914	\$ 3,682	\$ 1,396	\$ 30	\$ 9,022
2016	3,954	3,884	1,131	31	9,000
2017	3,998	3,875	1,149	37	9,059
2018	4,089	4,287	1,116	42	9,534
2019	4,134	4,618	1,139	47	9,938
2020	4,361	4,556	1,108	40	10,065
2021	4,719	5,421	1,133	50	11,323
2022	5,209	5,941	1,199	49	12,398
2023	5,685	6,140	1,222	60	13,107
2024	6,021	6,294	1,188	58	13,561

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

	Fiscal Year				
	2015	2016	2017	2018	2019
General Fund					
Unassigned	\$ 2,862	\$ 2,231	\$ 2,823	\$ 3,076	\$ 3,493
Total General Fund	<u>\$ 2,862</u>	<u>\$ 2,231</u>	<u>\$ 2,823</u>	<u>\$ 3,076</u>	<u>\$ 3,493</u>
All Other Governmental Funds					
Nonspendable	\$ 39	\$ 22	\$ 47	\$ 32	\$ 17
Restricted	3,742	2,412	262	397	464
Assigned	527	472	512	645	861
Total All Other Governmental Funds	<u>\$ 4,308</u>	<u>\$ 2,906</u>	<u>\$ 821</u>	<u>\$ 1,074</u>	<u>\$ 1,342</u>

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<u>\$ 4,054</u>	<u>\$ 6,904</u>	<u>\$ 6,200</u>	<u>\$ 7,145</u>	<u>\$ 7,847</u>
<u><u>\$ 4,054</u></u>	<u><u>\$ 6,904</u></u>	<u><u>\$ 6,200</u></u>	<u><u>\$ 7,145</u></u>	<u><u>\$ 7,847</u></u>
\$ 107	\$ 102	\$ 75	\$ 87	\$ 612
3,090	2,626	2,423	3,100	2,147
1,208	1,370	1,473	1,813	1,786
<u>\$ 4,405</u>	<u>\$ 4,098</u>	<u>\$ 3,971</u>	<u>\$ 5,000</u>	<u>\$ 4,546</u>

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

	2015	2016	2017	2018	2019
REVENUES					
Taxes	\$ 8,972	\$ 9,035	\$ 9,075	\$ 9,540	\$ 9,968
Licenses & Permits	151	92	133	196	139
Intergovernmental	320	814	273	779	738
Charges for Services	359	278	382	505	954
Fines	1,045	925	978	965	987
Investments Earnings	7	22	34	99	156
Contributions	117	77	114	119	101
Miscellaneous	201	306	317	454	348
Total Revenues	<u>11,172</u>	<u>11,549</u>	<u>11,306</u>	<u>12,657</u>	<u>13,391</u>
EXPENDITURES					
General Government	2,499	2,489	2,432	2,509	2,469
Public Safety	4,889	5,187	5,318	5,293	5,436
Transportation	2,271	2,473	3,894	1,152	1,896
Culture & Recreation	1,401	1,512	1,422	1,393	1,729
Capital Outlay	1,457	1,706	919	2,148	1,612
Debt Service:					
Principal	1,013	1,536	1,080	1,171	1,212
Interest	680	607	563	544	515
Total Expenditures	<u>14,210</u>	<u>15,510</u>	<u>15,628</u>	<u>14,210</u>	<u>14,869</u>
Excess of Revenues Over/(Under)					
Expenditures	<u>(3,038)</u>	<u>(3,961)</u>	<u>(4,322)</u>	<u>(1,553)</u>	<u>(1,478)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	4,799	5,518	5,148	4,767	5,003
Transfers Out	(3,320)	(3,436)	(3,458)	(2,708)	(3,916)
Bonds Issued	4,995	-	1,140	-	4,953
Premium on Bonds Issued	-	-	-	-	-
Other Uses - Bond Issuance	-	-	-	-	(3,877)
Total Other Financing Sources (Uses)	<u>6,474</u>	<u>2,082</u>	<u>2,830</u>	<u>2,059</u>	<u>2,163</u>
Net Change in Fund Balances	<u>\$ 3,436</u>	<u>\$ (1,879)</u>	<u>\$ (1,492)</u>	<u>\$ 506</u>	<u>\$ 685</u>
Debt Service as a Percentage of					
Noncapital Expenditures	13.3%	15.5%	11.2%	14.2%	13.0%

2020	2021	2022	2023	2024
\$ 10,122	\$ 11,325	\$ 12,347	\$ 13,027	\$ 13,631
142	175	245	287	288
368	170	138	129	30
947	1,114	1,810	1,927	1,788
1,136	1,081	1,029	1,018	1,015
60	9	101	678	766
762	2,428	2,592	3,333	5,479
9,152	342	384	349	338
<u>22,689</u>	<u>16,644</u>	<u>18,646</u>	<u>20,748</u>	<u>23,335</u>
2,191	2,736	2,708	3,019	3,133
5,673	5,894	6,289	6,459	7,295
1,775	1,542	1,678	1,494	1,460
1,603	2,451	1,871	1,852	2,115
10,629	1,338	5,145	5,784	9,780
1,486	1,521	1,564	1,524	1,484
469	436	393	382	342
<u>23,826</u>	<u>15,918</u>	<u>19,648</u>	<u>20,514</u>	<u>25,609</u>
<u>(1,137)</u>	<u>726</u>	<u>(1,002)</u>	<u>234</u>	<u>(2,274)</u>
4,673	4,587	4,322	5,562	5,752
(2,911)	(2,769)	(2,620)	(3,721)	(6,823)
3,096	-	-	133	3,307
-	-	-	-	222
(96)	-	-	-	(87)
<u>4,762</u>	<u>1,818</u>	<u>1,702</u>	<u>1,974</u>	<u>2,371</u>
<u>\$ 3,625</u>	<u>\$ 2,544</u>	<u>\$ 700</u>	<u>\$ 2,208</u>	<u>\$ 97</u>
14.8%	13.4%	13.5%	12.9%	11.5%

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

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2015	3,864	3,682	1,396	30	8,972
2016	3,989	3,884	1,131	31	9,035
2017	4,014	3,875	1,149	37	9,075
2018	4,094	4,287	1,116	43	9,540
2019	4,164	4,618	1,139	47	9,968
2020	4,418	4,556	1,108	40	10,122
2021	4,720	5,421	1,133	51	11,325
2022	5,158	5,941	1,199	49	12,347
2023	5,605	6,140	1,222	60	13,027
2024	6,091	6,294	1,188	58	13,631

CITY OF SULPHUR SPRINGS

Assed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
(Unaudited)

Fiscal Year Ended Sep. 30	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
2015	396,756	544,528	86,806	854,478	0.44000	941,284	90.78%
2016	397,129	566,595	80,619	883,105	0.44000	963,724	91.63%
2017	404,027	573,621	84,789	892,859	0.44000	977,648	91.33%
2018	411,280	591,195	87,029	915,446	0.44000	1,002,475	91.32%
2019	418,000	600,620	91,475	927,145	0.44000	1,018,620	91.02%
2020	451,931	608,934	84,389	976,476	0.44000	1,060,865	92.05%
2021	464,015	692,205	119,409	1,036,811	0.44000	1,156,220	89.67%
2022	538,840	825,324	136,253	1,227,911	0.42692	1,364,164	90.01%
2023	651,264	1,017,014	412,020	1,256,258	0.44000	1,668,278	75.30%
2024	690,874	1,068,630	408,803	1,350,701	0.44000	1,759,504	76.77%

Source: Hopkins County Central Appraisal District

CITY OF SULPHUR SPRINGS
Property Tax Rates -
Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	City of Sulphur Springs			Sulphur Springs Independent School District	Hopkins County	Hopkins County Hospital District	Total
	General Fund	Debt Service Funds	Total				
2015	0.37882	0.06118	0.44000	1.35048	0.61208	0.25000	2.65256
2016	0.37730	0.06270	0.44000	1.35048	0.62739	0.25000	2.66787
2017	0.37940	0.06060	0.44000	1.35048	0.62739	0.25000	2.66787
2018	0.38320	0.05680	0.44000	1.35048	0.62489	0.25000	2.66537
2019	0.38260	0.05740	0.44000	1.35048	0.62489	0.25000	2.66537
2020	0.37240	0.06760	0.44000	1.28048	0.62489	0.25000	2.59537
2021	0.36713	0.07287	0.44000	1.25138	0.62489	0.25000	2.56627
2022	0.36241	0.06451	0.42692	1.18248	0.58404	0.22000	2.41344
2023	0.36547	0.07453	0.44000	1.16510	0.52390	0.19246	2.32146
2024	0.35988	0.08012	0.44000	0.99140	0.49587	0.17389	2.10116

Source: Applicable Taxing Entities

CITY OF SULPHUR SPRINGS
Principal Property Taxpayers
September 30, 2024
(Amounts Expressed in Thousands)
(Unaudited)

<u>Taxpayer</u>	2024			2015		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
BEF Foods, Inc	\$ 52,102	1	3.86%	\$ 54,939	2	6.22%
Saputo Dairy Foods, Inc.	51,494	2	3.81%	29,394	3	3.33%
Ocean Spray Cranberries In	28,633	3	2.11%	18,834	6	2.13%
Flowserve US, Inc.	22,616	4	1.67%	25,859	4	2.93%
Wal-Mart Stores Inc.	16,529	5	1.22%	15,882	7	1.80%
Jeld-Wen Inc	15,750	6	1.17%	19,167	5	2.17%
Load Trail LLC	14,312	7	1.06%			
D6 Inc	14,236	8	1.05%			
CMH Manufacturing	14,109	9	1.04%	7,412	10	0.84%
GSC Enterprises Inc	12,542	10	0.93%	13,384	8	1.52%
Oncor Electric Delivery Co.				9,175	9	1.04%
PCI Manufacturing				55,464	1	6.28%
Totals	<u>\$ 242,323</u>		<u>17.92%</u>	<u>\$ 249,510</u>		<u>28.26%</u>

Source: Hopkins County Central Appraisal District

CITY OF SULPHUR SPRINGS
Property Tax Levies and Collections (1)
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2015	3,817,852	3,723,964	97.54%	89,928	3,813,892	99.90%
2016	3,872,322	3,805,387	98.27%	60,915	3,866,302	99.84%
2017	3,931,302	3,856,896	98.11%	68,811	3,925,707	99.86%
2018	4,033,699	3,963,234	98.25%	62,759	4,025,993	99.81%
2019	4,077,495	4,017,684	98.53%	58,806	4,076,490	99.98%
2020	4,304,124	4,254,150	98.84%	40,041	4,294,191	99.77%
2021	4,628,126	4,560,342	98.54%	54,328	4,614,670	99.71%
2022	5,081,083	4,991,161	98.23%	64,950	5,056,111	99.51%
2023	5,524,379	5,403,731	97.82%	65,503	5,469,234	99.00%
2024	5,943,083	5,829,223	98.08%	-	5,829,223	98.08%

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

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

<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2015	5,173	3,853	9,026
2016	5,308	3,744	9,052
2017	5,307	3,947	9,254
2018	5,478	4,198	9,676
2019	5,223	4,220	9,443
2020	5,541	4,190	9,731
2021	5,525	4,207	9,732
2022	6,441	4,334	10,775
2023	6,793	4,664	11,457
2024	7,229	4,836	12,065

CITY OF SULPHUR SPRINGS
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Amounts Expressed in Thousands, Except per Capital Amount)
(Unaudited)

Fiscal Year	Governmental Activities					Business-Type Activities					Total Primary Government
	Revenue Bonds	General Obligation Bonds	Notes	SBITA Liabilities	Operating Leases	Revenue Bonds	General Obligation Bonds	Bond Premium	SBITA Liabilities	Operating Leases	
2015	\$ -	\$ 17,490	\$ -	\$ -	\$ -	\$ -	\$ 10,430	\$ -	\$ -	\$ -	\$ 27,920
2016	-	15,954	-	-	-	-	9,426	-	-	-	25,380
2017	-	15,968	-	-	-	25,941	4,291	313	-	-	46,513
2018	-	14,797	-	-	-	24,934	3,499	297	-	-	43,527
2019	-	14,411	-	-	-	24,180	2,055	281	-	-	40,927
2020	-	15,256	-	-	-	23,115	1,925	266	-	-	40,562
2021	10,643	2,965	185	-	-	21,787	1,380	250	-	-	37,210
2022	9,553	2,665	160	-	686	18,297	2,935	592	-	264	35,152
2023	8,538	2,550	133	-	451	17,492	2,615	577	-	120	32,476
2024	10,355	2,430	104	35	571	25,600	2,285	857	112	376	42,725

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

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

<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
8.91%	\$ 1,760
7.60%	1,577
13.79%	2,878
12.91%	2,693
12.48%	2,537
11.56%	2,499
9.95%	2,271
8.64%	2,198
8.14%	1,979
8.78%	2,579

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

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

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value⁽¹⁾ of Property</u>	<u>Per Capita ⁽²⁾</u>
2015	27,920	34	27,886	2.96%	1,757
2016	46,200	49	46,151	4.79%	2,867
2017	43,230	8	43,222	4.42%	2,674
2018	40,646	11	40,635	4.05%	2,514
2019	40,296	24	40,272	3.95%	2,496
2020	36,960	24	36,936	3.48%	2,275
2021	33,610	18	33,592	2.91%	2,050
2022	34,992	17	34,975	2.56%	2,187
2023	31,752	43	31,709	1.90%	1,933
2024	41,748	21	41,727	2.37%	2,519

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

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

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

CITY OF SULPHUR SPRINGS
Direct and Overlapping Governmental Activities Debt
As of September 30, 2024
(Amounts Expressed in Thousands)
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Sulphur Springs I.S.D.	\$ 90,685	70.70%	\$ 64,114
Hopkins County	12,709	42.15%	5,357
Hopkins County Hospital District	-	38.69%	-
Total Overlapping Debt			69,471
City of Sulphur Springs Direct Debt			13,496
Total Direct & Overlapping Debt			<u>\$ 82,967</u>

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

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

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

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt Limit	\$ 68,567	\$ 97,765	\$ 100,248	\$ 101,862
Total Net Debt Applicable to Limit	<u>23,185</u>	<u>25,331</u>	<u>46,192</u>	<u>43,219</u>
Legal Debt Margin	<u>\$ 45,382</u>	<u>\$ 72,434</u>	<u>\$ 54,056</u>	<u>\$ 58,643</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	33.81%	25.91%	46.08%	42.43%

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

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 106,087	\$ 106,087	\$ 115,622	\$ 136,416	\$ 166,828	\$ 175,950
<u>40,622</u>	<u>40,272</u>	<u>33,432</u>	<u>34,975</u>	<u>31,710</u>	<u>41,727</u>
<u>\$ 65,465</u>	<u>\$ 65,815</u>	<u>\$ 82,190</u>	<u>\$ 101,441</u>	<u>\$ 135,118</u>	<u>\$ 134,223</u>
38.29%	37.96%	28.91%	25.64%	19.01%	23.72%

Legal Debt Margin Calculation for Fiscal Year 2024

Assessed Value	\$ 1,350,701
Add Back: Exempt Real Property	<u>408,803</u>
Total Assessed Value	<u>1,759,504</u>
Debt Limit (10% of Total Assessed Value)	<u>175,950</u>
Debt Applicable to Limit:	
General Obligation Bonds	41,748
Less Amount Set Aside for Repayment of General Obligation Debt	<u>(21)</u>
Total Net Debt Applicable to Limit	<u>41,727</u>
Legal Debt Margin	<u>\$ 134,223</u>

CITY OF SULPHUR SPRINGS
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Amounts Expressed in Thousands)
(Unaudited)

<u>Fiscal Year</u>	<u>Water & Sewer Revenue Bonds</u>					
	<u>Charges & Other</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
2015	12,051	8,248	3,803	2,178	252	1.57
2016	12,334	9,406	2,928	1,003	294	2.26
2017	12,514	9,302	3,212	3,085	970	0.79
2018	13,344	9,496	3,848	1,799	542	1.64
2019	13,764	9,924	3,840	2,479	514	1.28
2020	14,059	9,900	4,159	1,810	474	1.82
2021	13,949	10,163	3,786	1,623	441	1.83
2022	15,727	10,663	5,064	1,158	380	3.29
2023	16,452	12,739	3,713	1,196	380	2.36
2024	17,600	14,018	3,582	1,314	349	2.15

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

CITY OF SULPHUR SPRINGS
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Personal Income (Amts. Expressed in Thousands)</u>	<u>(1) Per Capita Personal Income</u>	<u>(1) Median Age</u>	<u>(2) Education Level in Years of Formal Schooling</u>	<u>(3) School Enrollment</u>	<u>(2) Unemployment Rate</u>
2015	15,868	334,148	21,058	38	13.5	4,356	3.9%
2016	16,098	337,188	20,946	38	13.5	4,415	3.7%
2017	16,162	337,188	21,886	35	13.5	4,334	3.7%
2018	16,162	327,846	21,886	35	13.5	4,393	3.5%
2019	16,134	350,898	21,749	36	13.5	4,350	3.1%
2020	16,234	373,999	23,038	36	13.5	4,350	4.6%
2021	16,383	406,757	24,828	37	13.5	4,345	4.1%
2022	15,995	399,027	24,947	37	13.5	4,350	3.1%
2023	16,408	422,276	25,736	37	13.5	4,365	3.3%
2024	16,564	486,518	29,372	39	13.5	4,088	3.3%

Date Sources

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

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

<u>Employer</u>	<u>2024</u>			<u>2015</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Sulphur Springs ISD	663	1	6.06%	648	1	5.16%
Grocery Supply Company	540	2	4.94%	430	4	3.42%
Saputo Foods, Inc.	540	3	4.94%	325	5	2.59%
Hopkins County Hospital	463	4	4.23%	536	2	4.27%
Wal-Mart Stores, Inc.	375	5	3.43%	435	3	3.46%
CMH Manufacturing	293	6	2.68%	260	7	2.07%
Signature Solar	257	7	2.35%			
Hopkins County	252	8	2.30%	180	9	1.43%
M&F Western Products	198	9	1.81%			
City of Sulphur Springs	183	10	1.67%	170	10	1.35%
Flowserve Inc.				213	8	1.70%
Owen Sausage				262	6	2.09%
Total	<u>3,764</u>		<u>34.41%</u>	<u>3,459</u>		<u>27.54%</u>

Source: Texas Workforce Commission

CITY OF SULPHUR SPRINGS
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years
(Unaudited)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
FUNCTION					
General Government	21	20	21	21	20
Public Safety:					
Police:					
Officers	29	29	28	28	28
Civilians	9	9	9	12	11
Fire	22	22	21	21	22
Highways and Streets	25	24	18	19	17
Culture & Recreation:					
Parks and Recreation	6	7	8	8	8
Libraries	5	4	4	4	6
Water	21	21	22	22	24
Sewer	<u>9</u>	<u>9</u>	<u>9</u>	<u>8</u>	<u>8</u>
Total	<u><u>147</u></u>	<u><u>145</u></u>	<u><u>140</u></u>	<u><u>143</u></u>	<u><u>144</u></u>

Source: Finance Department

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
16	18	17	16	17
28	28	29	29	29
13	10	10	10	11
22	22	22	22	22
18	12	17	17	17
12	12	10	11	8
6	4	4	4	4
24	26	25	24	26
8	9	9	9	8
<u>147</u>	<u>141</u>	<u>143</u>	<u>142</u>	<u>142</u>

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

	2015	2016	Fiscal Year 2017	2018	2019
FUNCTION					
Police					
Physical Arrests	944	893	743	912	952
Accidents	357	468	438	436	451
Citations	7,633	6,568	6,773	6,691	6,309
Fire					
Number of Calls Answered	1,455	1,505	1,561	2,204	2,305
Inspections	661	752	632	745	581
Highways & Streets					
Street Reconstruction (miles)	0.84	0.82	1.97	0.14	2.30
Street Resurfacing (miles)	-	3.44	0.86	1.60	1.52
Sanitation					
Refuse Collected (yd3/year)	118,966	118,487	124,287	118,827	132,695
Water					
New Connections	20	53	39	42	46
Water Main Breaks	220	135	127	133	121
Average Daily Consumption (thousands of gallons)	4,136	3,822	6,059	3,980	4,235
Miles of Water Lines Replaced	3.13	1.21	0.98	0.98	0.71
Wastewater					
Average Daily Consumption (thousands of gallons)	2,900	2,840	2,910	2,790	3,520
Miles of Sewer Lines Replaced	0.49	1.03	1.31	1.05	0.97

Sources: Various Government Departments

2020	2021	2022	2023	2024
639	508	536	563	557
454	462	427	347	322
5,664	6,063	6,370	6,015	6,102
2,168	2,855	2,923	3,066	2,684
222	245	275	269	313
1.66	2.39	2.46	1.07	2.57
4.25	1.91	2.21	0.91	3.16
144,632	140,461	162,764	166,494	168,602
46	41	73	43	50
117	113	189	146	175
4,713	4,457	4,700	4,483	4,310
0.71	0.32	0.37	0.83	0.87
3,400	3,320	3,820	3,350	3,360
0.67	1.02	0.36	0.83	0.38

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

	Fiscal Year				
	2015	2016	2017	2018	2019
FUNCTION					
Public Safety					
Police:					
Stations	1	1	1	1	1
Patrol Units	10	10	9	7	8
Fire Stations	2	2	2	2	2
Highway & Streets					
Streets (miles)	85	85	92	92	92
Culture & Recreation					
Parks Acreage	89	89	89	89	89
Parks	3	3	3	3	3
Swimming Pools	-	-	-	-	-
Tennis Courts	2	2	2	2	2
Water					
Water Mains (miles)	145	145	148	148	149
Fire Hydrants	875	875	943	943	943
Maximum Daily Capacity (thousands of gallons)	10,000	10,000	10,000	10,000	10,000
Sewer					
Sanitary Sewers (miles)	136	136	136	143	144
Maximum Daily Treatment Capacity (thousands of gallons)	5,400	5,400	5,400	5,400	5,400

Sources: Various City Departments

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

2020	2021	2022	2023	2024
1 9 2	1 9 2	1 9 2	1 9 2	1 9 2
92	92	92	97	97
89 3 - 2	89 3 - 2	89 3 - 2	89 3 - 2	89 3 - 7
149 943 10,000	149 943 10,000	149 943 10,000	155 943 10,000	158 1,017 10,000
144 5,490	144 5,490	145 5,490	144 5,490	145 5,490

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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

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

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

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)

Financial Advisory Services
Provided By:

